Supplement dated 18 November 2016

to the Base Prospectus dated 1 June 2016

€3,000,000,000

Programme for the Issuance of Loan Participation Notes

to be issued by, but with limited recourse to,

PKO Finance AB (publ)

(incorporated with limited liability under the laws of the Kingdom of Sweden)

for the sole purpose of financing senior and subordinated loans to

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

(incorporated as a joint stock company in the Republic of Poland)

This supplement (the "**Second Supplement**") constitutes the second supplement to and must be read in conjunction with the base prospectus dated 1 June 2016 as supplemented by means of the first supplement dated 5 September 2016 (the "**First Supplement**") (jointly, the "**Base Prospectus**") prepared by PKO Finance AB (publ) (the "**Issuer**") and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (the "**Borrower**" or the "**Bank**") with respect to the programme for the issuance of loan participation notes (the "**Notes**") referred to above (the "**Programme**").

The terms defined in the Base Prospectus have the same meanings when used in this Second Supplement. To the extent that there is any inconsistency between any statement in this Second Supplement and any other statement in or incorporated in the Base Prospectus, the statements in this Second Supplement will prevail.

An application has been made with the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the competent Luxembourgish authority for the purpose of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), and the relevant implementing measures in Luxembourg, to approve this document as a supplement.

Each of the Issuer and the Borrower accepts responsibility for the information contained in or incorporated by reference into the Second Supplement. To the best of their knowledge (having taken all reasonable care to ensure that such is the case), the information contained in the Second Supplement is in accordance with the facts and contains no omission likely to affect its import.

Publication of the Quarterly Financial Statements of the Borrower

This Second Supplement has been prepared pursuant to Article 16.1 of the Prospectus Directive and Article 13 of the Luxembourg Law on prospectuses for securities dated 10 July 2005 (the "**Luxembourg Law**") in connection with the release by the Borrower on 7 November 2016 of the condensed interim consolidated financial statements of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group for the nine-month period ended 30 September 2016 (the "**Unaudited Condensed Interim Consolidated Financial Statements**") and for the purposes of incorporating by reference the Unaudited Condensed Interim Consolidated Financial Statements as set out below. A copy of the Unaudited Condensed Interim Consolidated Financial Statements has been filed with the CSSF and is incorporated by reference into, and forms part of, this Second Supplement and, by virtue of this Second Supplement, is incorporated by reference into, and forms part of, the Base Prospectus.

The following information is included in the Unaudited Condensed Interim Consolidated Financial Statements on the indicated pages:

(a)	Consolidated Income Statement	4
(b)	Consolidated Statement of Comprehensive Income	5
(c)	Consolidated Statement of Financial Position	6
(d)	Consolidated Statement of Changes in Equity	7
(e)	Consolidated Statement of Cash Flows	8
(f)	Notes to the Condensed Interim Consolidated Financial Statements	9-54

The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements. Each of the Borrower and the Issuer accepts responsibility as to the accuracy and completeness of any translations into English set out in any documents incorporated by reference in this Base Prospectus.

Significant events that took place after the date of the Base Prospectus

Amendments to the Bank's Statute

On 8 September 2016 the amendments to the Bank's Statute adopted on 30 June 2016 were registered by the registry court. Accordingly, the following change is deemed to be introduced into the Base Prospectus:

(a) The second and third paragraphs of the section titled "*Supervisory Board*", subsection titled "*Powers*", on pages 148-149 of the Base Prospectus shall be deemed to be replaced with the following wording:

