



The State Treasury of
THE REPUBLIC OF POLAND

Represented by

The Minister of Finance

€60,000,000,000

Euro Medium Term Note Programme

Application has been made to the Luxembourg Stock Exchange for notes (the "**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Simplified Base Prospectus to be listed on, and to be admitted to trading on, the regulated market of the Luxembourg Stock Exchange. The Notes may also have a secondary listing on the regulated market in Poland and be admitted to trading on such market.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Republic (as defined herein) and the relevant Dealer. The Republic may also issue unlisted Notes and/or Notes not admitted to trading on any market.

This Simplified Base Prospectus does not constitute a prospectus for the purposes of Article 5 of Directive 2003/71/EC, as amended.

Arranger

DEUTSCHE BANK

Dealers

BARCLAYS

CITIGROUP

DEUTSCHE BANK

GOLDMAN SACHS INTERNATIONAL

ING

SANTANDER

UBS INVESTMENT BANK

BNP PARIBAS

COMMERZBANK

ERSTE GROUP BANK

HSBC

J.P. MORGAN

**SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING**

UNICREDIT BANK

8 March 2018

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IMPORTANT NOTICES

The State Treasury of the Republic of Poland represented by the Minister of Finance ("Poland" or the "Republic") accepts sole responsibility for the information contained in this document.

This Simplified Base Prospectus should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein). This Simplified Base Prospectus is valid for one year from the date of this document.

The Republic has confirmed to the Dealers named under "Subscription and Sale" below that this Simplified Base Prospectus (including for this purpose, the relevant Final Terms) contains all information which is (in the context of the Programme and the issue of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that this Simplified Base Prospectus does not omit to state any material fact necessary to make such information (in the context of the Programme and the issue of the Notes) not misleading in any material respect.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Simplified Base Prospectus or any other document entered into in relation to the Programme and, if given or made, such information or representation should not be relied upon as having been authorised by the Republic or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and none of the Dealers and any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Simplified Base Prospectus or any responsibility for any acts or omissions of the Republic or any other person (other than the relevant Dealer) in connection with the issue and offering of the Notes. Neither the delivery of this Simplified Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Simplified Base Prospectus is true subsequent to the date hereof or the date upon which this Simplified Base Prospectus has been most recently amended or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial, economic, political or otherwise) of the Republic since the date thereof or, if later, the date upon which this Simplified Base Prospectus has been most recently amended or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Simplified Base Prospectus and Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Simplified Base Prospectus or the Final Terms comes are required by the Republic and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Simplified Base Prospectus or the Final Terms and other offering material relating to the Notes, see "Subscription and Sale". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Simplified Base Prospectus nor the Final Terms constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Republic, the Dealers or any of them that any recipient of this Simplified Base Prospectus or the Final Terms should subscribe for or purchase any Notes. Each recipient of this Simplified Base Prospectus or the Final Terms shall be taken to have made its own investigation and appraisal of the condition of the Republic.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €60,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to

compliance with the relevant provisions of the Dealer Agreement as defined under "Subscription and Sale".

In this Simplified Base Prospectus, unless otherwise specified, references to "U.S.\$", "U.S. dollars" or "USD" are to United States dollars, references to "EUR", "€" or "euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "złoty" or "PLN" are to Polish zloty, references to the "EU" are to the European Union, references to "Member States" are to member states of the EU, and references to the "EEA" are to the European Economic Area.

Translations of amounts from zloty to U.S. dollars or euro are solely for the convenience of the reader and, unless otherwise stated, are made at year end exchange rates. No representation is made that zloty, U.S. dollar or euro amounts referred to herein could have been or could be converted into U.S. dollar, euro or zloty, as the case may be, at any particular rate at all. The National Bank of Poland's foreign exchange rate for U.S. dollars on 7 March 2018 was PLN 3.3744 = U.S.\$1, whilst the National Bank of Poland's foreign exchange rate for euro on the same day was PLN 4.1922 = €1.

Unless otherwise stated, all annual information, including budgetary information, is based on calendar years.

The Republic is party to the 1958 New York Convention on recognition and enforcement of arbitration awards (the "**Convention**") and is bound by Regulation (EU) of the European Parliament and of the Council No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the "**Regulation Recast**"); foreign arbitration awards and foreign court judgments made or delivered in the countries party to the Convention or bound by the Regulation and Regulation Recast are generally recognised and enforceable in the Republic **provided that** the conditions of enforcement set out in the Convention or the Regulation or Regulation Recast are met. Foreign court judgments delivered in the countries which are not bound by the Regulation and Regulation Recast are all recognisable under Article 1145 of the Polish Code of Civil Procedure (Kodeks postępowania cywilnego) and enforceable under Article 1150 of the Polish Code of Civil Procedure in the Republic unless they fail to satisfy the requirements listed in Article 1146 of the Polish Code of Civil Procedure or they are not enforceable in the country of their origin with the exception of the foreign court judgments that were issued in the countries with which the Republic is bound by a relevant international treaty (bilateral or multilateral) and such treaty waives the application of the relevant provisions of the Code of Civil Procedure.

The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Amounts payable under the Notes may be calculated by reference to the reference rates. The Final Terms for any such Notes will specify whether the administrator for the relevant reference rate appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). However, Article 51 (Transitional provisions) of the Benchmark Regulation provides that index providers already providing a benchmark on 30 June 2016 have until by 1 January 2020 to apply for authorisation or registration in accordance with Article 34 (Authorisation and registration of an administrator) of the Benchmark Regulation and may continue to provide such an existing benchmark until 1 January 2020 or, where the index provider submits an application for authorisation or registration, unless and until such authorisation or registration is refused.

Certain figures included in this Simplified Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

According to the Polish Civil Code, the maximum rate of interest cannot be higher than two times the statutory interest rate (equal to the reference rate of the National Bank of Poland (the "NBP") plus 3.5 percentage points). Furthermore, the maximum rate of default interest cannot be higher than two times the default statutory interest rate (equal to the reference rate of the NBP plus 5.5 percentage points). As at 7 March 2018, the reference rate amounted to 1.50 per cent. Under the Polish Civil Code the restriction applies regardless of whether the agreement is governed by Polish or English law. There is a risk that Polish courts may refuse to recognise and enforce a foreign judgment for the payment of interest or default interest on the basis that it abuses the basic principles of Polish law if the rate of interest or default interest is higher than the relevant maximum rate.

In this Simplified Base Prospectus, reference to websites or uniform resource locators (URLs) are inactive textual references. The contents of any such website or URL shall not form part of, or be deemed to be incorporated into, this Simplified Base Prospectus.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RATINGS

As of the date of this Simplified Base Prospectus, the following credit ratings have been assigned to the Republic:

Rating Agency	Foreign Currency		Local Currency		Outlook
	Long-term	Short-term	Long-term	Short-term	
Fitch Ratings.....	A-	F2	A-	F1	Stable
Moody's Investors Service	A2	P-1	A2	P-1	Stable
S&P Global Ratings, acting through Standard & Poor's Credit Market Services Europe Limited	BBB+	A-2	A-	A-2	Stable

Sources: www.fitchratings.com, www.moody.com and www.standardandpoors.com

Fitch Ratings Limited, Moody's Investors Service Limited and Standard & Poor's Credit Market Services Europe Limited are all established in the EEA and are certified under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**").

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Such rating will not necessarily be the same as the rating(s) assigned to the Republic or to Notes already issued. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the EEA and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

ESMA is obliged to maintain on its website (www.esma.europa.eu/page/list-registered-and-certified-CRAs) a list of credit rating agencies registered and certified in accordance with the CRA Regulation. This list must be updated within 5 working days of ESMA's adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation. The ESMA website is not incorporated by reference into, nor does it form part of, this Simplified Base Prospectus.

Prospective investors who are European regulated investors (including credit institutions as defined in Directive 2006/48/EC, investment firms as defined in Directive 2004/39/EC, undertakings for collective investment in transferable securities (UCITS) as defined in Directive 85/611/EEC and institutions for occupational retirement provision as defined in Directive 2003/41/EC) should note that, in general, they are restricted from using a credit rating (as such term is defined in the CRA Regulation) for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

DOCUMENTS INCORPORATED BY REFERENCE

This Simplified Base Prospectus shall be read and construed in conjunction with any supplement hereto and, in relation to any Tranche of Notes, together with the relevant Final Terms, in each case on the basis that such supplement or such Final Terms is or are incorporated into and form part of this Simplified Base Prospectus, **provided, however, that** any statement contained in this Simplified Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Simplified Base Prospectus shall be deemed to be modified or superseded for the purposes of this Simplified Base Prospectus to the extent that a statement contained in any supplement to this Simplified Base Prospectus modifies or supersedes such statement (whether expressly, by implication or otherwise). Any such statement so modified or supplemented shall not be deemed to constitute a part of this Simplified Base Prospectus except as so modified or superseded.

The Republic will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, a copy of this Simplified Base Prospectus (or any document incorporated by reference in this Simplified Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

In addition, this Simplified Base Prospectus, any supplements hereto and the documents specified above as containing information incorporated by reference in this Simplified Base Prospectus will also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

UPDATE OF OR SUPPLEMENT TO SIMPLIFIED BASE PROSPECTUS

The Republic has undertaken that in the event that a significant new factor, material mistake or inaccuracy relating to the information included in the Simplified Base Prospectus arises or is noted which is capable of affecting assessment of the Notes which may be issued under the Programme or if the terms of the Programme are amended in a manner which would make the Simplified Base Prospectus, as supplemented, inaccurate or misleading, the Republic will update or amend this Simplified Base Prospectus or, as the case may be, publish a new Simplified Base Prospectus, for use in connection with any subsequent issue of Notes by the Republic.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is qualified in its entirety by the remainder of this Simplified Base Prospectus. Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this summary.

- Issuer:** The State Treasury of the Republic of Poland represented by the Minister of Finance.
- Arranger:** Deutsche Bank AG, London Branch.
- Dealers:** Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Erste Group Bank AG, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Société Générale, UBS Limited, UniCredit Bank AG and any other Dealer appointed from time to time by the Republic either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- Fiscal Agent:** Deutsche Bank AG, London Branch.
- Luxembourg Listing Agent:** Deutsche Bank Luxembourg S.A.
- Listing:** Each Series may be listed on the regulated market of the Luxembourg Stock Exchange and may also have a secondary listing on the regulated market in Poland, and/or be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Republic and the relevant Dealer and specified in the relevant Final Terms or may be unlisted.
- Clearing Systems:** Clearstream, Luxembourg and/or Euroclear and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
- Initial Programme Amount:** Up to €60,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
- Issuance in Series:** Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
- Final Terms:** Each Tranche will be the subject of the Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Simplified Base Prospectus and must be read in conjunction with this Simplified Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as supplemented, amended and/or replaced by the relevant Final Terms.
- Forms of Notes:** Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (the "**Classical Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for

Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (the "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issued date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies: Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes: The Notes constitute direct, general and unconditional obligations of the Republic and will at all times rank *pari passu* and without any preference among themselves. The full faith and credit of the Republic is pledged for the due and punctual payment of the principal of, and interest on, the Notes and the performance of all the Republic's other obligations under the Notes. The payment obligations of the Republic under the Notes will at all times rank at least equally with all the other present and future unsecured and unsubordinated indebtedness of the Republic, except for any obligation which may be preferred by mandatory provisions of applicable law.

Issue Price: Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities: Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Republic in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Republic in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of Financial Services and Markets Act 2000 (the "**FSMA**") by the Republic.

Redemption: Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in

the relevant Final Terms.

Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Republic (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Negative Pledge:	<p>The Notes will have the benefit of a negative pledge as described in Condition 5 (<i>Negative Pledge</i>). Subject to certain exceptions, so long as any Note remains outstanding, the Republic shall not, and shall not permit any Agency to, create or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon any of the Republic's assets or revenues, present or future, to secure any Public External Indebtedness of the Republic or of any other Person or any guarantee or indemnity thereof unless the Republic's obligations under the Notes, at the same time or prior thereto, are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by Noteholders as a Reserved Matter (as described in Condition 17 (<i>Meetings of Noteholders; Written Resolutions</i>)).</p> <p>"Public External Indebtedness" means any obligation incurred after 1945 for borrowed money (a) evidenced by bonds, notes or other securities which are or may be quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market and (b) denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of the Republic.</p>
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the Republic of Poland, unless the withholding is required by law. In that event, the Republic will (subject as provided in Condition 12 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Redenomination:	In respect of any Tranche of Notes, if the country of the Specified Currency becomes, or announces its intention to become, a Participating Member State, the Notes may be redenominated in euro in accordance with Condition 22 (<i>Redenomination, Renominalisation and Reconventioning</i>) if so specified in the relevant Final Terms.
Governing Law:	English law.
Enforcement of Notes in Global Form:	In the case of Global Notes, investors' rights against the Republic will be supported by a Deed of Covenant dated 8 March 2018, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the Republic of Poland and Japan, see " <i>Subscription and Sale</i> " below.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is intended to be issued in CGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or Euroclear Bank SA/NV ("**Euroclear**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be delivered on or prior to the issue date of the relevant Tranche of the Notes to a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Republic shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) in the case of a CGN, presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent;
- (ii) in the case of partial exchange of a NGN, confirmation from the common service provider that Euroclear and Clearstream, Luxembourg have made appropriate entries in their records to reflect the relevant exchange and, in the case of final exchange of a NGN, surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent or destruction of the Temporary Global Note by the common safekeeper in accordance with the Agency Agreement; and
- (iii) in either case, receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent

Global Note", then if (a) both Clearstream, Luxembourg or Euroclear and any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Republic shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Republic shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) both Clearstream, Luxembourg or Euroclear and any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Republic shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Exchanges of Notes and Specified Denominations

The exchange upon expiry of a period of notice or at any time options referred to above should not be expressed to be applicable if the Specified Denomination of the relevant Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to

and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Temporary Bearer Global Notes exchangeable for Definitive Notes.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

- (a) **Programme:** The State Treasury of the Republic of Poland represented by the Minister of Finance (the "**Republic**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €60,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of the final terms (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 8 March 2018 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Republic, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) **The Notes:** All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Fiscal Agent and the Paying Agent in Luxembourg.
- (e) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**" or the "**Holder**") and the holders of the related interest coupons, if any (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.
- (f) **Status:** The Notes are treasury bonds within the meaning of the Order of the Minister of Finance on the conditions of issuing treasury bonds to be offered on foreign markets dated 15 December 2010 (unified text: Journal of Laws of 2016 item 1884).

