

Description of the Dual-Currency and Investment Deposits



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The terms used in this Description of the Dual-Currency and Investment Deposits (hereinafter referred to as the “**Transaction Description**”) shall have meanings ascribed to them in the Terms and Conditions “Rules for Cooperation for Financial Market Transactions”, unless otherwise defined herein.

§ 1. Definitions

1. The terms used in this Description shall have the following meanings (in the alphabetical order):
 - 1/ **Barrier Level** (13)¹ – a level of the FX rate agreed between the Parties on the basis of which an occurrence of the Knock-out Event is determined; depending on whether the Barrier Level is below or above the spot rate from the moment of entering into the Transaction, the Knock Up & out or the Knock Down & out Level is distinguished respectively;
 - 2/ **Base Currency** (16) – a currency, the unit value of which (rate) is denominated in the Non-Base Currency.
 - 3/ **Bonus** (2) – an amount denominated in the Dual-Currency Deposit Currency paid to the Customer on the Dual-Currency Deposit maturity date in exchange for the Bank’s right to convert the Deposit Currency into the Other Deposit Currency at the Strike Rate;
 - 4/ **Deposit** (10) – a Dual-Currency Deposit or an Investment Deposit;
 - 5/ **Deposit Amount** (9) – an amount denominated in the Deposit Currency, that the Customer puts at the Bank’s disposal on the Deposit begin date;
 - 6/ **Deposit Currency** (17) – a currency, in which the Deposit Amount that the Customer puts at the Bank’s disposal on the Deposit begin date is denominated;
 - 7/ **Deposit Interest Calculation Formula** (5) – a detailed method of calculation of interest on the Investment Deposit;
 - 8/ **Deposit Term** (11) – a period from the Deposit begin date (including that date) until the Deposit maturity date (excluding that date);
 - 9/ **Fixing Date** (4) – a date falling two (2) Business Days before the Deposit maturity date, unless the Parties decide otherwise;
 - 10/ **Handling Fee** (12) – a fee charged to the Customer for early withdrawal of the Investment Deposit;
 - 11/ **Knock-out Event** (14) – a situation where, during the period from the Transaction begin date (including that date, however not earlier than at the moment of entering into the Transaction) until the Fixing Date (including that date, however not later than until the time of publication of the Reference Rate), the spot rate at which the currency buy or sell transactions entered into on the interbank FX market were - in the Bank’s opinion:
 - 12/ **Non-Base Currency** (18) – a currency, in which a price of a unit (or of a specific number of units) of the Base Currency is denominated;
 - 13/ **Other Deposit Currency** (3) – a currency into which the Bank may convert the Deposit Amount along with interest and the Bonus on the Deposit maturity date;
 - 14/ **Reference Rate** (7) – a type of FX rate agreed between the Parties, the value of which is determined on the Fixing Date in order to determine the Settlement Rate (unless otherwise agreed between the Customer and the Bank, the fixing rate of the National Bank of Poland shall be considered the Reference Rate);
 - 15/ **Settlement Rate** (8) – an FX rate established on the basis of the Reference Rate and being the basis for determining the manner of settling the Dual-Currency Deposit;
 - 16/ **Strike Rate** (6) – the Base Currency rate agreed on the date on which the terms of the Transaction are agreed, quoted in the Non-Base Currency units, at which the Bank has the right to convert the Dual-Currency Deposit Amount deposited by the Customer along with interest and the Bonus;
 - 17/ **Transaction** (15) – for the purposes hereof: the Dual-Currency Deposit or the Investment Deposit;
 - 18/ **Underlying Asset** (1) – a name of shares, stock exchange index, commodity, goods, currency or other financial instrument on the fluctuation in the value of which the interest rate of the Investment Deposit depends;
2. Any other capitalised terms not listed in § 1.1 above are defined in the content hereof.

