

Enclosure No. 1
to Resolution No.73/2014 of the
Management Board
of RBS Bank (Polska) S.A.
dated 30 September 2014

**REGULATIONS
OF CONFLICT OF INTEREST MANAGEMENT
AT RBS BANK (POLSKA) S.A.**

I. GENERAL PROVISIONS

These Regulations of Conflict of Interest Management at RBS Bank (Polska) S.A. hereinafter referred to as the “Regulations”, have been drawn up in accordance with:

- a. provisions of the Act of 29 July 2005 on Trading in Financial Instruments (Journal of Laws of 2014, item 94, as amended) and in connection with Polish implementing rules to the Act, i.e.:
- b. Regulation of the Minister of Finance of 24 September 2012 on the mode and terms of conduct of investment companies, banks referred to in Article 70 section 2 of the Act on Trading in Financial Instruments, and custodian banks (Journal of Laws of 2012, item 1078 as amended),
- c. Regulation of the Minister of Finance of 24 September 2012 on specific technical and organisational requirements for investment companies, banks referred to in Article 70 section 2 of the Act on Trading in Financial Instruments and custodian banks and terms of estimation of internal capital by a brokerage house (Journal of Laws of 2012, item 1072).

as well as in accordance with:

- d. provisions of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments and Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC (hereinafter collectively referred to as the “MiFID requirements”);
- e. Corporate Governance Principles for Supervised Institutions issued by the Polish Financial Supervision Authority in 2014, entering into force on 1 January 2015.

These Regulations are compliant with the RBS Group’s standard “Global Conflict of Interest Management Policy” available on the Intranet at:

http://grmweb.fm.rbsgrp.net/grouprisk/policy/identifying_and_managing_our_conduct_risk/standards/conflicts_of_interest.asp

II. AIM

The aim of the “Regulations of Conflict of Interest Management at RBS Bank (Polska) S.A.” is to ensure that RBS Bank (Polska) S.A. (hereinafter referred to as the “Bank”) introduces a policy regulating basic principles of counteracting conflicts of interest, identification of cases which are or may be regarded as conflicts of interest, and

Bank's procedures implemented in the case a conflict of interest occurs as well as its management that does not violate client's interest.

As part of its operation, the Bank undertakes activities aiming at:

- a. protection of the interests of its clients, employees, and shareholders by appropriate identification, prevention and management of conflicts of interest that may potentially affect their legitimate interest, and
- b. ensuring professional, reliable, and fair provision of services by the Bank in the scope of financial instruments in compliance with the MiFID requirements.

In particular, the Regulations define:

- a. circumstances that may lead to a conflict between the interests of the Bank, persons related to the Bank and the Bank's obligation to act in the best interest of the client;
- b. measures and procedures of the conflict of interest management adjusted to the scope and type of the Bank's operation; and
- c. Bank's procedures in the scope of identification, management methods and disclosure of conflicts of interest that are adjusted to the scope and type of the Bank's operation as well as its internal organisational structure.

The Regulations apply to supervisory and management bodies, all employees of the Bank, and persons related in the scope of their operation.

III. DEFINITIONS

1. RBS Group – means companies in which shares are held by The Royal Bank of Scotland plc or other entities related organisationally or by equity to The Royal Bank of Scotland plc
2. client - means a legal person or an organisational unit with no legal personality to the benefit of which the Bank has provided, provides, or will provide services.
3. conflict of interest - means circumstances known to the Bank that may lead to a conflict between the interest of the Bank, persons related to the Bank (i.e. in particular, persons being a member of statutory bodies of the Bank, persons who have concluded an employment contract, a contract of mandate, or are in a similar legal relation with the Bank), and the Bank's obligation to act in a reliable way respecting the best interest of Bank's clients, as well as circumstances known to the Bank that may lead to a conflict between the interests of some of its clients.

4. related person with the Bank - means any person indicated below:
 - a. person being a member of statutory bodies of the Bank;
 - b. person who has concluded an employment contract, a contract of mandate, or is in a similar legal relation with the Bank;
 - c. natural person performing tasks indicated by the Bank;
 - d. entrepreneur entrusted by the Bank with the performance of activities related to banking activity;
 - e. person being a member of the management body of the entity performing tasks indicated by the Bank if the entity is a legal person,
5. employee - means Bank's employees employed under employment contracts, civil law contracts, as well as employees of other RBS Group's units seconded to provide work in RBS Bank (Polska) S.A. Additionally, persons employed by external entities who provide services to the benefit of the Bank (including banking activities regulated in particular by the Art. 6a - 6d of the Banking Law of 29 August 1997 (Journal of Laws of 2012, item 1376 with further amendments) i.e. outsourcing).

IV. SOURCES OF CONFLICTS OF INTEREST

The Bank's operation may give rise to situations that cause both potential and actual conflicts of interest.