2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:
 - "**Accrual Yield**" has the meaning given in the relevant Final Terms;
 - "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;
 - "**Agency**" means any political sub-division, regional government, ministry, department, authority or statutory corporation of the Republic of Poland or the government thereof (whether or not

such statutory corporation is autonomous) and any corporation or other entity (but not any commercial corporation or other commercial entity) which is directly or indirectly controlled (whether by reason of whole or partial ownership, control over voting or other relevant decision-making power to direct management, the composition of management or otherwise) by the Republic of Poland or the government thereof and/or one or more Agencies;

"Business Day" means:

- (i) in relation to any sum payable in euro, a TARGET2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is so specified, means:
 - (A) if the 2000 ISDA Definitions apply, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); or
 - (B) if the 2006 ISDA Definitions apply, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified means:

(A) if the 2000 ISDA Definitions apply, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or

(B) if the 2006 ISDA Definitions apply, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30;

"**Early Termination Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) (the "**2000 ISDA Definitions**") or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant

Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) (the "**2006 ISDA Definitions**");

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Member State**" means a member state of the European Union;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Permitted Security Interest**" means:

- (i) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property (or property which forms part of a class of assets of a similar nature where the Security Interest is by reference to the constituents of such class from time to time); or
- (ii) any Security Interest existing on property at the time of its acquisition; or
- (iii) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; or

- (iv) any Security Interest securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing **provided that** such Security Interest applies to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, exploitation, sale or loss of, or failure to complete, or damage to, such properties; or
- (v) the renewal or extension of any Security Interest described in subparagraphs (i) to (iv) above, **provided that** the principal amount of the Public External Indebtedness secured thereby is not increased;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other jurisdiction or entity, including without limitation, a state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Project Financing" means any arrangement for the provision of funds which are to be used solely to finance a project for the acquisition, construction, development or exploitation of any property pursuant to which the persons providing such funds agree that the principal source of repayment of such funds will be the project and the revenues (including insurance proceeds) generated by such project;

"Public External Indebtedness" means any obligation incurred after 1945 for borrowed money (A) evidenced by bonds, notes or other securities which are or may be quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market and (B) denominated or payable, or at the option of the holder thereof payable, in a currency other than the lawful currency of the Republic;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Put Option Receipt" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer and/or an agent appointed by the Issuer in the market that is most closely connected with the Reference Rate;

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Time" has the meaning given in the relevant Final Terms;

"Security Interest" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of the Republic or any other type of preferential arrangement having similar effect over any assets or revenues of the Republic;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms;

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"Talon" means a talon for further Coupons;

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"TARGET2 Settlement Day" means any day on which TARGET2, or any successor to such system, is open;

"Treaty" means the Treaty on the Functioning of the European Union, as amended; and

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms.

- (b) **Interpretation:** In these Conditions:
- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
 - (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
 - (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
 - (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
 - (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
 - (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
 - (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
 - (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

The Notes constitute direct, general and unconditional obligations of the Republic and will at all times rank *pari passu* and without any preference among themselves. The full faith and credit of the Republic is pledged for the due and punctual payment of the principal of, and interest on, the Notes and the performance of all the Republic's other obligations under the Notes. The payment obligations of the Republic under the Notes will at all times rank at least equally with all the other present and future unsecured and unsubordinated indebtedness of the Republic, save only for any obligation which may be preferred by mandatory provisions of applicable law.

5. **Negative Pledge**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Republic shall not, and shall not permit (to the extent the Republic has the power to refuse such permission) any Agency to, create or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon any of the Republic's assets or revenues, present or future, to secure any Public External Indebtedness of the Republic or of any other Person or any guarantee or indemnity of the Republic in respect of Public External Indebtedness of any other Person unless, at the same time or prior thereto, and thereafter, the Republic's obligations under the Notes are secured equally and rateably therewith or have the benefit of

such other arrangement as may be approved by Noteholders as a Reserved Matter (as described in Condition 17 (*Meetings of Noteholders; Written Resolutions*)).

6. **Fixed Rate Note Provisions**

- (a) **Application:** This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) **Application:** This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated

by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

- (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer and/or an agent appointed by the Issuer will request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and will determine the arithmetic mean of such quotations;
- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Issuer and/or the agent appointed by the Issuer) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer and/or the agent appointed by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent or, in the case of (iv) and (v) above, the Issuer and/or the agent appointed by the Issuer is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Index-Linked Interest:** If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than four Business Days after the relevant Interest Determination Date. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Republic, the Paying Agents, the Noteholders and the Couponholders and, subject to the foregoing, no liability to any such Person will attach to the Calculation Agent in connection with its exercise or failure to exercise its powers, duties and discretions for such purposes.
8. **Zero Coupon Note Provisions**
- (a) **Application:** This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Dual Currency Note Provisions**

- (a) **Application:** This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Rate of Interest:** If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

10. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).
- (b) **Redemption at the option of the Republic:** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Republic in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Republic's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Republic to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (c) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 10(b) (*Redemption at the option of the Republic*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(b) (*Redemption at the option of the Republic*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (d) **Redemption at the option of Noteholders:** If the Put Option is specified in the relevant Final Terms as being applicable, the Republic shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(d), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(d), may be withdrawn; **provided, however, that if,**

prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(d), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (e) **No other redemption:** The Republic shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (d) above.
- (f) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(f) or, if none is so specified, a Day Count Fraction of 30E/360.

- (g) **Purchase:** The Republic and its Agencies may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (h) **Cancellation:** All Notes so redeemed or purchased by the Republic, and any unmatured Coupons attached to or surrendered with them may be cancelled or held and resold (**provided that** such resale is outside the United States, as defined in Regulation S under the United States Securities Act of 1933 (as amended)). Any Notes so purchased, while held by or on behalf of the Republic or any Agency, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders. Any Notes so cancelled will not be reissued.

11. Payments

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) **Interest:** Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Republic has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

- (d) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) **Unmatured Coupons void:** If the relevant Final Terms specify that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(d) (*Redemption at the option of Noteholders*), Condition 10(b) (*Redemption at the option of the Republic*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) **Payments on business days:** If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) **Payments other than in respect of matured Coupons:** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).

- (i) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Taxation**

All payments of principal and interest in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the Republic of Poland or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. In that event, the Republic shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder which is liable to such Taxes in respect of such Note or Coupon by reason of its having some connection with the Republic of Poland other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.

13. **Events of Default**

- (a) **Declaration of Acceleration:** If any of the following events (each an "**Event of Default**") occurs and is continuing:
 - (i) any amount of interest in respect of the Notes is not paid within 30 days of the due date for payment thereof; or
 - (ii) the Republic fails duly to perform or observe any of its material obligations under or in respect of the Notes which failure continues unremedied for 45 days after written notice thereof has been delivered by any Noteholder to the Republic at the Specified Office of the Fiscal Agent;

then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Republic (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Republic.

- (b) **Withdrawal of Declaration of Acceleration:** If the Republic receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Republic shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Republic gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Republic may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Republic and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Republic reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Republic shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Republic shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (as agreed to in writing by the Republic) the rules of which require the appointment of a Paying Agent in any particular place, the Republic shall maintain a Paying Agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

17. **Meetings of Noteholders; Written Resolutions**

- (a) **General:** The provisions for convening meetings of Noteholders as set out in Schedule 1 to the Agency Agreement shall apply to the Notes. The following is a summary of selected provisions in that Schedule.

For the purposes of Condition 13 (*Events of Default*), this Condition 17 and Schedule 1 to the Agency Agreement, a Note will be deemed to be "outstanding" as set out in Clause 1.3 of the Agency Agreement. In addition, in respect of a Note which is (a) held by the Republic or (b) held by the National Bank of Poland, a department, ministry or agency of the Republic, or by a corporation, trust or other legal entity that is controlled by the Republic or a department, ministry or agency of the Republic and the Holder of the Note does not have autonomy of decision, the Note will be deemed to be not outstanding where:

- (i) the Holder of the Note for these purposes is the entity legally entitled to vote the Note for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled Holder to vote the Note for or against a proposed modification;

- (ii) a corporation, trust or other legal entity is controlled by the Republic or by a department, ministry or agency of the Republic if the Republic or the National Bank of Poland or any department, ministry or agency of the Republic has the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity; and
 - (iii) the Holder of a Note has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the Holder may have in relation to the Republic:
 - (A) the Holder may not, directly or indirectly, take instruction from the Republic on how to vote on a proposed modification; or
 - (B) the Holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the Holder's own interest; or
 - (C) the Holder owes a fiduciary or similar duty to vote on a proposed modification in the interest of one or more persons other than a person whose holdings of Notes (if that person then held any Notes) would be deemed to be not outstanding under this definition.
- (b) ***Convening a meeting of Noteholders:*** A meeting of Noteholders:
- (i) may be convened by the Republic at any time; and
 - (ii) will be convened by the Republic or the Fiscal Agent upon the request in writing of Holders of not less than 10 per cent. of the aggregate principal amount of the Notes then outstanding.
- (c) ***Quorum at initial meeting:*** The quorum at any meeting at which Noteholders may vote in respect of a proposed modification relating to:
- (i) a Reserved Matter will be one or more persons present and holding or representing not less than 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the Notes then outstanding; and
 - (ii) a matter which is not a Reserved Matter will be one or more persons present and holding or representing not less than 50 per cent. of the aggregate principal amount of the Notes then outstanding.
- (d) ***Quorum at adjourned meeting:*** The quorum for any adjourned meeting will be one or more persons present and holding or representing:
- (i) not less than 66 $\frac{2}{3}$ per cent. of the aggregate principal amount of the Notes then outstanding in the case of an adjourned meeting convened in respect of a proposed modification relating to a Reserved Matter; and
 - (ii) not less than 25 per cent. of the aggregate principal amount of the Notes then outstanding in the case of an adjourned meeting convened in respect of a proposed modification relating to a matter which is not a Reserved Matter.
- (e) ***Voting on non-Reserved Matters:*** Save as otherwise provided in the Agency Agreement and Condition 17(j) (*Manifest error; technical amendments*), any proposed modification in relation to a matter which is not a Reserved Matter may only be approved with the consent of the Republic and:
- (i) the affirmative vote of more than 50 per cent. of the aggregate principal amount of the then outstanding Notes represented at a duly called and quorate meeting of Noteholders; or

- (ii) a written resolution signed by or on behalf of a Holder or Holders of more than 50 per cent. of the aggregate principal amount of the Notes then outstanding.
- (f) **Voting on Reserved Matters:** Except as provided in Condition 17(g) (*Cross-Series Modification*), any proposed modification relating to a Reserved Matter may only be approved with the consent of the Republic and:
- (i) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes represented at a duly called and quorate meeting of Noteholders; or
 - (ii) a written resolution signed by or on behalf of a Holder or Holders not less than 66⅔ per cent. of the aggregate principal amount of the Notes then outstanding.
- (g) **Cross-Series Modification:** A Cross-Series Modification relating to a Reserved Matter affecting the Notes and any other series of Debt Securities may only be approved with the consent of the Republic and:
- (i)
 - (A) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the Holders of the Debt Securities of all series (taken in aggregate) that would be affected by the proposed modification; or
 - (B) a written resolution signed by or on behalf of the Holders of not less than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities of all series (taken in aggregate) that would be affected by the proposed modification;
- and
- (ii)
 - (A) the affirmative vote of more than 66⅔ per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the Holders of each series of Debt Securities (taken individually) that would be affected by the proposed modification; or
 - (B) written resolutions signed by or on behalf of the Holders of more than 50 per cent. of the aggregate principal amount of the then outstanding Debt Securities of each series (taken individually) that would be affected by the proposed modification.

If a proposed Cross-Series Modification in relation to a Reserved Matter is not approved in the manner described above but would have been approved if it had involved only the Notes and one or more, but less than all, of the other series of Debt Securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved in relation to the Notes and the Debt Securities of each other series whose modification would have been approved if the proposed modification had involved only the Notes and such other series of Debt Securities, **provided that:**

- (a) prior to the Record Date for the proposed Cross-Series Modification, the Republic has publicly notified holders of the Notes and other affected Debt Securities of the conditions under which the proposed Cross-Series Modification will be deemed to have been approved if it is approved in the manner described above in relation to the Notes and some but not all of the other affected series of Debt Securities; and
- (b) those conditions are satisfied in connection with the proposed Cross-Series Modification.

For the purposes of this Condition 17:

"Debt Securities" means the Notes and any other bills, bonds, debentures, notes or other debt securities issued by the Republic in one or more series with an original stated maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security;

"Cross-Series Modification" means a modification which affects (i) the Notes or any agreement governing the issuance or administration of the Notes, and (ii) one or more other series of Debt Securities or any agreement governing the issuance or administration of such other series of Debt Securities;

"modification" in relation to the Notes means any modification, amendment, supplement or waiver of the terms and conditions of the Notes or any agreement governing the issuance, constitution or administration of the Notes, and has the same meaning in relation to any other Debt Security save that any of the foregoing references to the Notes or any agreement governing the issuance, constitution or administration of such Notes shall be read as references to such other Debt Securities or any agreement governing the issuance, constitution or administration of such other Debt Securities; and

"Series", when used in relation to the Notes, shall have the meaning ascribed to the term in the introductory paragraphs to these Conditions and **"series"**, when used in relation to a tranche of Debt Securities, shall mean such tranche of Debt Securities together with any further tranche or tranches of Debt Securities that in relation to each other and to the original tranche of Debt Securities are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series.

- (h) *Written resolutions:* A written resolution signed by or on behalf of Holders of the requisite majority of the outstanding Debt Securities will be valid for all purposes as if it was a resolution passed at a meeting of Holders of the Debt Securities duly convened and held in accordance with these provisions. A written resolution may be set out in one or more documents in like form each signed by or on behalf of one or more Holders of Debt Securities.
- (i) *Binding effect:* A resolution duly passed at a meeting of Holders of Debt Securities duly convened and held, and a written resolution duly signed by the requisite majority of Holders of Debt Securities, will be binding on all such Holders, whether or not the Holder was present or represented at the meeting, voted for or against the resolution or signed the written resolution.
- (j) *Manifest error; technical amendments:* Notwithstanding anything to the contrary in these Conditions, the Notes, the Conditions and the Agency Agreement may be modified, amended or supplemented by the Republic and the Fiscal Agent without the consent of the Noteholders of any Series for the purpose of:
 - (i) adding to the covenants of the Republic;
 - (ii) surrendering any right or power conferred upon the Republic;
 - (iii) securing the Notes;
 - (iv) curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Agency Agreement or in the Conditions or the Notes of any Series; or
 - (v) amending the Agency Agreement or the Conditions or Notes of any Series in any manner that the Republic and the Fiscal Agent may determine and that does not adversely affect the interest of any holder of Notes of that Series in any material respect.