§ 2. Dual-Currency Deposits

1. A Dual-Currency deposit is a Transaction consisting of a fixed interest rate term deposit and of an FX option sold by the Customer (“**Dual-Currency Deposit**”). A Dual-Currency Deposit is a derivative within the meaning of MIFID.
2. Upon entering into the Dual-Currency Deposit, the Customer and the Bank shall agree on the following Transaction terms:
 - 1/ Deposit Amount and Deposit Currency,
 - 2/ Other Deposit Currency,
 - 3/ Deposit begin date,
 - 4/ Deposit maturity date,
 - 5/ Deposit interest,
 - 6/ Bonus amount,
 - 7/ Strike Rate,
 - 8/ Reference Rate type,
 - 9/ Settlement Rate calculation method based on the Reference Rate,
 - 10/ Fixing Date.
- 2¹. If, when entering into a Dual-Currency Deposit, the Customer and the Bank fail to agree on the Settlement Rate calculation method based on the Reference Rate, the Reference Rate shall be construed as the Settlement Rate.
3. In addition to the terms specified in § 2.2 above, the Parties may also agree on the Knock down & out Level or the Knock up & out Level.
4. On the date of opening of the Deposit, the Customer shall put the Deposit Amount at the Bank’s disposal.
5. Depending on how high the Settlement Rate calculated by the Bank on the basis of the Reference Rate as at the Fixing Date is, the Transaction may be settled in either way:
 - 1/ on the Deposit maturity date the Bank shall hand over the Deposit Amount together with interest and the Bonus in the Deposit Currency to the Customer, if:
 - a/ the Deposit Currency is the Non-Base Currency and no Barrier Level has been determined, or a Barrier Level has been determined but no Knock-out Event has occurred and the Settlement Rate is higher than or equal to the Strike Rate; or
 - b/ the Deposit Currency is the Base Currency and no Barrier Level has been determined or a Barrier Level has been determined but no Knock-out Event has occurred and the Settlement Rate is lower than or equal to the Strike Rate; or
 - c/ a Knock-out Event has occurred.
 - 2/ on the Deposit maturity date the Bank shall hand over the Deposit Amount together with interest and the Bonus converted to the Other Deposit Currency at the Strike Rate to the Customer, if:
 - a/ the Deposit Currency is the Non-Base Currency and no Barrier Level has been determined or a Barrier Level has been determined but no Knock-out Event has occurred and the Settlement Rate is lower than the Strike Rate; or
 - b/ the Deposit Currency is the Base Currency and no Barrier Level has been determined or a Barrier Level has been determined but no Knock-out Event has occurred and the Settlement Rate is higher than the Strike Rate.
6. In the case referred to in § 5.2 above the Bank may, based on instructions given by the Customer by phone until 10 a.m. on the Fixing Date, disburse funds in the Deposit Currency. The amount due in the Other Deposit Currency is then converted to the Currency Deposit at the Settlement Rate.
7. The interest rates are determined per annum. Interest on the Deposit shall not be subject to any changes throughout the Deposit Term. The interest shall accrue on the basis of the actual number of days of the Deposit Term assuming that a year has 365 days.

§ 3. Investment Deposits

1. An investment deposit is a Transaction combining the components of a term deposit and an investment on the financial market and other markets, in particular the stock exchange and commodity markets (the “**Investment Deposit**”). An Investment Deposit is a structured deposit within the meaning of MIFID. Interest on the Investment Deposit depend on the fluctuations in the value of the Underlying Asset.

¹ Translator’s note: the number at the end of definition means its ordinal number in the Polish language version.