"Pursuant to the Bank's Statute, the powers of the Supervisory Board also include, in addition to the powers and duties provided for in the applicable laws and the provisions of the Bank's Statute, the adoption of resolutions related, in particular, to the following matters: (i) approving the strategy of the Bank adopted by the Management Board; (ii) approving the Bank's risk management strategy adopted by the Management Board and the general risk appetite; (iii) approving the annual financial plan adopted by the Management Board; (iv) appointing an entity to audit or review the consolidated and stand-alone financial statements of the Bank, granting permission to the signing of an engagement letter with such entity or any of its subsidiaries, affiliates, parent entities or the subsidiaries or affiliates of its parent entities, and to the performance of any other activities that might adversely affect the independence of any such entity in the performance of the audit or review of the Bank's financial statements; (v) adopting the Rules and Regulations of the Supervisory Board; (vi) adopting the regulations that set out the principles of granting credit facilities, loans, bank guarantees and sureties to members of the Management Board or the Supervisory Board and persons holding managerial positions in the Bank, as well as to entities linked by participation or control with members of the Management Board or the Supervisory Board and persons holding managerial positions in the Bank, in accordance with Article 79a of the Polish Banking Law; (vii) appointing and dismissing the president, the vice-presidents and other members of the Management Board by secret vote; (viii) suspending, for important reasons, all of or selected members of the Management Board in the performance of their duties, and delegating members of the Supervisory Board, for up to three months, to temporarily perform the duties of the members of the Management Board who were dismissed, resigned or are unable, for other reasons, to perform their duties; (ix) granting consent to opening or closing branches abroad; (x) approving the rules and regulations adopted by the Management Board and concerning the Management Board, the management of special funds created from net profits, and the organisation of the Bank, as well as resolutions concerning the principles of information policy regarding capital adequacy, the guiding principles of the compliance risk management policy, the rules of the management of capital adequacy and equity, in particular regarding the processes of internal capital assessment, capital management and planning as well as the dividend policy, the rules of operation of the internal control framework and the principles of functioning of the internal audit system; (xi) approving the periodical reports of the Management Board on risk management, capital adequacy and the internal audit system; (xii) applying to the PFSA for its consent to appoint two members of the Management Board, including the president of the Management Board and a member of the Management Board responsible for the management of a material risk in the operations of the Bank; (xiii) evaluation of the functioning of the remuneration policy in place at the Bank and presentation of a report thereon to the General Meeting; and (xiv) opinions on the "Principles of Corporate Governance for Supervised Institutions" applied by the Bank.

In addition, the Supervisory Board grants its consent to: (i) the acquisition and disposal of fixed assets with a value exceeding one-tenth of the equity of the Bank, excluding real property and rights of perpetual usufruct; (ii) except for the acts referred to in § 9 section 1.5 of the Bank's Statute, the acquisition and disposal of real property, an interest in real property or the right of perpetual usufruct, or the encumbrance thereof with a limited property right or making it available for use by a third party, if the value of the real property or the right that is the subject of such act exceeds one-fiftieth (1/50) of the share capital of the Bank – such consent is not required if the acquisition of real property, an interest in real property or a right of perpetual usufruct takes place as a part of enforcement, bankruptcy or arrangement proceedings or any other agreement with a debtor of the Bank, as well as in the event of legal transactions concerning the real property or rights acquired by the Bank in the manner described above, in such cases the Management Board shall only be required to notify the Supervisory Board of the performed act; (iii) the establishment of a company, the subscription for or the acquisition of shares, bonds convertible into shares or other instruments entitling it to acquire or subscribe for shares if the financial commitment of the Bank resulting from such act exceeds one-tenth of the equity of the Bank; (iv) any transaction to be entered into between the Bank and a shareholder holding at least 5% of the total voting rights in the Bank or with an affiliated entity, except for typical and routine transactions concluded on an arm's-length basis in the ordinary course of the Bank's operating activities, if such transactions are performed with entities of the Group."

(b) The second paragraph of the section titled "*Supervisory Board*", subsection titled "*Functioning*", on page 149 of the Base Prospectus shall be deemed to be replaced with the following wording:

"Meetings are convened when necessary, however, at least once a quarter. The Supervisory Board shall adopt resolutions in an open vote. A secret vote shall be ordered in personnel matters and at the request of at least one member of the Supervisory Board. The Supervisory Board adopts resolutions by an absolute majority of votes when at least half of the members of the Supervisory Board are present, including the Chairman or the Deputy Chairman of the Supervisory Board, except for resolutions on the matters referred to in § 15 section 1 items 1-4, 6-8 and 12 of the Bank's Statute, for which, except for the above quorum, a qualified majority of votes of two-thirds is required. The members of the Supervisory Board to whom the matter that is subject to the vote pertains shall be excluded from the vote."