The Republic will publish details of any such modification in accordance with Condition 19 (*Notices*) within 10 days of the modification becoming legally effective.

- (k) *Reserved Matters*: In these Conditions, "**Reserved Matter**" means any proposal:
- (i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, instalment(s), interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, instalment(s), interest or any other amount payable in respect of the Notes on any date;
 - (ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
 - (iii) to change this definition or the definition of "outstanding";
 - (iv) to change or waive the provisions of the Notes set out in Condition 4 (*Status*);
 - (v) to approve any arrangement relating to a Security Interest (other than a Permitted Security Interest) upon any of the Republic's assets or revenues, present or future, to secure any Public External Indebtedness of the Republic or of any other Person or any guarantee or indemnity of the Republic in respect of Public External Indebtedness of any other Person benefitting the Republic's obligations under the Notes pursuant to Condition 5 (*Negative Pledge*);
 - (vi) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity, set out in Condition 13 (*Events of Default*);
 - (vii) to change the law governing the Notes, the courts to the jurisdiction of which the Republic has submitted in the Notes, the Republic's obligation to maintain an agent for service of process in England or the Republic's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 24 (*Governing Law and Jurisdiction*);
 - (viii) to change the quorum required at any meeting of Noteholders or the majority required to pass any resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them, including in respect of a Cross-Series Modification; and
 - (ix) to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Republic or any other person, which would result in the Conditions as so modified being less favourable to the holders of Notes which are subject to the Conditions as so modified than:
 - (A) the provisions of the other obligations or securities of the Republic or any other person resulting from the relevant exchange or substitution; or
 - (B) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series having the largest aggregate principal amount;

and has the same meaning in relation to the Debt Securities of any other series save that any of the foregoing references to the Notes or any agreement governing the issuance or administration of the Notes shall be read as references to such other debt securities or any agreement governing the issuance or administration of such other Debt Securities.

18. **Further Issues**

The Republic may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Currency Indemnity**

If any sum due from the Republic in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Republic, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Republic shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Republic and delivered to the Republic or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Republic and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Redenomination, Renominalisation and Reconventioning**

- (a) **Application:** This Condition 22 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.
- (b) **Notice of redenomination:** If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Republic may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- (c) **Redenomination:** Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
 - (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty

(including compliance with rules relating to rounding in accordance with European Union regulations); **provided, however, that**, if the Republic determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Republic shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

- (ii) if Notes have been issued in definitive form:
 - (A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Republic gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Republic thereunder (including the obligation to exchange such Notes in accordance with this Condition 22) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State.
- (d) **Interest:** Following redenomination of the Notes pursuant to this Condition 22, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.
- (e) **Interest Determination Date:** If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination date shall be deemed to be the second TARGET2 Settlement Day before the first day of the relevant Interest Period.

23. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes.
- (c) **Appropriate forum:** The Republic agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Rights of the Noteholders to take proceedings outside England:** Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute

("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

- (e) **Consent to enforcement etc.:** For the purposes of the State Immunity Act 1978, the Republic consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.
- (f) **Service of Process:** The Republic agrees that the process by which any Proceedings are begun may be served on it by being delivered in England to the Embassy of the Republic of Poland in London, 47 Portland Place, London W1B 1JH, England as its authorised agent for the service of process in England. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.
- (g) **Waiver of immunity:** To the extent that the Republic may in any jurisdiction claim for itself or its properties, assets or revenues immunity (whether sovereign, diplomatic or other) from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its properties, assets or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction **provided however, that** immunity is not waived in respect of present or future "premises of the mission" as such term is defined in the Vienna Convention on Diplomatic Relations signed in 1961, or "consular premises" as such term is defined in the Vienna Convention on Consular Relations signed in 1963 or military property or military assets of the Republic related thereto.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[*'s/s'*] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[*'s/s'*] target market assessment) and determining appropriate distribution channels.]

OR

[MiFID II product governance / Retail investors, professional investors and eligible counterparties target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); **EITHER** [and (ii) all channels for distribution of the Notes are appropriate[, including investment advice, portfolio management, non-advised sales and pure execution services]] **OR** [(ii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iii) the following channels for distribution of the Notes to retail clients are appropriate - investment advice[,/ and] portfolio management[,/ and][non-advised sales][and pure execution services][, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable]]. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[*'s/s'*] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[*'s/s'*] target market assessment) and determining appropriate distribution channels[, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.]

Final Terms dated [•]

The State Treasury of

THE REPUBLIC OF POLAND

**Represented by
The Minister of Finance**

**Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
under the €60,000,000,000
Euro Medium Term Note Programme**

PART A — CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Simplified Base Prospectus dated [*current date*] [as supplemented by the supplemental Simplified Base Prospectus dated [•]]. These Final Terms contain the final terms of the Notes and must be read in conjunction with such Simplified Base Prospectus [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Simplified Base Prospectus with an earlier date:]

Terms used herein shall be deemed to be defined as such for purposes of the Conditions (the "**Conditions**") set forth in the Simplified Base Prospectus dated [*original date*] [as supplemented by the supplemental Simplified Base Prospectus dated [•]]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Simplified Base Prospectus dated [*current date*] [as supplemented by the supplemental Simplified Base Prospectus dated [•]] and the Conditions.]

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: The State Treasury of the Republic of Poland represented by the Minister of Finance
2. (i) Series Number: [•]
(ii) Tranche Number: [•]
(If fungible with an existing Series, give details of that Series, including the date on which the Notes become fungible.)
3. Specified Currency or Currencies: [•]
4. Aggregate Principal Amount:
(i) Series: [•]
(ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6. (i) Specified Denomination(s): [•][and [•]]
(N.B. Where multiple denominations above €100,000 (or equivalent) are being used, the following sample wording should be followed: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")
(ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
(ii) Interest Commencement Date: [Issue Date/other date (*specify*)]/Not Applicable]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [[•] per cent. Fixed Rate]
[[*Specify reference rate*] +/-[•] per cent. Floating Rate]
[Zero Coupon]
[Index-Linked Interest]
[Other (*specify*)]

(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Investor Put]
[Republic Call]
[Not Applicable]
[(further particulars specified below)]
13. Status: Senior
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year commencing on [•] up to (and including) [the Maturity Date/other date (*specify*)]
[[adjusted for payment purposes only in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/[, Not Adjusted]]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA/ISDA)]/[*other*]¹
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/*give details*]
- (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual (ICMA) basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.)*

¹ If the applicable Day Count Fraction is 30/360, 30E/360 or Eurobond basis and the intention is that the 2006 ISDA Definitions apply, then this should be specified in Item 31 (*Other terms or special conditions*) as the 2000 ISDA Definitions is the "default" definition pursuant to the Terms and Conditions of the Notes. If the applicable Day Count Fraction is 30E/360 (ISDA), then the 2006 ISDA Definitions will apply and this should be specified in Item 31.

16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)*
- [(i) Specified Period(s): [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- [(ii) Specified Interest Payment Dates: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention insert "Not Applicable")*
- [(iii) Business Day Convention: [Specify applicable Business Day Convention/ Not Adjusted]
- [(iv) Additional Business Centre(s): [Not Applicable/give details]
- [(v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (give details)]
- [(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- [(vii) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [For example, Reuters page LIBOR01]
 - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
 - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
 - [Reference Banks:: [•]]
- [(viii) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]

- Reset Date: [•]
 - (ix) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
 - (x) Margin(s): [+/-][•] per cent. per annum
 - (xi) Minimum Rate of Interest: [•] per cent. per annum
 - (xii) Maximum Rate of Interest: [•] per cent. per annum
 - (xiii) Day Count Fraction: [30/360]/[Actual/Actual (ICMA/ISDA)]/[other]²
 - (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]
 - (iii) Any other formula/basis of determining amount payable: [*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(f)*]
18. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [*Give or annex details*]
 - (ii) Calculation Agent responsible for calculating the interest due: [•]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
 - (iv) Interest Determination Date(s): [•]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [•]
 - (vi) Interest or Calculation Period(s): [•]

² If the applicable Day Count Fraction is 30/360, 30E/360 or Eurobond basis and the intention is that the 2006 ISDA Definitions apply, then this should be specified in Item 31 (*Other terms or special conditions*) as the 2000 ISDA Definitions is the "default" definition pursuant to the Terms and Conditions of the Notes. If the applicable Day Count Fraction is 30E/360 (ISDA), then the 2006 ISDA Definitions will apply and this should be specified in Item 31.

- (vii) Specified Period(s): [•]
(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (viii) Specified Interest Payment Dates: [•]
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention insert "Not Applicable")
- (ix) Business Day Convention: *[Specify Business Day Convention]/Not Adjusted*
- (x) Additional Business Centre(s): [•]
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: *[30/360]/[Actual/Actual (ICMA/ISDA)]/[other]*

19. Dual Currency Note Provisions

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: *[Give details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

20. Call Option

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s) (Call): [•]
- (ii) Optional Redemption Amount(s) (Call) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount

- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [•] per Calculation Amount
 - (b) Maximum Redemption Amount: [•] per Calculation Amount
 - (iv) Notice period (if other than as set out in the Conditions): [•]
21. **Put Option** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Put): [•]
 - (ii) Optional Redemption Amount(s) (Put) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
 - (iii) Notice period (if other than as set out in the Conditions): [•]
22. **Final Redemption Amount of each Note** [[•] per Calculation Amount]
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [*give or annex details*]
 - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [•]
 - (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/ or Formula and/or other variable: [•]
 - (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/ or Formula and/or other variable: [•]
 - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/ or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (vii) Minimum Final Redemption Amount: [•] per Calculation Amount

(viii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. **Early Termination Amount**

Early Termination Amount(s) payable on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[[•] per Calculation Amount/Not Applicable (*if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

Bearer Notes:³

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice.]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purposes of immobilisation in accordance with article 4 of the Belgian law of December 2005.]

25. New Global Note form:

[Applicable/Not Applicable]

26. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 17(iii) and 19(vii) relate*]

27. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

28. Details relating to partly paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Republic to forfeit the Notes and interest due on late payment:

[Not Applicable/give details]

³ The exchange upon expiry of a period of notice or at any time options referred to above should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Temporary Bearer Global Notes exchangeable for Definitive Notes.

29. Details relating to instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 22 (*Redenomination, Renominatisation and Reconventioning*)] [annexed to these Final Terms] apply]
31. Other terms or special conditions: [Not Applicable/*give details*]
(If 2006 ISDA Definitions are to be applied, indicate this here. If 2000 ISDA Definitions are to be applied, no comment is necessary.)

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
(ii) Stabilising Manager (if any): [Not Applicable/*give name*]
33. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
34. TEFRA: [Not Applicable/The [C/D] Rules are applicable]
35. Additional selling restrictions: [Not Applicable/*give details*]

[LISTING APPLICATION

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the €60,000,000,000 Euro Medium Term Note Programme of the State Treasury of the Republic of Poland represented by the Minister of Finance.]

[ENGLISH LANGUAGE VERSION BINDING

These Final Terms have been executed in both the Polish and the English language. The English language version of these Final Terms will be the binding version for the purposes of their construction. Accordingly, if there are any discrepancies between the Polish language version and the English language version of these Final Terms, the English language version will prevail.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the State Treasury of the Republic of Poland represented by the Minister of Finance upon authorisation of the Minister of Finance, [•], Undersecretary of State in the Ministry of Finance:

By:
Duly authorised

PART B — OTHER INFORMATION

1. LISTING

- (i) Listing: [Luxembourg/and Warsaw/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the [regulated market of the Luxembourg Stock Exchange/and as a secondary trading on the regulated market in Poland/other (*specify*)] with effect from [•].] [Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

2. RATINGS

[The Notes to be issued [have been]/[are expected to be] rated]/[The Issuer's unsecured, unsubordinated long-term debt securities have been rated]:

- Fitch France S.A.S.: [•]
- Moody's Deutschland GmbH: [•]
- Standard & Poor's Credit Market Services Europe Limited: [•]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. [INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. *Amend as appropriate if there are other interests.*

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [The net proceeds of the issue of the Notes will be used to finance the Republic's State budget borrowing requirements/*other*].

- [(ii)] Estimated net proceeds: [•]
- (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

- [(iii)] Estimated total expenses: [•] [*Include breakdown of expenses.*]
- (Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

5. [Fixed Rate Notes Only — YIELD

- Indication of yield: [•]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of

future yield.]

6. **[Floating Rate Notes Only — HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Floating Rate Notes Only – BENCHMARK REGULATION**

[Reference Rate] is provided by [administrator]. As of the date of these Final Terms, [administrator] does [not] appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011.]

8. **[Index-Linked Or Other Variable-Linked Notes Only — PERFORMANCE OF INDEX/ FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

9. **[Dual Currency Notes Only — PERFORMANCE OF RATE[S] OF EXCHANGE**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

10. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

[FISN: [•]]

[CFI: [•]]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No] [Not Applicable (*in the case of Notes issued in CGN form*)]

[Note that the designation "yes" means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

[Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with Euroclear or Clearstream, Luxembourg as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day

credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[this text may be appropriate to include if "no" is selected and the Notes are issued in NGN form]*

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/*specify*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary in the case of a CGN, or a common safekeeper in the case of a NGN, for Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "Accountholder") must look solely to Clearstream, Luxembourg and/or Euroclear and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Republic to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Clearstream, Luxembourg and Euroclear and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Republic in respect of payments due under the Notes and such obligations of the Republic will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Republic shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system and received by the Fiscal Agent against, in the case of a CGN, presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent or, in the case of partial exchange of a NGN, confirmation from the common service provider that Euroclear and Clearstream, Luxembourg have made appropriate entries in their records to reflect the relevant exchange and, in the case of final exchange of a NGN, surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent or destruction of the Temporary Global Note by the common safekeeper in accordance with the Agency Agreement, in any such case within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Republic shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note

for Definitive Notes; or

- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 8 March 2018 (the "**Deed of Covenant**") executed by the Republic). Under the Deed of Covenant, persons shown in the records of Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Republic all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Republic shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Republic all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the

order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Republic in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Republic shall procure that in respect of a Classic Global Note the payment is noted in a schedule thereto and in respect of a New Global Note the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 10(d) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(b) (*Redemption at the option of the Republic*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Republic in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) in the case of a CGN, deposited with a depository or a common depository for Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system or in the case of a NGN, with a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Clearstream, Luxembourg and/or Euroclear and/or any other relevant clearing system **provided, however, that** so long as the Notes are admitted to trading on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Redenomination: If the Notes are redenominated pursuant to Condition 22 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Republic in the denominations of euro 100, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

Payment Business Day: If the currency of payment is euro, any day which is a TARGET2 Settlement Day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre, or if the currency payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Business Centre.