2. The Investment Deposit shall be opened on the basis of an instruction to open such deposit placed by the Customer and upon payment of the Deposit Amount to the Bank.
3. An instruction to open the Investment Deposit shall be made by way of agreement between the Customer and the Bank on the following terms of the Transaction:
 - 1/ Deposit Amount and Currency;
 - 2/ Deposit Term;
 - 3/ Underlying Asset;
 - 4/ Deposit Interest Calculation Formula; and
 - 5/ Handling Fee.
4. On the Deposit begin date the Customer shall pay in to the Bank the funds for the purpose of opening the Investment Deposit .
5. The Bank shall have the right to withdraw from the opening of the Investment Deposit without giving any reason. In such case, the Bank shall transfer the Deposit Amount to the Customer on the date of opening of the Investment Deposit. If the Bank withdraws from the opening of the Investment Deposit, the Bank shall not issue a Deposit opening confirmation.
6. If the Bank opens the Investment Deposit , the Bank shall transfer the Deposit Amount and the interest on the Deposit to the Customer on the Deposit maturity date, subject to § 3.8 - § 3.11 below, and § 4 below.
7. The amount of interest on the Investment Deposit shall be calculated in accordance with the Deposit Interest Calculation Formula.
8. The maximum amount of interest on the Investment Deposit on the interest payment date may not be higher at the rate per annum than the quadruple of the lombard rate of the National Bank of Poland applicable on the interest payment date or than a different substitute benchmark resulting from the mandatory provisions of law.
9. The Customer may place an instruction for early payment of interest on the Investment Deposit.
10. An instruction for early payment of interest on the Investment Deposit shall be placed by way of agreement between the Bank and the Customer on the following terms (in the appropriate manner for agreeing on the Transaction terms):
 - 1/ Deposit name;
 - 2/ Deposit begin date;
 - 3/ Deposit Amount and Deposit Currency;
 - 4/ amount of early interest; and
 - 5/ early interest payment date.
11. In the case of placing an instruction for early payment of interest on the Investment Deposit, the Bank shall transfer the early interest in the agreed amount to the Customer on the early interest payment date falling not later than on the third Business Day after the date when the Bank has accepted the Customer's instruction.
12. In the case of placing an instruction for early payment of interest on the Investment Deposit , the Bank shall pay the Deposit Amount excluding interest on the Investment Deposit to the Customer on the Deposit maturity date.

§ 4. Rules for early withdrawal of the Deposit

1. The Customer may early withdraw his/her Deposit. To this end, the Customer shall place an early Deposit withdrawal instruction.
2. The Customer may withdraw the Deposit Amount in whole or in part.
3. An early Deposit withdrawal instruction shall be made by way of agreement between the Bank and the Customer on the following terms (in the appropriate manner for agreeing on the Transaction terms):
 - 1/ initial Deposit Amount and the Deposit Currency;
 - 2/ Deposit Amount subject to withdrawal;
 - 3/ in the case of the Dual-Currency Deposit:
 - a/ a fee due for the Bank's waiver of the right to convert the Deposit Amount denominated in the Deposit Currency to the Other Deposit Currency at the Strike Rate;
 - b/ the amount of the Bonus due for the withdrawal of the Deposit Amount (calculated proportionally to the withdrawn Deposit Amount);
 - 4/ in the case of the Investment Deposit:
 - a/ Deposit name;
 - b/ amount of early interest;
 - c/ amount of the Handling Fee.
4. Unless the Parties agree otherwise, on the second Business Day after the Customer has placed an instruction to early withdraw the Dual-Currency Deposit:
 - 1/ the Bank shall transfer to the Customer the withdrawn Deposit Amount denominated in the Deposit Currency, interest due in accordance with the agreed interest rate for the actual period of maintaining the Deposit calculated on the withdrawn Deposit Amount and the agreed amount of the Bonus on the withdrawn Deposit Amount , subject to § 4.2 below;
 - 2/ the Bank shall reduce the withdrawn Deposit Amount by a fee due for the Bank's waiver of the right to convert the withdrawn Deposit Amount denominated in the Deposit Currency to the Other Deposit Currency at the Strike Rate.
5. Given the market risk, the Bank shall calculate a fee due for the Bank's waiver of the right to convert the withdrawn Deposit Amount denominated in the Deposit Currency to the Other Deposit Currency on the basis of the current values of the following:
 - 1/ the rate of the Base Currency denominated in the Non-Base Currency units;
 - 2/ the interest rates in the Deposit Currency and in the Other Deposit Currency;
 - 3/ the currency rate volatility level referred to in § 4.5.1 above.
6. Unless the Parties agree otherwise, the Bank shall transfer to the Customer the withdrawn Deposit Amount together with the agreed early interest reduced by the Handling Fee on the second Business Day after the Customer has placed the early Investment Deposit withdrawal instruction.
7. The rules for calculation of the interest rate and the manner of settlement of the remaining portion of the Deposit, which has not been early withdrawn, shall remain unchanged, with the provision that in the case of the Dual-Currency Deposit the amount of the Bonus paid on the Deposit termination date shall be reduced by the amount of the Bonus paid due to early withdrawal of the Deposit.