(c) The second paragraph of the section titled "*Management Board*", subsection titled "*Powers of the Management Board*", on page 144 of the Base Prospectus shall be deemed to be replaced with the following wording:

"Resolutions of the Management Board shall be required for all matters that exceed the scope of the ordinary activities of the Bank."

Changes to the composition of the Management Board

On 5 October 2016, Piotr Alicki resigned from his position as a member of the Bank's Management Board effective as of 30 October 2016.

On 3 November 2016, the Supervisory Board of the Bank appointed Janusz Derda to the position of Vice–President of the Bank's Management Board effective as of 1 December 2016 for the current joint term of office of the Bank's Management Board.

Accordingly, the following changes are deemed to be introduced into the Base Prospectus:

(a) The current wording of the section titled "*Members of the Management Board*" on pages 145 to 148 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"As at the date of the Second Supplement to the Base Prospectus, the Management Board consists of seven members. The number does not include Janusz Derda whose term of office will begin as of 1 December 2016.

The current term of office of the members of the Management Board commenced on 26 June 2014 and will expire on the date of the General Meeting approving the financial statements for the financial year ended 31 December 2016.

The table below presents a list of the members of the Management Board, their age, position, the date on which their current term began and the expiration date of their current term of office.

Name	Age	Position	Date on which the current term began	Expiration of the term of office
Zbigniew Jagiełło	52	President of the Management Board	26 June 2014	On the date of the general meeting of the shareholders held in 2017
Bartosz Drabikowski	45	Vice-President of the Management Board in charge of Finance and Accounting	26 June 2014	On the date of the general meeting of the shareholders held in 2017
Maks Kraczkowski	37	Vice-President of the Management Board Supervising the area of International and Transaction Banking and Cooperation with Local Governments and Government Agencies	4 July 2016	On the date of the general meeting of the shareholders held in 2017
Mieczysław Król	58	Vice-President of the Management Board, Acting Head of the Banc assurance Area	6 June 2016	On the date of the general meeting of the shareholders held in 2017
Piotr Mazur	49	Vice-President of the Management Board in charge of Risk Management	26 June 2014	On the date of the general meeting of the shareholders held in 2017
Jakub Papierski	43	Vice-President of the Management Board in charge of Corporate and Investment Banking	26 June 2014	On the date of the general meeting of the shareholders held in 2017
Jan E meryk Rościszewski	51	Vice-President of the Management Board, Acting Head of the Retail Banking Area	18 July 2016	On the date of the general meeting of the shareholders held in 2017
Janusz Derda*	47	Vice-President of the of the Management Board	1 December 2016*	On the date of the general meeting of the shareholders held in 2017

**On 3 November 2016, Janusz Derda was appointed by the Supervisory Board to the position of Vice-President of the Management Board effective as of 1 December 2016 for the current joint term of office."*

(b) A brief description of the qualifications and professional experience of Piotr Stanisław Alicki set out in the section titled "*Members of the Management Board*" on pages 146-147 shall be deemed to be deleted.

(c) A brief description of the qualifications and professional experience of Janusz Derda set out at the end of the section titled "*Members of the Management Board*" on page 146 shall be deemed to be added as follows:

"Janusz Derda

Janusz Derda graduated from the Faculty of Mathematics, Physics and Chemistry of Wrocław University (faculty: Information Technology, specialisation: Programming of Numerical Methods).

He has vast experience in managing IT projects in the banking sector, developing IT systems architecture, developing IT solutions for scoring tools and automation of the processing of loan applications. In 1994-95, he worked for Z.E.T.O. Opole sp. z o.o. as a designer and programmer. In 1997, he joined INEKOM s.c. in Opole. In 1998 – 2000, he was employed by Wielkopolski Bank Kredytowy, 1. Branch in Opole, and in 2000 by Bank Zachodni WBK S.A., initially in the credit team and then in the CSR team. Subsequently, he moved to the Central System Department of BZ WBK S.A., initially working as an expert and then as the Manager of the Process Development and Centralization Team, following which he was the Deputy Department Head for Development. In 2008-2010 he was Deputy Director of IT Area for Operations. In 2010-2016, he held the position of CIO of Bank Zachodni WBK S.A. in charge of creating a strategy of development of the IT systems architecture, business support and creation of IT solutions, control over the investment and operating budget of the IT area, business continuity of IT systems and ensuring the operational security of the IT systems. In June 2016, he joined Fiserv as Program Manager in charge of the implementation of a central system."