OVERVIEW OF THE REPUBLIC OF POLAND

Area and Population

Poland is one of the largest countries in Central Europe with a total territory (comprising land area, internal waters and territorial sea) of 322,575 square kilometres. Situated on the Baltic Sea, Poland has a coastline of 770 kilometres and is bordered by Germany, the Czech Republic, the Slovak Republic, Ukraine, Belarus, Lithuania and the Russian Federation. Poland's terrain comprises largely lowlands traversed by its main river, the Vistula, with lakes, rivers and marshes across the northern and central regions, and several mountain ranges, including the Tatras, in the south. Poland has more than 92,000 square kilometres of forest (approximately 29.5 per cent. of Poland's total land area) and 130,000 square kilometres of arable land (approximately 44.1 per cent. of Poland's total land area).

With a population of approximately 38.4 million in 2016, Poland is also one of the most populous countries in Central Europe. Population density is estimated at approximately 123 persons per square kilometre, with approximately 60.3 per cent. of the population living in urban areas. Warsaw, the capital of Poland and its largest city, has an estimated population of 1.7 million. Fifteen other urban centres each have populations in excess of 200,000.

Poland is an ethnically and religiously homogeneous country. Approximately 97.1 per cent. of the population is ethnically Polish and approximately 98.2 per cent. of the population speaks Polish at home. Germans constitute the largest minority group, numbering some 148,000 persons, concentrated principally in Silesia. Smaller ethnic and national groups have cultural ties to neighbouring states such as Belarus, Ukraine and Lithuania. It is estimated that approximately 96.0 per cent. of the population is Roman Catholic.

Constitution, Government and Political Parties

Constitution and Political System

Under the Constitution adopted in 1997, a bicameral Parliament (comprising an upper chamber, known as the Senate, and a lower chamber, known as the Sejm) is elected for a four-year term in general elections. The Sejm consists of 460 members and the Senate consists of 100 members. Generally, the Sejm is elected using a system of proportional representation with parties needing a minimum of 5.0 per cent. of the popular vote (8 per cent. for party coalitions) to gain seats. Under the Constitution, fascist, communist and racist political parties are banned. All legislation must be approved by the Sejm and the Senate, and signed by the President. In addition, the Sejm has the power to overrule the Senate by an absolute majority vote and to overrule the President by a 60 per cent. majority vote cast in the presence of at least half the total number of deputies. The President, with the approval of either the Senate or the Sejm, may call a referendum on matters of fundamental importance to the country.

The Constitution also establishes the independence of the NBP, Poland's central bank, which is charged with responsibility for maintaining the value of the national currency, the Polish zloty. The Constitution also grants the NBP the exclusive power to set and implement monetary policy. Under the Constitution, the Government is prohibited from incurring loans or issuing guarantees or sureties if, as a result, public debt would exceed 60 per cent. of Gross Domestic Product ("**GDP**"). There are also certain budget-related requirements that apply if public debt exceeds 43, 48 or 55 per cent. of GDP. See "*Public Debt—Debt Management*". Under Article 220 paragraph 2 of the Constitution, a budget act may not provide for the financing of the budget deficit by the NBP. These limitations are intended to safeguard the fiscal health of the economy.

Under the Constitution, the President is directly elected for a five-year term and may be re-elected only once. Presidential powers include the right to initiate legislation, to veto certain legislative acts and, in certain instances, to dissolve Parliament. The President's power to dissolve Parliament is limited to instances where the Sejm fails to present the annual budget act for the President's signature within four months of receipt thereof from the Government, or where the Sejm fails to pass a vote of confidence in the Government following attempts to nominate a government in the manner provided for in the Constitution. The President commands the armed forces, represents the State in its foreign relations, appoints the judges (at the request of the National Judiciary Council) as well as the First President of the Supreme Court (from amongst the candidates indicated by the General Assembly of the Judges of the

Supreme Court) and nominates the Prime Minister as well as the President of the NBP, subject to approval by the Sejm.

The Prime Minister is the head of the Council of Ministers and is responsible for forming the Government, which must then receive a vote of confidence from the Sejm.

Poland is divided into 16 provinces, known as voivodships. Each voivodship is represented by a provincial governor, or voivode, appointed by the Government, who represents the Government at the voivodship level. There are also three levels of independent territorial self-government: voivodships, poviats and gminas. There are 16 voivodships at the top level (where self-governing authorities are located alongside government-appointed voivods), 314 counties as poviats, 66 cities with poviat status at the intermediate level and 2,478 basic units of locally-elected governments, known as gminas (including 66 cities with poviat status). Self-governing authorities are elected by popular vote. All of the self-governing entities are financially autonomous and independent of each other and of the Government. The Prime Minister may limit their activities only to the extent that their actions conflict with national law. The self-governing entities are financed by a share of national taxes and by their own revenues, such as local taxes and fees. The gminas are entitled under the Constitution to exercise powers that are not designated as powers of other public authorities.

Judicial authority is vested in the Supreme Court and the common courts (appellate, regional and lower courts), the administrative courts (the Primary Administrative Court and voivodship administrative courts) and the military courts. A separate Constitutional Tribunal has jurisdiction over all matters relating to constitutional issues.

Current Government and Politics

The most recent presidential election concluded on 24 May 2015, after two rounds. The two competing candidates were Bronisław Komorowski (the outgoing President of Poland), of the Civic Platform ("PO") party and Andrzej Duda (former Secretary of State in the Chancellery of the President of Poland and member of European Union Parliament) of the Law and Justice ("PiS") party. Andrzej Duda won the election with 51.55 per cent. of the vote and assumed office on 6 August 2015. The next presidential elections will be held in 2020.

The most recent Parliamentary elections were held on 25 October 2015. Following those elections, PiS received 37.58 per cent. of the vote, PO received 24.09 per cent. of the vote, Paweł Kukiz's new party Kukiz'15 received 8.81 per cent. of the vote, Ryszard Petru's new party Nowoczesna received 7.55 per cent. of the vote and the Polish People's Party ("PSL") received 5.13 per cent. of the vote. In November 2015, the current Government was formed, led by the new Prime Minister Beata Szydło, who had previously been a member of the Polish Parliament (during its fifth, sixth and seventh terms) and a Deputy President of PiS. Beata Szydło resigned in December 2017, and Mateusz Morawiecki was appointed as Prime Minister.

The following table shows a breakdown of the distribution of seats in the Sejm (by party) and the Senate (by party) as of 1 March 2018:

	<u>Seats</u>
Sejm	
Law and Justice (PiS).....	238
Civic Platform (PO).....	136
Kukiz '15.....	29
Nowoczesna.....	25
Polish People's Party (PSL).....	18
Free and Solidarity.....	6
Unaffiliated.....	8
Total	460
	<u>Seats</u>
Senate	
Law and Justice (PiS).....	65
Civic Platform (PO).....	31
Unaffiliated.....	4
Total	100

Source: Sejm and Senate

The most recent local elections were held in November 2014, with votes spread between local committees and the main political parties. Of the two largest political parties, PO received 26.36 per cent. of the national vote and 179 out of 555 available seats in the regional legislatures, while PiS received 26.85 per cent. of the national vote and 171 seats in the regional legislatures.

The next local elections will be held in 2018 and Parliamentary elections in 2019.

Reform of the Judicial System

The judicial system in Poland is regulated principally by the Polish Constitution, the Act on the National Judicial Council dated 12 May 2011, as amended (the "**Act on the National Judicial Council**"), the Act on the System of Common Courts dated 27 July 2001, as amended (the "**Act on the System of Common Courts**") and the Act on the Supreme Court dated 23 November 2002 as amended (the "**Act on the Supreme Court**"). In order to reform the Polish judicial system, the Government prepared amendments to the Act on the National Judicial Council, the Act on the System of Common Courts and the Act on the Supreme Court and introduced them to the Sejm.

The most important changes include: (i) the discretionary power of the Minister of Justice to appoint and dismiss presidents of common courts, (ii) the power of presidents of common courts to transfer a judge to another department of a court without the judge's consent, (iii) the introduction of a new system for appointing judges to handle particular cases based on random drawings, (iv) new rules concerning the promotion of judges to higher courts, (v) requirement to publish judicial statements of financial disclosure, and (vi) new rules concerning judges' retirement that introduces mandatory retirement for male judges at the age of 65 and for female judges at the age of 60 with the Minister of Justice having the power to decide on the extension of judicial mandates (until the age of 70).

Judiciary reform has also introduced certain changes to the functioning, organisation and composition of the National Judicial Council and Supreme Court as well as proceedings before the Supreme Court.

International Relations and Regional Arrangements

International Relations

Poland is a founding member of the United Nations, belongs to most international organizations and maintains diplomatic relations with 189 countries. In 1967, Poland joined the General Agreement on Tariffs and Trade ("**GATT**") and is a member of the World Trade Organization ("**WTO**"), the successor to GATT. In 1986, Poland rejoined the International Bank for Reconstruction and Development ("**IBRD**"), known as the World Bank, and the International Monetary Fund ("**IMF**"), having withdrawn its original memberships in 1950. Since 1987, Poland has also been a member of the International Finance Corporation ("**IFC**") and the International Development Association ("**IDA**"). Poland became a member of the Multilateral Investment Guarantee Agency ("**MIGA**") in 1990. In addition, Poland was a founding member of the European Bank for Reconstruction and Development ("**EBRD**"). In 1996, Poland was accepted for full membership in the Organisation for Economic Co-operation and Development ("**OECD**"). It became a member of the European Investment Bank ("**EIB**") in 2004 following its accession to the EU, and joined the Council of Europe Development Bank ("**CEB**") in 1998. Poland is also one of the founding members of the Asian Infrastructure Investment Bank ("**AIIB**").

On 12 March 1999, Poland became a member of the North Atlantic Treaty Organisation.

Regional Arrangements

European Union Membership

Poland and nine other candidate countries signed the Accession Treaty with the EU (the "**Accession Treaty**") on 16 April 2003 in Athens. The Accession Treaty was ratified by all Member States and candidate countries and came into force on 1 May 2004.

Accession to the EU enabled Poland to participate in the EU legislative and decision-making process. It is also bound by EU law. For the purpose of European Parliamentary elections Poland is subdivided into constituencies, in the same manner as the United Kingdom, Ireland, Italy, France, the Netherlands,

Belgium and Germany. Following the European Parliamentary elections in 2014, Poland has 51 members of the European Parliament, with the majority of these members belonging to the Group of European People's Party or the Group of European Conservatives and Reformists.

As a Member State of the EU, Poland has to comply with the Stability and Growth Pact, which is a rule-based framework for the coordination of national fiscal policies in the economic and monetary union ("EMU"). It was established to safeguard sound public finances, an important requirement for the EMU to function properly. While no deadline has been set, euro adoption is required by the Accession Treaty. Its adoption requires fulfilment of certain economic and legal criteria and participation in the Exchange Rate Mechanism ("ERM II"). While taking the Treaty obligations into account, it has to be borne in mind that Poland is still a developing and converging economy. The level of real convergence of Poland with the euro zone – in terms of GDP per capita – still lags behind developed EU Member States. Moreover, although the rate of business cycle synchronisation has been relatively stable in recent years, Poland's economic structure diverges from the euro area. In such circumstances, adoption of the euro would pose a threat of negative shocks affecting the Polish economy. The effectiveness of the EU reform agenda may also still be perceived as unsatisfactory (despite recent reforms) and the long-term stability of the EMU is not presently guaranteed. Therefore, due to the high level of uncertainty about future economic conditions, as of the date of this Simplified Base Prospectus, the Issuer is not able to indicate when Poland will adopt the euro.

Like all Member States outside the euro area, Poland is subject to multilateral surveillance by the EU Council and is obliged to prepare convergence programmes on an annual basis. The Convergence Programme (or Stability Programme in euro area countries) provides for the monitoring of economic developments in each of the Member States and for the EU as a whole, as well as examining the consistency of those countries' economic policies with recommendations set by the EU on a regular basis.

Convergence Programmes cover fiscal policy, the main assumptions underlying the economic outlook and an assessment of economic policy measures and their budgetary impact. This information is presented for the current and previous years and includes forecasts for the next three years. Poland published its latest Convergence Programme update in April 2017. According to the Convergence Programme, the general government deficit is projected to reach 2.9 per cent. of GDP in 2017. In 2018, 2019 and 2020, the deficit is projected to decline to 2.5 per cent. of GDP, 2.0 per cent. and 1.2 per cent. of GDP, respectively.

The next Convergence Programme update with the latest macroeconomic and fiscal projections should be published in late April 2018.

Relationship with Multilateral Financial Institutions

Poland is a member of various multilateral financial institutions, including the World Bank, the EIB, the EBRD and the IMF. As of 31 December 2017, Poland's liabilities to multilateral financial institutions amounted to EUR 17.0 billion and accounted for 24.9 per cent. of the State Treasury's total external debt.

World Bank

As of 31 January 2018, the World Bank's exposure to Poland, net of principal repayments, amounted to EUR 7.0 billion.

European Investment Bank

The main areas of EIB operations in Poland comprise the transport, power and energy, water, sewerage, solid waste, urban development, health, higher education, telecommunications and agriculture sectors. In addition, the EIB provides commercially based loans to private enterprises and municipalities, as well as loans to financial intermediaries, in order to fund loans to small and medium-sized enterprises ("SMEs").

Total investment of the EIB in Poland amounted to EUR 5 billion in 2017. As of 31 January 2018, the EIB had committed EUR 65.6 billion to Polish borrowers, of which more than EUR 49.3 billion had already been disbursed. As of 31 January 2018 the EIB's exposure to Polish borrowers, net of principal repayments, amounted to EUR 34.1 billion.