§ 5. Non-delivery of funds

1. If the Customer fails to put the Deposit Amount at the Bank's disposal on the Deposit opening day, the Transaction shall not take effect.
2. In the case referred to in § 5.1 above, the Customer shall pay the Bank a fee for handling the Transaction.

§ 6. General description of market risks associated with execution of the Dual-Currency Deposits

When contemplating entering into a Transaction, the Customer should in particular consider the following:

The market risks, i.e. the risk of an adverse effect, from the Customer's point of view, of changes of the market risk factors on the Transaction – both on the Dual-Currency maturity date and in the case of an early withdrawal thereof. The Customer should be aware that on the Deposit maturity date the Deposit Amount together with interest and the Bonus may be potentially disbursed in the Other Deposit Currency after converting them at the Strike Rate, which will be less favourable for the Customer than the Settlement Rate determined on the basis of the Reference Rate. A loss that the Customer may incur as a result of the difference between the Strike Rate and the Settlement Rate may be substantial and may several times exceed the amount of the Bonus received by the Customer. In the case of an early withdrawal of the Deposit, the Bank shall charge the Customer with a fee for the Bank's waiver of the right to convert the Deposit Currency to the Other Deposit Currency at the Strike Rate. The amount of the fee may be substantial and may several times exceed the amount of the Bonus received by the Customer. The main risk factor for the Dual-Currency Deposits consists in the FX risk and in the case of an early withdrawal of the Deposit – in the risk of volatility (the parameter used for pricing of FX options) and the interest rate risks applicable to the currencies constituting the subject of the Transaction. The FX rate risk is the risk of a change of the FX rate levels that is unfavourable from the point of view of the Transaction that has been entered into. The volatility risk (the parameter used for evaluation of the FX options) is a risk of change of the market volatility levels for a currency pair constituting the subject of the Transaction that is unfavourable from the point of view of a fee for early withdrawal of the Deposit that is charged to the Customer. The interest rate risk is a risk of change of the interest rate market levels for the currencies constituting the subject of the Transaction that is unfavourable from the point of view of a fee for early withdrawal of the Deposit that is charged to the Customer. Changes in the said market risk factors depend on many macro-economic parameters, in particular on the economic growth rate, inflation level and inflation expectations, budget deficit level, current account deficit, or the relations between demand and supply on the FX market, the FX options market and the interest rate market.

§ 6¹. General description of market risks associated with execution of the Investment Deposits

When contemplating entering into a Transaction, the Customer should in particular consider the following:

The market risks, i.e. the risk of an adverse effect, from the Customer's point of view, of changes of the market risk factors on the Transaction – both on the Investment Deposit maturity date and in the case of an early withdrawal thereof. The Customer should be aware that on the Deposit maturity date, the payment of interest depends on the value of the Underlying Asset. In the case of an early withdrawal of the Deposit, the Bank shall charge the Customer with a Handling Fee, which, in case of unfavourable market changes, may exceed the amount of the early interest. The main market risk factor for Investment Deposits is the risk of an unfavourable change of the value of the Underlying Asset or of the basket of Underlying Assets, and in the case of an early withdrawal of the Deposit – also the risk of volatility (the parameter used for pricing of the Underlying Assets options) and the interest rate risks applicable to the Transaction currency. The risk of a change of the value of the Underlying Asset is the risk of a change of the price of the Underlying Asset that is unfavourable from the point of view of the Transaction that has been entered into. The volatility risk (the parameter used for evaluation of the Underlying Assets options) is a risk of change of the market volatility levels for the Underlying Asset constituting the subject of the Transaction that is unfavourable from the point of view of the fee for early withdrawal of the Deposit that is charged to the Customer. The interest rate risk is a risk of a change of the market interest rate levels for the Transaction currency that is unfavourable from the point of view of the fee for early withdrawal of the Deposit that is charged to the Customer. Changes in the said market risk factors depend on many macro-economic parameters, in particular on the economic growth rate, inflation level and inflation expectations, budget deficit level, current account deficit, or the relations between demand and supply on the FX market, raw materials market, the options market relevant for the given Underlying Asset and the interest rate market.

§ 7. Effective Date

This Transaction Description shall become effective as of 3 January 2018.