(d) The current wording of the first and second paragraphs of the section titled "*Shares in the Bank or Stock Options Owned by Members of the Management Board and the Supervisory Board*" on page 157 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"As at the date of the Second Supplement to the Base Prospectus, from among the members of the Management Board or the Supervisory Board, shares in the Bank are held by Zbigniew Jagiełło, who held 11,000 shares, Piotr Mazur, who held 4,500 shares, and Jakub Papierski, who held 3,000 shares.

As at the date of the Second Supplement to the Base Prospectus, except for Zbigniew Jagiełło, Piotr Mazur, and Jakub Papierski, no other member of the Management Board or the Supervisory Board owned any shares in the Bank or the Bank's stock options."

Change in the buffer ratio

On 10 October 2016, the Bank received a decision of the PFSA identifying the Bank as an 'other systemically important institution' and imposing on the Bank a buffer equivalent to 0.75% of the total amount of the risk exposure calculated in accordance with Art. 92 sec. 3 of EU Regulation No. 575/2013 on the basis of the assessment of the systemic importance of the Bank in accordance with Art. 39.6 of the Act of 5 August 2015 on Macro-Prudential Supervision and Crisis Management in the Financial Sector.

Additionally, on 18 October 2016, the Bank received the PFSA's decision on the amount of additional capital requirement covering the risk of foreign currency mortgage loans for households, at an individual level of 0.83 p.p., over the amount calculated in accordance with Art. 92 sec.1c of EU Regulation No. 575/2013, which should be composed of at least 75% of Tier 1 funds (which is the equivalent of the own funds requirement of 0.62 p.p. over the amount calculated in accordance with Art. 92 sec. 1b of EU Regulation No. 575/2013) and of at least 56% of Common Equity Tier 1 (equivalent to the own funds requirement of 0.46 p.p. over the amount calculated in accordance with Art. 92 item 1 letter b of EU Regulation No. 575/2013).

Accordingly, the following changes are deemed to be introduced into the Base Prospectus:

(a) The fourteenth paragraph of the section titled "*Risk Relating to the Group's Business – Increased Regulation of the Financial Services and Banking Industry in Poland and Internationally Could Adversely Affect the Group's Business, Financial Condition and Results of Operations*" on page 15 of the Base Prospectus shall be deemed to be replaced with the following wording:

"Due to the situation with the PLN/CHF exchange rate, in March 2015, some banks (among others, the Bank, mBank S.A. and BZ WBK S.A.) with significant CHF-denominated loan portfolios received from the PFSA a recommendation to withhold their entire net profit earned for the period from 1 January 2014 to 31 December 2014 until the PFSA is able to determine whether and what additional capital requirements it may impose. On 23 October 2015, the Bank received a recommendation from the PFSA concerning the amount of additional shareholders' equity requirement. The PFSA recommended maintaining the Bank's equity to cover the additional capital requirement at 0.76 p.p. in order to hedge the mortgage FX loan risk, which should be composed of at least 75% of Tier 1 capital (the equivalent of 0.57 p.p.). Moreover, the PFSA recommended that the Bank withholds at least 50% of the profit generated during the period from 1 January 2014 to 31 December 2014. On 10 October 2016, the Bank received a decision of the PFSA identifying the Bank as an 'other systemically important institution' ("**O-SII**") and imposing on the Bank a buffer equivalent to 0.75% of the total amount of the risk exposure calculated in accordance with Art. 92 sec. 3 of EU Regulation No. 575/2013 on the basis of the assessment of the systemic importance of the Bank in accordance with Art. 39.6 of the Act of 5 August 2015 on Macro-Prudential Supervision and Crisis Management in the Financial Sector. Additionally, on 18 October 2016, the Bank received the PFSA's decision on the amount of the additional capital requirement covering the risk of foreign currency mortgage loans for households at an individual level at 0.83 p.p. over the amount calculated in accordance with Art. 92 sec.1c of EU Regulation No. 575/2013, which should be composed of at least 75% of Tier1 funds (which is the equivalent of the own funds requirement of 0.62 p.p. over the amount calculated in accordance with Art. 92 sec. 1b of EU Regulation No. 575/2013) and of at least 56% of the Common Equity Tier 1 (equivalent to the own funds requirement of 0.46 p.p. over the amount calculated in accordance with Art. 92 item 1 letter b of EU Regulation No. 575/2013)."