In the second half of 2015, the European Fund for Strategic Investments (the "EFSI") was launched jointly by the EIB Group and the European Commission to drive investment in infrastructure and

innovation projects across the EU as well as to help finance SMEs and mid-cap companies. Poland is implementing the Plan and has obtained financing for several projects under the EFSI.

In January 2018 some 35 projects were approved under the infrastructure and innovation window in Poland, totalling EUR 2.5 billion and mobilising total investments related to the EFSI of up to EUR 7.7 billion.

As of the same date, nine SME financing agreements were concluded with financial intermediaries (banks, investment funds) in Poland, totalling EUR 56 million in financing which is expected to trigger EUR 1.2 billion in investments.

European Bank for Reconstruction and Development

Since the beginning of its operations in Poland, the EBRD has invested over EUR 8.9 billion in nearly 397 projects (as of 31 December 2017) in various sectors of the country's economy (corporate, financial institutions, infrastructure and energy). Most of the EBRD's investment, some EUR 7.7 billion, was granted to the private sector. The value of EBRD's current portfolio projects in Poland is over EUR 2.8 billion.

The EBRD's strategic directions for Poland include the promotion of low carbon economy, enhancing the private sector's role in the economy, and assisting with the development of a sustainable financial sector and capital markets.

International Monetary Fund

Poland is a member of the IMF's Special Data Dissemination System and complies with applicable practices and standards in publicly disseminating economic and financial data. Currently, the IMF performs standard Article IV consultations with Poland on a 12-month cycle. In addition, as the Polish financial sector is deemed by the IMF to be systemically important, every five years Poland is subject to the Financial Sector Assessment Programme, a comprehensive, in-depth assessment of a country's financial sector.

Between 2009 and 2017, Poland had access to IMF funds under the Flexible Credit Line (the "FCL"), an instrument designed for countries with very strong economic foundations and policy frameworks. In those years, Poland treated the FCL as a precautionary facility and did not borrow any of the available funds. Since January 2015, Poland has been gradually reducing the amount of funds available to it under the FCL, in line with its intention to terminate the agreement once external conditions improve. On 3 November 2017, Poland terminated the FCL agreement.

The last Article IV consultation with Poland was concluded by the Executive Board of the IMF on 7 June 2017. The consultation confirmed the strong economic fundamentals, adequate policies and the resilience of the financial sector in Poland. The recently adopted Responsible Development Strategy creates a programme designed to overcome these challenges as well as ambitious targets to raise living standards to the same level as in the more developed EU countries. According to this report, the near-term growth momentum remains strong, supported by accommodative monetary and fiscal policies and sizable EU transfers. The economy is operating above potential, with the unemployment rate at an historic low. In the medium to long-term the economy faces a number of challenges.

International Development Association

Since 1988 Poland has been a member and contributor to the International Development Association (the "IDA"), which grants preferential long-term loans to the world's poorest countries. As of 31 January 2018, Poland's contribution to the IDA amounted to SDR 40.44 million and EUR 17.3 million of which SDR 35.047 million has already been paid. The last commitment by Poland was made in October 2017 (IDA 18), and was twice as high as previous MDRI (Multilateral Debt Relief Initiative) commitments (EUR 17.3 million). Poland also participates in the IDA's initiative MDRI. As of 31 January 2018, Poland had committed PLN 36.98 million and paid PLN 8.33 million.

Nordic Investment Bank

Although Poland is not a member of the Nordic Investment Bank ("**NIB**"), it has access to NIB financing. As of 31 January 2018, loans granted to local governments and private sector entities in Poland by the NIB amounted to approximately EUR 493.2 million.

Asian Infrastructure Investment Bank

In June 2016, Poland became a founding member of the Asian Infrastructure Investment Bank ("**AIIB**"). Poland is currently not borrowing from the AIIB.

Council of Europe Development Bank

Poland has been a member of the CEB since 1998. As of 31 January 2018, the CEB has approved EUR 4.9 billion in loans to Poland, of which EUR 3.5 billion had been disbursed. As of 31 January 2018, the CEB's exposure to the State Treasury amounted to EUR 210.8 million.

Major International Treaties

Since joining the EU, Poland's trade policy has been in accordance with the rules of the EU Treaty. The EU has a customs union among Member States and a common trade policy in relation to non-EU countries which involves, amongst other things, a common customs tariff, a common import and export regime and the undertaking of uniform trade liberalisation measures as well as trade defence instruments. Poland is a party to all trade agreements concluded by the EU with other countries.

The Accession Treaty, together with the Treaty on the EU and the Treaty on the Functioning of the EU, constitutes the legal basis for regulating, *amongst other things*, economic, trade, service, capital and human resource flows, and investment support and protection.

In June 2017, Poland signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("**MLI**"). Poland has completed the domestic ratification procedures and deposited the instrument of ratification on 23 January 2018, as the fourth signatory of the MLI. The MLI offers solutions for governments to close gaps in existing international tax rules by transposing results from the OECD/G20 BEPS Project into bilateral tax treaties worldwide. The MLI modifies the application of thousands of bilateral tax treaties concluded to eliminate double taxation.

THE ECONOMY

Poland, with over 38.4 million inhabitants, is the most populous member of the EU amongst all the countries of Central and Eastern Europe (and the sixth in the EU as a whole). The Polish economy's strengths include: the private debt of non-financial enterprises and households is relatively low, the currency regime is flexible, and Poland's exports and economy do not depend on a single sector and the domestic market is broad. The banking sector remains well-capitalised, liquid and profitable, and the macroeconomic policy is geared towards maintaining long-term high, sustainable growth. Since joining the EU in 2004, Poland has benefited significantly from EU structural funds, allowing the government to invest steadily in infrastructural and social development. Adjustments to the EU standards have supported the country's modernisation. The service sector comprises the largest component of the Polish economy (64 per cent.), followed by the industry and construction sectors (35 per cent.) and agriculture (2.5 per cent.).

Strong macroeconomic fundamentals and policy framework, large and diversified domestic demand and flexible fiscal policy made Poland the only EU country to avoid recession during the post-2007 global economic and financial crisis, growing by 33 per cent. between 2008 and 2016, with an average annual GDP growth of approximately 3 per cent. Today, Poland is the eighth-largest economy in the EU in real GDP terms, with a buoyant private sector, internationally competitive export-oriented companies, as well as well-educated and skilled human capital.

Poland's monetary policy framework is laid out in the Constitution and the Act on the National Bank of Poland ("**NBP Act**"). The NBP is responsible for the implementation of the monetary policy, the basic objective of which is to maintain price stability while supporting the government's economic policy. For nearly 20 years, the Monetary Policy Council (an independent decision-making body of the NBP) ("**MPC**") has been conducting monetary policy with a direct inflation targeting strategy. In 2004, the MPC adopted an inflation target of 2.5 per cent. with a symmetrical tolerance band for deviations of ± 1 per cent. The principles of the monetary policy strategy and the inflation target level have not changed since.

Since 2004, the annual rate of the average consumer price index ("**CPI**") in Poland has not exceeded 4.5 per cent.; it is slightly above 2 per cent. on average. Because of the relatively high share of food and energy in the CPI basket, inflation in Poland is sensitive to changes in commodity prices. Nevertheless, the level of core inflation (CPI excluding food and energy) remains low: it ranged from -0.2 to 2.7 per cent. per year between 2004 and 2017.

The following table illustrates certain macroeconomic statistics for the specific periods below:

	2004	2008	2015	2016	2017
GDP per capita.....	11,300	14,00	19,800	20,200	-
	<i>(Current prices, PPS per capita)</i>				
Private consumption.....	64.2	61.8	58.4	58.5	58.5
Public consumption.....	18.3	18.6	18.0	17.9	17.5
Investment.....	18.3	23.1	20.1	18.1	18.0
Export	34.3	37.9	49.5	52.3	53.4
Import	36.9	42.9	46.4	48.2	49.4
<i>Value added:</i>					
Industry	22.9	21.8	23.2	23.5	23.9
Construction	5.7	6.9	7.1	6.3	6.6
Trade; repair of motor vehicles.....	16.5	16.4	15.7	15.4	15.6
	<i>(total=100)</i>				
<i>Structure of employment (LFS⁽¹⁾, 15 years and over):</i>					
Agriculture	18.0	14.0	11.5	10.5	-
Industry and Construction.....	28.8	31.9	30.4	31.3	-
Services	53.2	54.2	58.1	58.1	-
	<i>(%)</i>				
Participation rate (LFS ⁽¹⁾ , 15 and over).....	54.4	54.2	56.2	56.2	56.4

	2004	2008	2015	2016	2017
Employment rate (LFS ⁽¹⁾ , 20-64 years).....	57.0	65.0	67.8	69.3	-
Unemployment rate (LFS ⁽¹⁾ , 15-74 years).....	19.1	7.1	7.5	6.2	4.9
Labour productivity per person (EU28=100)	61.7	62.1	73.9	75.2	-
CPI.....	3.5	4.2	(0.9)	(0.6)	2.0
Core inflation	1.7	2.3	0.3	(0.2)	0.7
			<i>(EUR million)</i>		
Official reserve assets	26 967	44 139	86 894	108 064	94 550
			<i>(% of GDP)</i>		
International investment position	(45.4)	(47.1)	(61.0)	(59.9)	-
CAB	(5.5)	(6.7)	(0.6)	(0.3)	0.1
<i>Credit to the non-financial sector:</i>					-
Non-financial enterprises	12.5	16.9	15.6	16.0	15.8
Households	11.8	28.7	34.3	35.1	33.3

Source: Eurostat, NBP, Central Statistical Office, own calculations

Notice: data on the labour market and balance of payments are not entirely comparable, because of changes in methodology

⁽¹⁾ LFS – Labour Force Survey.

ECONOMIC PERFORMANCE

GDP accelerated to 4.6 per cent. in 2017. The result represented the strongest reading since 2011. Economic growth was driven by domestic demand; however, strong economic activity in Poland's neighbours and the EU have also helped the Polish economy. Household consumption expenditures remain the main engine of the economy supported by good conditions in the labour market, record consumer confidence levels and generous social spending (child benefits under the Family 500+ Programme, which provides financial support for the Polish families). After contracting sharply in 2016, investment expanded 5.2 per cent. in 2017, with the biggest contribution coming from the general government sector.

After four years of very low inflation (including two years of deflation), in the first quarter of 2017 the CPI rate increased to 2.0 per cent., exceeding the lower band of the target range, mainly driven by higher energy and food prices. In the following quarters of 2017, the CPI rate remained generally stable (respectively, 1.8 per cent., 1.9 per cent. and 2.2 per cent.). In November 2017, the inflation rate briefly reached the inflation target (2.5 per cent.), but at the end of year it fell to 2.1 per cent. Despite the favourable situation in the labour market and the high growth of private consumption, core inflation (CPI excluding food and energy) remains low (0.7 per cent. in 2017).

The positive trends in the labour market continued in 2017. Labour demand increased, unemployment declined and growth in real wages remained at a relatively high level. The harmonised unemployment rate (seasonally adjusted, Eurostat) fell to a historically low level (4.4 per cent. in December 2017).

The external imbalance of the Polish economy is currently at a low level in historical terms. In 2016, Poland's current account deficit amounted to 0.3 per cent. of GDP. In 2017, according to preliminary data, the current account was slightly positive (0.1 per cent. of GDP). The main driver of the overall external imbalance was the negative primary income component (3.8 per cent. of GDP). At the same time, the balance of services registered a record high surplus (3.8 per cent. of GDP). In addition, the process of switching from the 2007-2013 to the 2014-2020 EU financial framework contributed to a decrease in the capital account surplus.

The Council has kept the NBP's interest rates unchanged since March 2015, with the reference rate at 1.5 per cent. The MPC has assessed the current level of interest rates to be conducive to keeping the Polish economy on sustainable growth path as well as to maintain macroeconomic stability.

The following table sets out certain macroeconomic statistics for the five years ended 2017:

	2013	2014	2015	2016	2017
			<i>(Real growth, %)</i>		
GDP	1.4	3.3	3.8	2.9	4.6
Total consumption	0.8	2.8	2.8	3.4	4.3
Private consumption.....	0.3	2.4	3.0	3.9	4.8
Investment.....	(1.1)	10.0	6.1	(7.9)	5.2
			<i>(Contribution to GDP growth, percentage points)</i>		
Domestic demand.....	(0.6)	4.7	3.2	2.2	4.8
Net export	1.9	(1.4)	0.6	0.7	0.2
			<i>(%)</i>		
Employment growth (LFS ⁽¹⁾ , 15 years and over)	(0.1)	1.9	1.4	0.7	1.4
Unemployment rate (LFS ⁽¹⁾ , 15-74 years).....	10.3	9.0	7.5	6.2	4.9
CPI.....	0.9	0.0	(0.9)	(0.6)	2.0
NBP reference rate (end of the period).....	2.50	2.00	1.50	1.50	1.50
			<i>(% of GDP)</i>		
CAB.....	(1.3)	(2.1)	(0.6)	(0.3)	0.1

Source: Central Statistical Office, NBP, Eurostat, own calculations

⁽¹⁾ LFS – Labour Force Survey

The following table illustrates the composition of GDP (as a percentage of total GDP) by sectors for the periods indicated:

	2013	2014	2015	2016*	Nine months ended 30 September 2017*
			(%)		
Sections					
Agriculture, forestry and fishing	2.9	2.6	2.2	2.4	2.1
Industry.....	22.0	22.5	23.2	23.5	23.1
Construction.....	6.6	7.0	7.1	6.3	6.1
Trade; repair of motor vehicles	17.1	15.8	15.7	15.4	16.2
Transport.....	5.3	5.5	5.7	5.8	6.0
Accommodation and catering	1.0	1.0	1.0	1.0	0.9
Information and communication	3.5	3.5	3.6	3.6	3.3
Financial and insurance activities	3.8	4.0	3.6	3.7	3.5
Real estate activities.....	4.6	4.7	4.4	4.5	4.6
Professional, scientific and technical activities and Administrative and support service activities	6.6	6.7	7.2	7.2	7.6
Public administration and defence; compulsory social security; Education; Human health and social work activities	13.3	13.3	13.1	13.0	12.3
Arts, entertainment and recreation; other service activities; activities of household and extraterritorial organisations and bodies	2.1	2.1	2.0	2.1	1.8
Gross value added.....	88.8	88.7	88.7	88.5	87.5
Taxes on products less subsidies on products	11.2	11.3	11.3	11.5	12.5
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source: Statistics Poland

(*) Preliminary data.