A conflict of interest may arise in relations between:

- a. the interests of the Bank and the interests of Bank's client(s).
- b. the interests of (a) client(s) and the interests of another (other) Bank's client(s);
- c. the interests of the Bank or its clients and the interests of (an) employee(s);
- d. the interests of a Bank's client and a related person,

while the above list is non-exhaustive and a conflict of interest may also occur in another relation of the above mentioned entities.

In particular, the following situations constitute a potential source of a conflict of interest:

- a. there is a possibility of obtaining a benefit by the Bank or a related person, or preventing a loss resulting from obtaining no benefit, or suffering a loss by a Bank's client(s);
- b. the Bank or a related person is interested in achieving a specific result of a service or transaction concluded on behalf of a client in a manner conflicting with the client's interest;
- c. activities undertaken by the Bank favour one client over the other;
- d. the category of business activity pursued by the Bank or a related person and the category of business activity pursued by a client are similar;
- e. services are provided to at least two clients whose interests are divergent, i.e. one of the clients is interested in a specific result of a given service which conflicts with the interest of another client or only one client may obtain a benefit or prevent a financial loss at the expense of another client
- f. in connection with the service provided by the Bank to the client, the Bank or a related person receives a financial benefit from a third party, other than a Bank's client, which is other than standard commissions and fees (so-called "incentive").

The above situations serve as examples only and constitute a non-exhaustive list of events that may lead to a conflict of interest.

The Compliance Section keeps an electronic register of cases of potential or actual occurrence of a conflict of interest (e.g. the register of additional business activities reported by employees, dates on which conflicts of interest occurred and were disclosed, case studies, actions taken in relation to the identification of an existing or potential conflict of interest, participation in external organisations/ committees).

V. EXAMPLE CONFLICTS OF INTEREST

Potential conflicts may arise as a result of prohibited exchange or transfer of information regarding Bank's clients or unauthorised movement of employees within the RBS Group and, in certain circumstances, personal actions taken outside the Bank, such as:

- a. accepting or offering gifts or discounts from or to Bank's clients or suppliers which may influence actions that conflict with the interests of Bank's clients;
- b. pursuing additional business activities outside the Bank (even if no objection has been raised) or maintaining personal relations with a Bank's client which may potentially be detrimental to Bank's clients;

- c. performing transactions involving financial instruments of Bank's clients or the RBS Group;
- d. performing proprietary trading by related persons using information that is confidential or constitutes a professional secrecy, e.g. information on transactions planned but not implemented by a client for the purposes of personal benefits;
- e. favouring the interests of one client over the interests of other clients of the Bank due to a particular interest of the Bank or a related person;
- f. participation in the process of service provision and decision-making in relation to a client for whom a related person works, performs other functions or with whom it has family ties or other close relationship.

The above list is an example and constitutes a non-exhausted list of situations that may give rise to a conflict of interest at the Bank.

VI. CONFLICT OF INTEREST MANAGEMENT

The Bank takes actions aiming at preventing conflicts of interest and maintaining and functioning of effective processes of the conflicts of interest identification and management. The Procedure for preventing conflicts of interest at the Bank as well as appropriate organisational and procedural solutions in that scope play a key role in this respect. Actions taken by the Bank are proportionate to the scope and type of the Bank's operation.

Pursuing their professional duties, all employees of the Bank should act in a fair and ethical manner and take a diligent, reasonable and reliable approach in the best interest of the Bank, themselves, and Bank's clients.

Actions aiming at preventing conflicts of interest particularly involve:

1. Disclosure and identification

Since circumstances giving rise to a conflict of interest may not be clear, all potential conflicts of interest should be disclosed and reported to a Compliance Section by the employee before entering into a legal relation with the client.

2. Information obligations

- a. The Bank is obliged to inform the client about a potential or actual conflict of interest;
- b. the information obligation relates to a situation where a conflict of interest has been identified before the conclusion of a contract with the Bank, as well as to conflicts that arise after a contract with the client has been concluded.

Furthermore, it also covers situations in which the Bank cannot effectively manage a given conflict of interest;

- c. the information provided to the client should include data related to a given conflict of interest, so as to enable the client to make a deliberate investing decision and avoid the risk of the infringement of its interests. The range of information depends on a client's category in which the client is classified, according to MiFID requirements;
- d. services are provided to the client provided that the client confirms the receipt of the notification of the conflict of interest and independently and deliberately expresses its intent to enter into or continue the agreement with the Bank. In the case of conflicts arisen after an agreement has been entered into, the Bank should refrain from taking any actions until it receives a client's declaration relating to the continuation or termination of the agreement;
- e. the client's declaration should be submitted in writing or by e-mail.

In order to additionally strengthen the principle of the protection of the client's interest in the case of a conflict of interest, the Bank can introduce additional procedures regulating the process of decision-making in the scope of managing conflicts of interest by persons being members of the Bank's management body, in relation to which Bank's clients will be notified before their implementation.