(b) The following paragraph shall be added as a final paragraph in the section titled "*Risk Relating to the Group's* Business *– The amount of Dividends paid by the Bank May Vary from Those Provided for in its Dividend Policy*" on page 27 of the Base Prospectus:

"On 18 October 2016, the Bank received the PFSA's decision on the amount of additional capital requirement covering the risk of foreign currency mortgage loans for households at an individual level at 0.83 p.p. over the amount calculated in accordance with Art. 92 sec.1c of EU Regulation No. 575/2013, which should be composed of at least 75% of Tier1 funds (which is the equivalent of the own funds requirement of 0.62 p.p. over the amount calculated in accordance with Art. 92 sec. 1b of EU Regulation No. 575/2013) and at least of 56% of the Common Equity Tier 1 (equivalent to the own funds requirement of 0.46 p.p. over the amount calculated in accordance with Art. 92 item 1 letter b of EU Regulation No. 575/2013). As at the date of the Second Supplement, the Bank fulfils the PFSA's requirements related to the minimum capital adequacy ratios."

(c) The following paragraph shall be added as a final paragraph and replace the final paragraph in the section titled "*Capital Adequacy and Risk Management Requirements – Polish Law Requirements*" on page 129 of the Base Prospectus, which was added under the First Supplement:

"On 5 August 2016, the Bank was informed that the PFSA, within the proceeding concerning the identification of the Bank as an 'other systemically important institution' ("**O-SII**") on the basis of an assessment of the systemic importance of the Bank in accordance with Art. 39.6 of the Act of 5 August 2015 on Macro-Prudential Supervision and Crisis Management in the Financial Sector, decided to submit a motion to the Financial Stability Committee for expressing an opinion in the matter of recognising the Bank as an 'other systemically important institution' and imposing on the Bank a buffer equivalent to 0.75% of the total amount of the risk exposure calculated in accordance with Art. 92 sec. 3 of EU Regulation No. 575/2013.

On 10 October 2016, the Bank received a decision of the PFSA identifying the Bank as an O-SII on the basis of the assessment of the systemic importance mentioned above. The PFSA's decision is immediately enforceable. As at the date of this Second Supplement, the Bank fulfils the PFSA's requirements related to the minimum capital adequacy ratios."

Conclusion of a material agreement with Raiffeisen Bank International AG regarding the purchase of shares in Raiffeisen-Leasing Polska S.A.

On 2 November 2016, the Bank (as the guarantor), Raiffeisen Bank International AG (as the seller) and PKO Leasing S.A. (as the purchaser) entered into a share purchase agreement related to the sale of 100% of the shares in Raiffeisen-Leasing Polska S.A.

Accordingly, the description of the above-mentioned transaction is deemed to be introduced into the Base Prospectus in the section titled "*Material Agreements – Material Share Purchase Agreements*" on page 81 of the Base Prospectus:

"*Acquisition of the Shares in Raiffeisen-Leasing Polska S.A.*

On 2 November 2016, the Bank (as the guarantor), Raiffeisen Bank International AG ("**RBI**") (as the seller) and PKO Leasing S.A. ("**PKO Leasing**") (as the purchaser) entered into a share purchase agreement related to the sale by RBI of 100% of the shares in Raiffeisen-Leasing Polska S.A. ("**RLPL**") to PKO Leasing (the "**Transaction**"). The purchase price agreed in the Transaction for 100% of the shares in RLPL amounts to PLN 850 million. As part of the Transaction, the Bank agreed to guarantee the payment obligations of PKO Leasing and agreed to replace the funding provided to RLPL by RBI and/or other members of RBI's group. The closing of the Transaction (comprising a transfer of 100% of the shares in RLPL to PKO Leasing) is subject, *inter alia*, to antimonopoly clearances."