Risks

The major risk factors for GDP growth in Poland are associated with the situation in the external environment, particularly with the euro area's economic performance. Poland's strong trade and financial links with the euro area, including through participation in the German supply chains, make it susceptible to shocks emanating from major trading partners. In the short term, downside risks from the external environment come mainly from elevated geopolitical tensions (e.g. on the Korean peninsula and in the Middle East), but also from potentially tighter global financial conditions. Uncertainties about macroeconomic policies pursued in major countries outside Europe and the impending withdrawal of the United Kingdom from the EU add to these factors. Sudden stops in capital flows to vulnerable emerging market economies would have an adverse impact on European economies through weaker trade and deteriorating sentiment. The resulting weakening in the growth rate of the euro area might in turn weigh on Polish exports and investment and ultimately adversely affect economic growth in Poland.

TRADE AND BALANCE OF PAYMENTS

Balance of Payments⁴

Since 30 September 2014, Poland has been preparing balance of payments and international investment position data according to the new guidelines outlined in the sixth edition of the Balance of Payments and International Investment Position Manual ("**BPM6**"). Historical data starting from 2004 was recomputed according to BPM6.

Poland's current account deficit amounted to EUR 2,405 million in 2015 and EUR 1,254 million in 2016. The current account balance in the first three quarters of 2017 was positive and amounted to EUR 972 million. Measured by balance of payments statistics in 2015 and 2016, the surplus in trade in goods amounted to EUR 2,213 million and EUR 2,935 million, respectively. In the first three quarters of 2017, the balance on trade in goods was also positive and amounted to EUR 1,305 million. The main driver of the overall negative external balance was a negative primary income balance. In recent years, the current account deficit was fully covered by long-term capital (mainly inflows of EU structural funds).

In 2015 and 2016, the balance on goods improved as a result of faster growth in exports than imports. In the first three quarters of 2017, the trade in goods decreased as a result of faster growth in imports than exports. In 2015, the value of exports increased by 8.5 per cent. and the value of imports increased by 5.0 per cent. During 2016, the value of exports and imports increased by 3.1 per cent. and by 2.7 per cent., respectively, as compared to 2015. In the first three quarters of 2017, the value of exports increased by 11.6 per cent. and the value of imports increased by 12.8 per cent. when compared with the corresponding period in 2016.

Direct investments are presented in the balance of payments according to the assets and liabilities principle. In 2015, the balance of transactions on the liabilities side of direct investment was positive and amounted to EUR 13,530 million. A positive balance was also noted in 2016 and amounted to EUR 15,222 million. In the first three quarters of 2017, inflows of capital in the amount of EUR 2,469 million were observed in the balance of payments. During 2016, the surplus in the balance of direct investment resulted from a positive balance of transactions involving equity and investment fund shares amounting to EUR 9,810 million. The balance of debt instruments was also positive, amounting to EUR 5,412 million. The balance of direct investment on the liabilities side in the first three quarters of 2017 was influenced by positive net inflow of equity and investment fund shares in the amount of EUR 2,368 million, and net inflow of capital against debt instruments in the amount of EUR 101 million. The following table sets out Poland's balance of payments and related statistics for the periods indicated:

	2013	2014	2015	2016	Nine months ended 30 September 2017*
	<i>(EUR millions)</i>				
Current Account	(5,031)	(8,534)	(2,405)	(1,254)	972
Balance on Goods	(335)	(3,255)	2,213	2,935	1,305
Goods: exports f.o.b.	149,096	158,619	172,124	177,448	146,397
Goods: imports f.o.b.	149,431	161,874	169,911	174,513	145,092
Balance on Services	7,646	9,059	10,911	14,075	13,227
Services: Credit	33,588	36,733	40,656	45,023	37,674
Services: Debit	25,942	27,674	29,745	30,948	24,447
Balance on Primary Income	(11,915)	(13,961)	(14,683)	(16,864)	(13,191)
Primary income: Credit	11,594	11,605	11,298	11,419	8,844
Primary income: Debit	23,509	25,566	25,981	28,283	22,035
Balance on Secondary Income	(427)	(377)	(846)	(1,400)	(369)
Secondary Income: Credit	6,038	5,942	5,808	5,509	4,062
Secondary Income: Debit	6,465	6,319	6,654	6,909	4,431
Capital Account	9,006	10,034	10,158	4,472	2,549
Capital account: Credit	9,498	10,809	10,788	5,186	2,841
Capital account: Debit	492	775	630	714	292
Financial Account	(4,478)	(4,689)	603	(499)	(641)
Direct investment assets	(2,525)	5,091	4,388	10,235	1,196
Direct investment liabilities	658	14,821	13,530	15,222	2,469

⁴ The Balance of Payments has been prepared based on the standards outlined by the IMF in the Balance of Payments and International Investment Position Manual (BPM6). At the European level, both the European Central Bank and the European Commission have revised their reporting requirements regulated by their relevant regulations. The description of changes is available in the Information on changes in the statistics of the balance of payments and international investment position in 2014.

[http://www.nbp.pl/homen.aspx?f=/en/aktualnosci/2014/Revision BoP IIP 2014.html](http://www.nbp.pl/homen.aspx?f=/en/aktualnosci/2014/Revision%20BoP%20IIP%202014.html)

	2013	2014	2015	2016	Nine months ended 30 September 2017*
			<i>(EUR millions)</i>		
Portfolio investment assets.....	1,651	4,229	9,961	(5,681)	1,236
Equity securities.....	919	1,793	9,033	(5,913)	568
Debt securities	732	2,436	928	232	668
Portfolio investment liabilities	1,776	2,422	7,091	(2,170)	4,693
Equity securities.....	1,994	2,194	3,744	(2,473)	861
Debt securities	(218)	228	3,347	303	3,832
Other investment assets.....	1,215	3,071	4,600	2,174	2,308
Monetary authorities	0	1	0	227	(101)
Central and local government	45	(5)	34	220	16
MFI (excluding Central Bank)	(725)	484	30	298	(724)
Other sectors	1,895	2,591	4,536	1,429	3,117
Other investment liabilities	2,613	277	(2,213)	14,730	(10,959)
Monetary authorities	1,414	(1,168)	72	15,082	(10,015)
Central and local government	2,140	1,964	17	(87)	(530)
MFI (excluding Central Bank)	240	976	1,742	(2,429)	(1,516)
Other sectors	(1,181)	(1,495)	382	2,164	1,102
Financial derivatives	(526)	(16)	879	125	(744)
Official Reserve Assets.....	754	456	941	20,430	(8,434)
Net errors and omissions	(8453,)	(6,189)	(7,150)	(3,717)	(4,162)

Source: NBP

Foreign Direct Investment ("FDI")

Inflows of FDI to Poland

FDI comprises transactions on shares in direct investment entities (including purchases of such shares), reinvestment of earnings and a balance of transactions on debt instruments.

The inflow of FDI to Poland is based on data reported by companies and banks. Annual figures on FDI are set according to the OECD Benchmark Definition of Foreign Direct Investment – 4th edition. The data on FDI is presented without transactions of special purpose entities ("SPEs"). Transactions of SPEs organized in Poland used to be recorded as both FDI inflows and simultaneously as FDI outflows in the form of Polish direct investments abroad. The net financial impact on FDI of such transactions in the financial account is zero; therefore, those transactions were removed from data on inward and outward FDI. Those transactions are still part of FDI presented according to the asset/liability principle in the Balance of Payments data. The following table sets out the inflow of FDI to Poland for the periods indicated:

Year	Components of FDI inflow			Total (net)
	Equity	Reinvestment of earnings	Debt instruments	
		<i>(EUR millions)</i>		
2011.....	(195)	5,236	6,412	11,453
2012.....	2,974	4,362	2,331	9,667
2013.....	(1,352)	3,510	572	2,730
2014.....	3,177	6,198	1,380	10,755
2015.....	5,229	6,966	1,563	13,758
2016.....	1,932	7,845	2,811	12,588

Source: NBP

In 2016, the net FDI inflows in Poland amounted to EUR 12,588 million. The inflows from EU countries amounted to EUR 11,562 million, derived mainly from the Netherlands, Germany and Luxembourg. Net inflows from countries outside of the EU amounted to EUR 1,025 million, with the most significant inflows from Switzerland.

Inflows of FDI in 2016 were mainly attributable to: (i) reinvestment of earnings amounting to EUR 7,845 million, (ii) net inflows of capital against debt instruments (other capital) of EUR 2,811 million and (iii) net inflows of equity of EUR 1,932 million.

Foreign Trade

Exports accounted for 46.3 per cent. of GDP in 2013, 47.6 per cent. in 2014, 49.5 per cent. in 2015, 52.3 per cent. in 2016 and 54.9 per cent. as of 30 September 2017. Imports constituted 44.4 per cent. in 2013, 46.1 per cent. in 2014, 46.4 per cent. in 2015, 48.2 per cent. in 2016 and 50.6 per cent. as of 30 September 2017.

Focus of Trade

In 2017, trade with EU countries accounted for 79.7 per cent. of exports and 60.1 per cent. of imports. Germany is Poland's largest trading partner, accounting for 27.4 per cent. of exports and 23.1 per cent. of imports. Trade with other EU countries accounted for 52.1 per cent. of exports and 36.7 per cent. of imports in the same period.

The most significant export items in 2017 were machinery and transport equipment (cars, vehicles, ships, boats, parts and accessories for motor vehicles), manufactured goods and miscellaneous manufactured articles (other consumer goods). The most significant imported items are similar to those which dominate exports, with chemicals and related products playing a relatively more important role than in exports.

The following table sets out, on a percentage basis, the geographic distribution of Poland's exports and imports for the years indicated:

	2013		2014		2015		2016		2017*	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Developed Countries:										
Germany	25.1	21.7	26.3	22.0	27.1	22.9	27.4	23.3	27.4	23.10
United Kingdom	6.5	2.6	6.4	2.6	6.7	2.7	6.7	2.6	6.43	2.43
Other EU countries	43.4	34.2	44.8	34.4	45.6	34.4	45.7	35.3	45.98	34.64
Other developed countries	6.9	7.5	6.6	6.9	6.3	6.9	6.5	7.0	6.79	7.35
Total developed countries	81.9	66.0	84.1	65.9	85.7	66.9	86.3	68.2	86.4	67.4
Central and Eastern Europe:										
CEFTA ⁽¹⁾	0.6	0.2	0.7	0.2	0.6	0.2	0.7	0.3	0.7	0.3
Russia	5.3	12.1	4.2	10.3	2.9	7.3	2.8	5.8	3.01	1.65
Other Central and Eastern Europe ⁽²⁾	4.2	1.6	3.1	1.5	2.5	1.3	2.7	1.4	2.98	8.10
Total Central and Eastern Europe	9.4	13.6	7.3	11.8	5.3	8.6	5.5	7.2	5.9	24.58
Developing countries	8.7	20.4	8.6	22.3	9.0	24.5	8.2	24.6	7.7	1.65
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

^(*) Preliminary data.

⁽¹⁾ In 2006, the Central European Free Trade Agreement ("CEFTA") consisted of Bulgaria, Romania, Croatia and Macedonia. From 1 May 2007 to July 2013, the CEFTA comprised: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo. Since 1 July 2013, the CEFTA no longer includes Croatia following Croatia's accession to the EU.

⁽²⁾ "Other Central and Eastern Europe" includes European countries of the former Union of Soviet States Republics.

Source: Statistics Poland

Trade Policy

Since Poland's accession to the European Union on 1 May 2004, Poland has applied the EU's Customs Tariff.

The Common Customs Tariff specifies tariff classification rules and customs rates for each Combined Nomenclature code describing goods. All economic operators in Poland are obliged to comply with the Common Customs Tariff if their activity consists of the import or export of goods, regardless of whether they are domestic or foreign economic operators.

The Common Customs Tariff is binding in its entirety and directly applicable in all EU member states, including Poland.

Since 1 January 2018, the Commission Implementing Regulation (EU) No 2017/1925 of 12 October 2017 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and

on the Common Customs Tariff (OJ L 282 of 31 October excise tax 2017) has governed the Common Customs Tariff.

The average effective tariff rate as provided in the Budget Act for 2018 is 1.0 per cent.

Movement of Foreign Exchange Rates

Exchange Rate Policy

Until 2000, Poland used a crawling peg with a fluctuating band system according to which a central exchange rate was established against a basket of currencies and was devalued at a fixed rate. Since April 2000, the Polish zloty has been generally floating freely. However, the floating exchange rate regime does not eliminate foreign exchange interventions should they be necessary to ensure domestic macroeconomic and financial stability, which might be necessary to meet the medium-term inflation target.

The following table sets out the official NBP exchange rate between the zloty and the U.S. dollar for the periods indicated:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
End of period	3.0120	3.5072	3.9011	4.1793	3.4813
Average.....	3.1608	3.1551	3.7701	3.9431	3.5482

Source: NBP

The following table sets out the official NBP exchange rate between the zloty and the euro for the periods indicated:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
End of period	4.1472	4.2623	4.2615	4.4240	4.1709
Average.....	4.1975	4.1852	4.1839	4.3625	4.2016

Source: NBP

Total External Debt⁵

Information on Poland's external debt is prepared in accordance with the following definition. Gross external debt, at any given time, is the outstanding amount of actual current, non-contingent liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and are owed to non-residents by residents of a given country.

The definition above refers to gross debt, i.e., it refers to the particular foreign liabilities of Poland (with no deduction of Polish assets abroad). The external debt obligations take into account only those that are existing and unregulated (i.e., the creditor must have a claim against the debtor). External debt covers the entire range of debt instruments, regardless of how they are constructed. Debts are usually repaid by the debtor providing economic value, i.e., financial or non-financial assets (including commodities) to the creditor usually under a contract that specifies the terms and conditions of repayment.

The distinction between domestic and external (foreign) debt is based solely on the criterion of residence, regardless of the currency involved.

Total external debt at the end of September 2017 amounted to EUR 313,105 million. Short-term debt on an original maturity basis constituted 21.3 per cent. of the total external debt and was completely covered by the official reserve assets. The general government sector's foreign debt constituted 38.8 per cent. of Poland's total foreign debt. The share of the enterprise sector (including Direct Investment) in total external debt was 42.8 per cent.

⁵ External debt has been presented using new standards outlined by the IMF in the *Balance of Payments and International Investment Position Manual (BPM6)*.

The following table shows Poland's external debt by obligor as of the dates indicated.