- 3. In order to prevent situations which may give rise to conflicts of interest, the Bank implements appropriate organisational and procedural solutions indicated below that, among others, consist in:
 - a. preparation and implementation of the Regulations of the Prevention of disclosure of confidential information at RBS Bank (Polska) S.A.
 - b. taking actions preventing the flow of information classified as confidential or constituting a professional secrecy within the Bank (so-called "Chinese Walls"). Appendix No. 1 to the Regulations of the Prevention of disclosure of confidential information at RBS Bank (Polska) S.A. includes the Chinese Wall Crossing Form;
 - c. implementing the principle of employees' restricted access to material non-public information, in particular information related to clients, their strategy, and transactions. The principle is implemented by e.g. authorised access to rooms in which it is possible to access such information;
 - d. existence of internal barriers within the Bank (so-called "Chinese Walls") aimed at securing the exchange of confidential information, preventing its unreasoned flow and misuse, as system, procedural, as well as organisational and technical solutions;

- e. informing clients about basic principles of conflict of interest management adopted by the Bank and the possibility of providing detailed information on the principles upon the client's request;
- f. determination of an example list of situations that may give rise to a conflict of interest;
- g. collecting and analysing information on circumstances that may give rise to a conflict of interest and taking actions preventing conflicts of interest or its negative consequences;
- h. preparation and implementation of principles relating to proprietary trading performed by employees and related persons (Personal Account Dealing Policy at RBS Bank (Polska) S.A.) The regulations mentioned above aim at preventing conflicts of interest which consist in Bank's employees and members of managing and supervisory bodies of the Bank misusing confidential information related to clients and transactions concluded to their benefit;
- i. preparation and implementation of procedures regarding gifts and employees' participation in special events, organized by the entities in which Bank has business relations or events where employee represents the Bank;
- j. obliging all employees to inform the Bank about undertaking an independent business activity, providing services to other entities, and performing functions in management or supervisory bodies of other companies, which aims at eliminating a potential conflict of interest. All employees should inform their supervisors and the Compliance Section for carrying out or engaging in additional activities.

According to Corporate Governance Principles for Supervised Institutions, all members of the managing and supervisory body should refrain from pursuing professional or other activity that could give rise to a conflict of interest or influence their reputation as members of the Bank's management body in a negative way.

The Compliance Section keeps an electronic register of additional business activities reported by Bank's employees as well as members of the supervisory and managing bodies.

- k. limiting the possibility of representing the interests of the Bank by a Bank's employee or another person in Bank's relations with members of their families or friends and persons related to the Bank;
- l. ensuring an appropriate level of the independence of Bank's organisational units, separation of duties;
- m. monitoring and periodical reviews of the accuracy of the Bank's control systems and mechanisms.

- n. observing by all Bank's employees these Regulations of conflict of interest management at RBS Bank (Polska) S.A.

In some circumstances it may turn out that standard mechanisms applied by the Bank for the prevention of conflicts of interest are insufficient and despite their application there is a risk of a conflict of interest. In such a case, having considered circumstances in which a given transaction is made, the Bank can apply extraordinary measures, including, in particular, information barriers specific to the transaction or other additional methods of information segregation.

- 4. In the case of a conflict of interest, the following actions should be taken:
 - a. all Bank's employees and related persons having the knowledge of the conflict of interest are obliged to inform their supervisors who inform a Compliance Section employee.
 - b. having received such information, the Compliance Section employee is obliged to take measures aiming at explaining the situation and determining whether the conflict of interest has been actual;
 - c. shall they determine that the conflict of interest has been actual, the Compliance Section employee immediately informs the Management Board of the Bank about the fact and jointly undertake further steps (verification of occurred situation, implementation of respective organizational solutions in order to eliminate similar cases in the future, employee instruction, disciplinary action in consultation with the Human Resources Department and any other activity that may be necessary in occurred circumstances) ;
 - d. in the case of an actual or potential conflict of interest related to additional professional or other activities pursued by members of the Bank's supervisory body, the issue shall be forwarded to the Management Board and the founding body for further steps to be taken (abandonment of pursuing the activity, as well as excluding such a member of the supervisory body);
 - e. in the case of an actual or potential conflict of interest related to additional professional or other activities pursued by members of the Bank's managing body, the issue shall be forwarded to the Supervisory Board and the founding body for further steps to be taken (abandonment of pursuing the activity, as well as excluding such a member of the management body).
 - f. if a conflict of interest resulted from the violation of these Regulations by a Bank's employee and they are indisputably found guilty, the employee can be subject to disciplinary measures.

VII. FINAL PROVISIONS

1. These Regulations are subject to annual review.
2. The information on all amendments and the current version of these Regulations are published on the Bank's website www.rbsbank.pl and made available to the Client upon their request.