Update on the Bank's Strategy for the years 2016-2020

The Management Board adopted the main goals and foundations of the development of the Bank's strategy for 2016-2020 which was approved by the Supervisory Board.

Accordingly, the ccurrent wording of the section titled "*Strategy*" on pages 56-58 of the Base Prospectus shall be deemed to be deleted and replaced with the following wording:

"***Overview***

At the end of 2015, PKO Bank Polski completed the implementation of its three-year strategy "The Best Every Day". In November 2016, the Management Board adopted the main goals and foundations of the development of the Bank's strategy for 2016-2020 "We Support the Growth of Poland and the Poles" which was approved by the Supervisory Board.

In recent years, PKO Bank Polski has strengthened its market position as a Polish banking sector leader. The new strategy is, in many aspects, based on unchanged values and development directions.

PKO Bank Polski's new strategy for 2016-2020 is a response to long-term challenges faced by the banking sector, i.e. regulatory challenges, polarising of customer needs, dynamic diffusion of new technologies, the local market – e.g. the decreased profitability of the banking sector, consolidation of the financial market and the ageing of the population.

In light of being the undisputed leader of the financial sector in Poland and maintaining its leading positions in all the key market segments, at the beginning of the new five-year strategy for PKO Bank Polski, the Bank defined the major challenges that it will face by the end of 2020 in its strategic goals, which include:

- supporting the development of Polish entrepreneurship, especially in the segment of Small and Medium-sized Enterprises;
- ensuring customer satisfaction;
- digitalisation of tools for customers and an increase in the number of customers using them;
- using simple and efficient processes – "faster and without paper";
- striving to be the best employer in the Polish banking sector;
- innovation and new sources of income;
- leader of cooperation in the area of cybersecurity.

Thanks to the strategy based on the levers of sustainable growth, the Bank's goals in 2020 will be:

1) Aligned with the customer and customer needs:

   Close to customers – offering products tailored to customer needs by building a simple and transparent product offer, high quality advice, flexible pricing, fast services in all channels and intuitiveness of offered solutions tailored to the customer segment;

2) Available whenever and wherever the clients need:

   Distribution excellence – offering a modern and at the same time accessible, local physical distribution network across the country, top class experience in digital channels, channel integration and supporting the processes with top of the range tools;

3) Steadily growing thanks to effective internal processes:

   Operational effectiveness – speed and effectiveness of decision-making using high-quality data and analytical tools, automatisation and digitalisation of processes – user-friendly and without unnecessary printouts ("Paperless bank for the customer and employees"); maximising the effective use of capital;

4) Open and dynamic, friendly and attractive as an employer

   Modern organisation – modern corporate culture and engaging leadership as a catalyst for change, a pleasant and inclusive workplace supporting diversity, friendliness and mutual trust coupled with responsibility and modern solutions eradicating bureaucracy;

5) Innovative for customers and the Polish economy:

   Innovation and technology – active involvement in the creation of new market-wide standards, innovative tools for the customers and the organisation, reinforcement of the role of a public trust institution and counteracting cyber threats;

6) The leader in the area of financial products and added services:

   Business model expansion – new non-interest income streams, new markets and business areas driven by customer needs, enhancing the availability of the offerings of the companies belonging to the Group. The main strategic priorities include:

   - development of an integrated model of the corporate group, enhancing synergies among the companies and monitoring the potential for non-organic growth,
   - support for Polish undertakings abroad and the development of a foreign banking model,
   - development of cooperation with strategic partners via loyalty platforms and open APIs,
   - commitment to new ideas and areas with future potential creating growth opportunities.