	As of 31 December (except for 2016)				As of
	2013	2014	2015	2016	30 September 2017
			(EUR millions)		
Monetary authorities	5,521	4,766	5,007	20,229	9,495
Other investment.....	5,521	4,766	5,007	20,229	9,495
Special drawing rights (SDRs), Allocation	1,458	1,554	1,656	1,672	1,564
Loans	0	0	0	0	0
Currency and deposits.....	4,042	3,196	3,329	18,271	7,720
Other liabilities	21	16	22	286	211
Central and local government	111,933	119,926	124,817	120,505	121,359
Debt securities	94,244	100,350	103,516	99,410	100,726
Bonds and notes.....	94,244	100,350	103,516	99,410	100,726
Money market instruments.....	0	0	0	0	0
Other investment.....	17,689	19,576	21,301	21,095	20,633
Trade credits	2	5	8	9	11
Loans	17,568	19,497	21,249	20,975	20,523
Other liabilities	119	74	44	111	99
Banks	48,872	50,123	50,008	48,940	48,250
Debt securities	1,408	1,373	1,495	2,891	4,420
Bonds and notes.....	1,407	1,373	1,495	2,891	4,418
Money market instruments.....	1	0	0	0	2
Other investment.....	47,464	48,750	48,513	46,049	43,830
Loans	27,220	30,254	30,182	29,051	25,725
Currency and deposits.....	18,750	16,629	16,566	16,090	17,105
Other liabilities	1,494	1,867	1,765	908	1,000
Other sectors	46,695	47,466	49,197	50,752	53,861
Debt securities	816	873	1,266	928	2,400
Bonds and notes.....	814	873	1,265	926	2,395
Money market instruments.....	2	0	1	2	5
Other investment.....	45,879	46,593	47,931	49,824	51,461
Currency and deposits.....	2	2	83	6	23
Trade credits	12,427	12,250	12,879	14,225	14,853
Loans	32,482	32,864	33,940	34,155	34,993
Insurance technical reserves.....	257	290	292	425	468
Other liabilities	711	1,187	737	1,013	1,124
Direct Investment: Intercompany Lending.....	65,927	71,229	74,091	78,530	80,140
Direct investors in direct investment enterprises.	26,049	29,303	29,932	32,455	34,395
Direct investment enterprises in direct investors.	4,355	5,948	6,128	7,044	5,982
Between fellow enterprises	35,523	35,978	38,031	39,031	39,763
Total external debt	278,948	293,510	303,120	318,956	313,105

Source: NBP

MONETARY AND FINANCIAL SYSTEM

Structure and Development of the Polish Banking System

At the end of 2017, there were 35 commercial banks (14 with majority Polish ownership and 21 with majority foreign ownership), 553 co-operative banks and 28 branches of foreign credit institutions operating in Poland. Three domestic banks performed services abroad either through a subsidiary or a branch; however, the scope of this activity remained limited. The sector was dominated by commercial banks, which collectively held 92.6 per cent. of the total sector's assets. The market share of foreign-controlled banks in banking sector assets decreased to 45.3 per cent. (including branches of credit institutions) after Bank Pekao SA was taken over by Polish state-controlled institutions in June 2017. Concentration of the market was moderate – the market share of the five largest banks in the sector's assets amounted to 47.9 per cent.

The Polish banking sector's earnings and profitability were stable and satisfactorily high, compared to current European averages. At the end of 2017, annualised Return on Assets (ROA) amounted to 0.78 per cent., about twice that of the EU average. In 2017, the net profit of the banking sector was only slightly lower (by 1.7 per cent.) than a year before, despite external factors such as the banking tax⁶ and the base effect (non-recurring income from the sale of Visa Europe in June 2016). Despite the persistent low interest rate environment, the net interest margin ratio has been steadily rising over the past two years, reaching 2.44 per cent. at the end of 2017.

Lending to non-financial customers grew by 6.1 per cent. year on year⁷ in 2017. The rate of growth of lending to non-financial customers was slightly higher than the growth of nominal GDP and thus supported sustainable economic growth without giving rise to imbalances in the economy or in the financial system. Lending to corporations increased by 8 per cent. year on year, mainly backed by strong growth of 13.2 per cent. in investment loans. Consumer loans grew by 7.4 per cent. year on year and housing loans by 3.4 per cent. year on year, of which zloty-denominated housing loans grew by 10.6 per cent. and foreign currency-denominated housing loans decreased by 7.7 per cent. year on year. Since 2011, new housing loans are being granted mostly in zloty. As a result, the share of FX housing loans in the total stock of housing loans is continuously decreasing – to 34 per cent. in 2017 (compared with over 70 per cent. at the highest level, in 2009). The ratio of loans to non-financial sector to GDP was stable and reached about 50 per cent. in 2017. Since the end of 2008 the ratio has increased by some five percentage points.

The quality of the Polish banking sector's assets remain relatively high and is gradually improving, supported by favourable performance of the corporate sector and the labour market. Total NPL ratio decreased to 6.8 per cent. in December 2017 from 7.1 per cent. in the previous year. Housing loan portfolios outperformed other loan portfolios, i.e., the NPL ratio amounted to 2.8 per cent. Coverage of impaired loans by provisions (60 per cent. for household impaired loans and 51 per cent. for enterprise-impaired loans) can be regarded as adequate, taking into account the average collateralisation of loans and market prices for impaired loans.

The Polish banking sector remains well-capitalised. As of 30 September 2017 the average Total Capital Ratio (TCR) was 18 per cent. and Tier 1 capital ratio – 16.5 per cent. Even though the Tier 1 capital ratio of the Polish banking sector remained close to the EU average (15.7 per cent. as of June 2017), banks in Poland were in fact better capitalised since they apply more conservative risk weights. The ratio of risk-weighted assets to total assets in Poland was significantly higher than the EU average (60.5 per cent. compared to 36.8 per cent. as of June 2017). Consequently, the average leverage (assets to equity) for Polish banks was approximately 9.3, compared with 15.5 in the EU.

Funding and liquidity of Polish banks have remained sound. Banks have continued increasing the share of local funding (mainly non-financial sector deposits) in their funding structure, instead of foreign currency liabilities from financial non-residents. The growth rate of deposits was still high (five per cent. year on year in December 2017). The loan to deposit ratio continued a gradual downward trend and amounted to

⁶ The banking tax has been in force since February 2016. The monthly tax rate of 0.0366 per cent. is applied to the tax base of total assets decreased by PLN 4 billion, value of Treasury bonds, value of own funds and, in the case of affiliating banks, deposits of affiliated cooperative banks.

⁷ All data on loan volume changes quoted in this paragraph are exchange rate adjusted.

93.9 per cent. in December 2017. At the same time, total liabilities of the banking system to financial non-residents, of which 70.3 per cent. were in foreign currencies, continued a downward trend, accounting for 10.4 per cent. of bank assets (compared with the highest historic level of approximately 20 per cent. at the beginning of 2009).

The National Bank of Poland

The NBP is the central bank of Poland. It is authorised by the Constitution, the Act on Narodowy Bank Polski of 29 August 1997 (the "**NBP Act**") and the Banking Act of 29 August 1997 (the "**Banking Act**"). Those laws are consistent with EU standards. European Union law, the Constitution of the Republic of Poland and the NBP Act all confirm the NBP's independence, which is essential for the credibility of the central bank. According to the Constitution, the NBP has the exclusive right to issue money as well as to formulate and implement monetary policy. In line with the NBP Act, it provides banking services to the state. Although the NBP may act as a financial agent to the government, it cannot be regarded as liable for the obligations of the State Treasury. The NBP is also responsible for establishing the necessary conditions for the development of the banking system. Under an amendment to the NBP Act in 2015, the NBP has been assigned the task of stabilising the financial system as well as reducing or eliminating the systemic risk of the financial sector.

The NBP has three governing bodies: the President, the MPC and the Management Board. The President of the NBP is appointed by the Sejm at the request of the President of the Republic of Poland for a six-year term, with strictly limited possibilities of removal. Adam Glapiński was officially appointed President of the NBP by the Sejm on 10 June 2016, and took office on 21 June 2016, after taking an oath of allegiance to the Sejm. The President of the NBP is the chairman of the other two governing bodies of the NBP, as well as the Financial Stability Committee in the area of macroprudential supervision. Under the NBP Act, the powers of the President of the NBP are separated from those of the MPC and the Management Board of the NBP.

Monetary policy decisions are made by the MPC. According to the Constitution and the NBP Act, the MPC formulates annual monetary policy guidelines and submits them to the Sejm together with the draft budget submitted by the Council of Ministers. Based on these guidelines, the MPC makes monetary policy decisions, in particular on interest rates, required reserve ratios and remuneration rates for holding reserves. In addition, the Constitution requires that, within five months following the end of each fiscal year, the MPC must submit a report to the Sejm on the achievement of monetary policy goals. The Council also issues a triannual inflation report, which presents the MPC's assessment of the macroeconomic conditions influencing inflation developments.

The MPC consists of the President of the NBP as chairman and nine members from outside the NBP, who are appointed in equal numbers by the Polish President, the Sejm and the Senate for a period of six years. The tenure of eight of the current members and the chairman began in 2016.

The principles for setting the złoty exchange rate are determined by the Council of Ministers in consultation with the MPC. The NBP Management Board performs tasks related to the foreign exchange policy. The NBP publishes current middle exchange rates for foreign currencies and rates for other types of foreign exchange, such as buy and sell prices of foreign currencies, and performs its function as the central foreign exchange authority by holding and managing the official foreign exchange reserves, and by conducting banking operations and taking other measures to ensure the safety of foreign exchange operations and liquidity of international payments.

The NBP Management Board's core responsibilities include implementing the resolutions of the MPC, supervising open market operations, performing tasks concerning the exchange rate policy and analysing the stability of Poland's financial system. The Management Board consists of the President of the NBP and six to eight members, of which two are vice presidents. In line with the Management Board's mandate regarding financial stability set forth in the NBP Act, the NBP produces a semi-annual Financial Stability Report, which analyses the resilience of the domestic financial system, in particular the banking sector, against potential or materialised financial and macroeconomic shocks. The reports take into account a wide range of financial and macroeconomic indicators, which are largely based on data received directly from financial institutions and supported by the NBP's own quantitative and qualitative research.

Capital Markets

Warsaw Stock Exchange

In 1991, Poland established the Warsaw Stock Exchange (the "WSE"). The WSE operates the main market and also acts as the operator of an alternative market called NewConnect (established in August 2007) for smaller companies. In November 2010, the WSE went public and its shares were self-listed.

In September 2009, the WSE launched CATALYST, the first organised market in debt securities in Poland and a unique market of its kind in Central and Eastern Europe. The system facilitates and optimises issuances of, as well as trading in, corporate and municipal bonds. BondSpot SA, a subsidiary of the WSE, also operates Treasury BondSpot Poland, which is a wholesale market dedicated to trading in Treasury bonds and Treasury bills.

According to the WSE, it is now the largest national financial instruments exchange in Central and Eastern Europe (including Poland, the Czech Republic, Slovakia, Slovenia, Bulgaria, Romania, Austria and Hungary) and in recent years has been one of the fastest-growing exchanges in Europe. It offers a wide range of products and services within its trading markets of equities, derivatives, debt and structured products, electricity, natural gas and property rights, as well as the clearing of transactions, operation of the Register of Certificates of Origin of electricity, and the sale of market data.

As of January 2018, there were 479 companies listed on the WSE (429 local members and 50 foreign members) and of a total of 60 investment firms conducting their activities under Polish law, 12 were banks conducting brokerage activities and the remainder were independent entities. In January 2018, there were 2,990 licensed brokers of securities, 383 commodities brokers and 666 licensed investment advisers.

Foreign investors may trade on the WSE on the same terms as domestic investors, and may freely repatriate trading profits in a foreign currency.

Treasury securities

Treasury bonds and bills denominated in PLN are sold at regular auctions by the State Treasury. The primary domestic market is based on a selected group of banks acting as primary dealers.

The following table sets forth certain information with respect to the sale of treasury securities on the domestic market for the periods indicated:

	<u>Q1 2017</u>	<u>Q2 2017</u>	<u>Q3 2017</u>	<u>Q4 2017</u>	<u>2017</u>
	<i>(nominal amount, PLN billions)</i>				
Gross sales of Treasury securities					
Treasury bonds.....	41.3	30.1	16.1	35.2	122.7
Treasury bills	6.0	0	0	0	6.0
Total.....	47.3	30.1	16.1	35.2	128.6
Net sales of Treasury securities					
Treasury bonds.....	23.7	9.7	(4.4)	(1.0)	28.0
Treasury bills	6.0	0	(6.0)	0	0
Total.....	29.7	9.7	(10.3)	(1.0)	28.0

Source: Ministry of Finance

Trading of Treasury bonds is conducted on three secondary markets: the non-regulated OTC market, the Treasury BondSpot Poland's electronic platforms and on regulated markets of the WSE and BondSpot S.A. In 2017, Treasury bonds were primarily traded on the non-regulated OTC market (95.1 per cent. of total trading volume), while the shares of Treasury BondSpot Poland's electronic platform and the WSE in the total Treasury bond trading volume amounted to 4.9 per cent. and approximately 0.01 per cent., respectively. The main holders of State Treasury debt at the end of December 2017 were foreign investors with PLN 471.8 billion (50.8 per cent), the domestic banking sector with PLN 257.3 billion (27.7 per cent) and domestic non-banking investors with PLN 198.8 billion (21.4 per cent.).

The average time to maturity ("ATM") of domestic marketable debt increased from 4.36 years at the end of December 2016 to 4.49 years at the end of December 2017. The ATM of total State Treasury debt has remained at the safe level for more than five years. The average time to refixing ("ATR") and duration of domestic marketable debt increased from 3.35 and 3.07 years at the end of December 2016, respectively, to 3.33 and 3.04 years, respectively, at the end of December 2017. The level of interest rate risk for

foreign debt does not pose a threat to minimising costs, as the sensitivity of foreign currency debt servicing costs to changes in interest rates is limited (ATR at 4.92 years and duration of 4.48 years at the end of December 2017).

Money Supply and NBP Interest Rates

Monetary Policy

The primary objective of the NBP's monetary policy is to maintain price stability, while supporting the economic policy of the Government. While striving to maintain price stability, the NBP pursues the inflation targeting strategy under the floating exchange rate regime. At the same time, monetary policy is conducted in a manner that fosters sustainable economic growth and financial stability.