The Bank will continue to focus on combining the growth of shareholder value with social commitment and aim to achieve sustainable growth. In day-to-day operations, it will integrate its business objectives with actions benefiting all the stakeholder groups, while at the same time being involved in social initiatives. The Bank's values and transparent communication will be the key to developing a dialogue with its customers, employees, shareholders and local communities.

Strategic Targets until 2020

The Bank intends to achieve the following targets by the end of 2020:

- achieve a return on equity (ROE) over 10%;
- reduce the Cost to Income (C/I) ratio to below 45%;
- maintain the risk cost in the range of 75-85 bps;
- effectively and rationally manage its capital adequacy, ensuring that the TCR and CET1 are above the regulatory and supervisory minima allowing it to pay out dividend."

Implementation of the Bank Recovery and Resolution Directive (BRRD) into Polish Law

Recently, the relevant regulations of the Bank Recovery and Resolution Directive (the "**BRRD**") have been implemented to Polish Law through the Act dated 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Mandatory Restructuring.

Accordingly, the following changes are deemed to be introduced into the Base Prospectus:

(a) The last paragraph of the section titled "*Risk Relating to the Group's Business - The Implementation of the Bank Recovery and Resolution Directives into Polish Law May Adversely Affect the Group's Business, Financial Condition, Results of Operation or Prospects*" on page 16 of the Base Prospectus shall be deemed to be replaced with the following wording:

"The relevant regulations of the BRRD were implemented in Poland under the Act dated 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Mandatory Restructuring (the "**Act on the Bank Guarantee Fund**"), which came into force on 9 July 2016 and 9 October 2016 (certain provisions of this legislation will come into force on 11 February 2017). The Act on the Bank Guarantee Fund modified the legal framework of the deposit guarantee scheme in Poland, operated by the Bank Guarantee Fund and developed a framework allowing for the orderly resolution of financial institutions. The Act on the Bank Guarantee Fund also repealed the existing restructuring and support measures under Polish law to bring the relevant provisions in line with the BRRD framework. In this respect, the Act on the Bank Guarantee Fund amended several other related legal acts, including legislation on financial instruments, insolvency, financial market supervision and recapitalisation of financial institutions. The Bank will need to comply with the Act on the Bank Guarantee Fund and adjust its operations to the new requirements. The introduction of the new regulations and the resulting changes in the regulatory requirements may have an adverse effect on the Group's business, financial conditions and results of operation."

(b) The last paragraph of the section titled "*European Law Requirements*" on pages 130-131 of the Base Prospectus shall be deemed to be replaced with the following wording:

"The relevant regulations of the BRRD were implemented in Poland under the Act dated 10 June 2016 on the Bank Guarantee Fund, the Deposit Guarantee Scheme and Mandatory Restructuring, which came into force on 9 July 2016 and 9 October 2016 (certain provisions will come into force on 11 February 2017)."

Update regarding a Significant/Material Change statement in the Base Prospectus

In connection with the above-referenced events, the following amendment is deemed to be introduced into the Base Prospectus:

(a) The paragraph titled "*Significant/Material Change*" on page 232 shall be deemed to be replaced with the following wording:

"3. There has been no material adverse change in the prospects of the Issuer since 31 December 2015, and there has been no significant change in the financial or trading position of the Issuer since 31 December 2015. There has been no material adverse change in the prospects of the Borrower and its subsidiaries since 31 December 2015 and, except as disclosed in the First Supplement and the Second Supplement, there has been no significant change in the financial or trading position of the Borrower and its subsidiaries since 30 September 2016."

General

Save as disclosed in this Second Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus that is material in the context of the Programme since the date of the publication of the First Supplement.

Copies of this Second Supplement and of the document incorporated by reference into this Second Supplement can be obtained, free-of-charge, at specified offices of Citibank, N.A., London Branch and Banque Internationale à Luxembourg, unless such documents have been modified or superseded. This Second Supplement, as well as the document which has been incorporated by reference into this Second Supplement, will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In accordance with Article 16.2 of the Prospectus Directive and Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for securities before the publication of this Second Supplement have the right, exercisable within a time limit of two working days after the publication of this Second Supplement, i.e. 22 November 2016, to withdraw their subscription orders.