The MPC sets a numerical medium-term target for inflation and meets regularly each month to discuss the economic conditions and outlook, and, after analysing risks to price stability, either takes no action or adjusts the monetary policy instruments. The NBP's main instrument is a short-term interest rate.

Since 2004 the medium-term inflation target has been set at 2.5 per cent., with a symmetrical band for deviations of +/- 1 percentage point. The target is defined over a medium-term horizon and in terms of annual growth of CPI. Every year the MPC also publishes Monetary Policy Guidelines, providing an outline for the monetary policy in the coming year. This outline is fully compatible with the medium-term strategy. Since the introduction of the medium-term target of 2.5 per cent., average CPI inflation in Poland has amounted to 2.0 per cent. Since the start of 2017, CPI inflation has been slightly below the NBP's target, reaching the target in November 2017 before falling to 2.1 per cent. in December 2017. Consumer price growth has been propped up by higher food and energy prices, while core inflation has been stable and low, at close to 1 per cent. throughout 2017. Volatile factors, such as energy and food prices, have been recently exerting some upward pressure on consumer prices. At the same time, since the beginning of 2017, core inflation has been stable and moderate (0.8 per cent. in October 2017). According to the NBP's November 2017 Inflation Report, CPI inflation is expected to remain close to the target in coming years. Since March 2015, the MPC has been keeping the NBP's interest rates unchanged, with the level of the NBP's reference rate remaining at 1.5 per cent.

Monetary Policy Implementation

The NBP's interest rates are the principal instrument of monetary policy with regard to reaching predetermined inflation targets in Poland. By setting the level of these rates, the MPC influences the level of short-term money market interest rates.

The NBP's reference rate reflects the general direction of monetary policy. It determines the yield obtainable on open market operations. Due to a liquidity surplus prevailing in the Polish banking sector, open market operations are used to absorb excess liquidity from the interbank market. Starting from 2008, open market operations have been conducted on such a scale as to enable the Polish Overnight Index Average ("**POLONIA**") to run close to the NBP's reference rate.

The NBP's open market operations can be divided into the following three categories:

- main open market operations, which are executed on a weekly basis in the form of the issuance of NBP bills with a seven-day maturity. A fixed rate at the level of the NBP's reference rate is binding during tenders. Regular issuance of NBP bills plays a pivotal role in pursuing the objectives of the NBP's open market operations;
- fine-tuning open market operations that may be conducted with the aim of limiting the volatility of short-term market interest rates. This may involve liquidity-absorbing operations (issuance of NBP bills, reverse repo transactions) or liquidity-providing operations (redemption of NBP bills before maturity, repo transactions). The maturity and yield of these operations, as well as the exact manner in which they are carried out, depend on the situation in the banking sector; and
- structural open market operations which may be conducted in order to affect the long-term liquidity structure of the banking sector. If necessary, the NBP can issue bonds or purchase or sell securities on the secondary market.

The following table sets out details of interest rates set by the NBP, and changes made to them, since 2009:

Effective Date	Lombard Rate	Reference Rate	Deposit Rate
		(%)	
28 January 2009	5.75	4.25	2.75
26 February 2009	5.50	4.00	2.50
26 March 2009	5.25	3.75	2.25
25 June 2009	5.00	3.50	2.00
20 January 2011	5.25	3.75	2.25
6 April 2011	5.50	4.00	2.50
12 May 2011	5.75	4.25	2.75
9 June 2011	6.00	4.50	3.00
10 May 2012	6.25	4.75	3.25
8 November 2012	6.00	4.50	3.00
6 December 2012	5.75	4.25	2.75
10 January 2013	5.50	4.00	2.50
7 February 2013	5.25	3.75	2.25
7 March 2013	4.75	3.25	1.75
8 May 2013	4.50	3.00	1.50
6 June 2013	4.25	2.75	1.25
4 July 2013	4.00	2.50	1.00
9 October 2014	3.00	2.00	1.00
4 March 2015	2.50	1.50	0.50

Source: NBP

The latest easing cycle started in late 2012. Since then, interest rates have been cut on ten occasions, bringing the reference rate down to 1.5 per cent. in March 2015. Interest rates have remained unchanged since 4 March 2015.

PUBLIC FINANCE

Public Finance System and Taxation System

The Polish public finance system is comprised of the state budget, local budgets, extra-budgetary units, agencies and other entities. It is divided into three sub-sectors: central, local and social security. There are some differences in the scope of the sector and accounting methods compared with the general government sector (as defined in the EU's European System of Accounts 2010 (the "ESA 2010")).

The Polish methodology differs from the ESA 2010 in two significant respects:

- under the ESA 2010, revenues and expenditures are calculated on an accrual basis, whereas a cash basis is used under the Polish methodology; and
- the scope of the public sector is defined differently under the two methodologies; for example, funds formed under the annual reports of Bank Gospodarstwa Krajowego ("BGK") (i.e., the National Road Fund and the Railway Fund) and the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*) ("BGF") are excluded under the Polish methodology and included under the ESA 2010.

Fiscal policy in Poland is conducted within the limitations contained in the provisions of national and EU laws comprising:

- the upper limit of state budget expenditures for the following year based on the stabilising expenditure rule contained in the Public Finance Act of 27 August 2009;
- reference values for the general government nominal deficit (3 per cent. of GDP) and for the general government debt (60 per cent. of GDP), and the medium-term budgetary objective at the level of -1 per cent. of GDP.

The Government's primary goal, the achievement of sustainable public finances, requires further strengthening of the institutional framework for fiscal policy. Therefore, Poland adopted the stabilising expenditure rule ("**SER**") in 2013 (see "*Public Finance—Public Finance System and Taxation System—Stabilizing Expenditure Rule*" below). The rule was used in an auxiliary way in the process of designing the state budget for 2014. Formally, the rule was introduced in the 2015 budget. The SER contributes to a reduction of the excessive general government deficit and fiscal consolidation.

Fiscal performance in 2017

After the third quarter of 2017, the general government sector (ESA2010) for the first time showed a surplus of PLN 2.4 billion, which is 0.2 per cent. of GDP. This was the result of very positive performance in the first quarter – a surplus of PLN 7.9 billion, a deficit in the second quarter of PLN 6.1 billion and a small surplus in the third quarter of PLN 0.6 billion. The primary balance after September 2017 was positive and amounted to PLN 27.0 billion. The situation of the general government sector after three quarters of 2017 was significantly better than in the corresponding period of 2016, when the general government deficit was PLN 18.4 billion with a positive primary balance of PLN 5.2 billion.

The main factor behind the positive developments after three quarters of 2017 was the collection of general government revenues significantly above forecasts. Positive trends were visible not only in the collection of tax revenues, but also in social contributions, and were the result of acceleration in GDP growth, its structure based on private consumption and measures implemented by the government aimed at the reduction of tax evasion.

Taking into account the positive developments after the third quarter of 2017 in the fiscal position of general government units with the major impact on the situation of the whole sector and preliminary data on the state budget performance in 2017, the current estimate of the fiscal deficit of the whole general government sector is below 2 per cent. (final data will be published by the Central Statistical Office in April 2018).

GENERAL GOVERNMENT BALANCE

The following table sets out the general government balance (calculated pursuant to the ESA 2010) for the years indicated:

	2012	2013	2014	2015	2016
	<i>(as a % of GDP)</i>				
General government balance.....	(3.7)	(4.1)	(3.6)	(2.6)	(2.5)
Central government	(3.6)	(3.7)	(2.3)	(2.2)	(2.6)
Local government.....	(0.3)	(0.2)	(0.2)	(0.0)	0.3
Social security funds	0.2	(0.3)	(1.1)	(0.4)	(0.1)
	<i>(PLN millions)</i>				
General government balance.....	(60,480)	(68,146)	(61,820)	(47,489)	(45,870)
Central government	(59,042)	(60,494)	(39,790)	(39,831)	(48,769)
Local government.....	(4,898)	(3,023)	(3,264)	223	4,668
Social security funds	3,460	(4,629)	(18,766)	(7,881)	(1,769)

Source: Central Statistical Office

The following table sets out state budget revenues and expenditures using the Polish methodology for the years indicated:

	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
	<i>(PLN billions, except as otherwise indicated)</i>				
Total revenue.....	283.5	289.1	314.7	350.5	355.7
Total expenditure.....	312.5	331.7	360.8	375.9	397.2
Balance	(29.0)	(42.6)	(46.2)	(25.4)	(41.5)
GDP					
	<i>(as a % of GDP)</i>				
Total revenue.....	16.5	16.1	16.9	17.7	17.3
Total expenditure.....	18.2	18.4	19.4	19.0	19.3
Balance	(1.7)	(2.4)	(2.5)	(1.3)	(2.0)

Notes:

⁽¹⁾ 2017 preliminary execution of the budget .

⁽²⁾ 2018 Draft Budget Act.

Source: Ministry of Finance, Central Statistical Office

The following table sets out certain information regarding total revenues and expenditure for local governments for the periods indicated:

	2013	2014	2015	2016	2017
	<i>(PLN millions, except for percentages)</i>				
Total revenue.....	183,458	194,337	199,019	213,669	229,747
Total expenditure.....	183,839	196,754	196,415	206,035	229,716
Balance	(380)	(2,417)	2,604	7,634	31

Source: Ministry of Finance

The Budget Process

The Polish Government's fiscal year is the calendar year. Under the Constitution, the Council of Ministers must present a draft budget to the Sejm at least three months prior to the beginning of each fiscal year. The budget then proceeds through the normal legislative process. If a budget has not been approved by both the Sejm and the Senate before the beginning of the new fiscal year, the Government may manage public finances based on the draft budget until a budget is adopted. If no budget has been approved by the Parliament and presented to the President for execution within four months of the Council of Ministers submitting the draft to the Sejm, the President may dissolve the Parliament.

The 2018 Budget Act

The 2018 Budget Act was signed by the President on 29 January 2018. The 2018 Budget Act envisions the state budget deficit to be PLN 41.5 billion, with state budget revenue estimated to reach PLN 355.7 billion and state budget expenditures estimated to reach PLN 397.2 billion. The budget projects real GDP growth of 3.8 per cent.

The following table sets out state revenues in nominal terms and as a percentage of GDP for the years indicated:

	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽²⁾
	<i>(PLN millions)</i>				
Nominal Revenues					
Tax Revenue	254,781.0	259,673.5	273,138.4	315,309.3	331,672.6
VAT and other Indirect taxes	187,067.4	187,266.5	193,740.3	226,702.7	237,914.0
Corporate Income Tax	23,266.2	25,813.4	26,381.4	29,811.3	32,400.0
Personal Income Tax	43,022.0	45,040.0	48,232.4	52,668.0	55,500.0
Non-tax Revenue	27,231.9	27,710.3	40,131.3	33,693.8	21,908.7
Dividends	4,213.5	6,351.2	2,814.7	N/A ³	2,248.0
Transfers from the NBP	0.0	0.0	7,862.0	8,740.9	0
Custom Duties	2,440.7	2,929.2	3,177.8	3,555.7	3,787.0
Payments, fees, interests and others	18,149.5	16,534.6	24,044.9	N/A	13,611.3
Local government payments	2,428.2	1,895.3	2,231.9	N/A	2,262.4
Revenue from EU and other non-returnable means	1,529.9	1,753.0	1,413.9	1,496.0	2,124.1
Total Revenue	283,542.7	289,136.7	314,683.6	350,499.1	355,705.4
	<i>(Revenues as % of GDP)</i>				
Tax Revenue	14.8	14.4	14.7	15.9	16.1
VAT and other Indirect taxes	10.9	10.4	10.4	11.4	11.6
Corporate Income Tax	1.4	1.4	1.4	1.5	1.6
Personal Income Tax	2.5	2.5	2.6	2.7	2.7
Non tax Revenue	1.6	1.5	2.2	1.7	1.1
Dividends	0.2	0.4	0.2	N/A	0.1
Transfers from the NBP	0.0	0.0	0.4	0.4	0
Custom Duties	0.1	0.2	0.2	0.2	0.2
Payments, fees, interests and others	1.1	0.9	1.3	N/A	0.7
Local government payments	0.1	0.1	0.1	N/A	0.1
Revenue from EU and other non-returnable means	0.1	0.1	0.1	0.1	0.1
Total Revenue	16.5	16.1	16.9	17.7	17.3

Notes:

⁽¹⁾ 2017 estimated execution.

⁽²⁾ 2018 Budget Act.

⁽³⁾ Data on 2017 will be available on 31 May 2018.

Source: Ministry of Finance, Central Statistical Office

The following table sets out certain information regarding state budget expenditure in nominal terms and as a percentage of GDP for the years indicated:

	2014	2015	2016	2017 ⁽⁵⁾	2018 ⁽⁶⁾
	<i>(PLN millions)</i>				
Subsidies ⁽¹⁾	5,772	5,066	6,774	6,880	7,664
Social Insurance	69,145	82,042	84,607	80,832	85,208
Current Expenditures of the Budget Sphere	110,898	117,487	142,622	165,078	166,159
Debt Service and Guarantees ⁽²⁾	34,456	29,169	32,056	29,800	30,700
Capital Expenditures ⁽³⁾	15,254	20,056	17,701	23,156	21,177
Subsidies to Local Authorities ⁽⁴⁾	50,905	51,049	52,739	54,289	56,445
EU own resources	17,260	18,196	19,168	15,795	19,644
Co-financing EU projects	8,830	8,679	5,176	8,943	10,201
Total State Budget Expenditures	312,520	331,743	360,843	384,774	397,197
	<i>(Expenditures as % of GDP)</i>				
Subsidies ⁽¹⁾	0.3	0.3	0.4	0.3	0.4
Social Insurance	4.0	4.6	4.6	4.1	4.1
Current Expenditures of the Budget Sphere	6.4	6.5	7.7	8.3	8.1
Debt Service and Guarantees ⁽²⁾	2.0	1.6	1.7	1.5	1.5
Capital Expenditures ⁽³⁾	0.9	1.1	1.0	1.2	1.0

	2014	2015	2016	2017 ⁽⁵⁾	2018 ⁽⁶⁾
Subsidies to Local Authorities ⁽⁴⁾	3.0	2.8	2.8	2.7	2.7
EU own resources	1.0	1.0	1.0	0.8	1.0
Co-financing EU projects.....	0.5	0.5	0.3	0.5	0.5
Total State Budget Expenditures	18.2	18.4	19.5	19.4	19.3

⁽¹⁾ Subsidies to enterprises.

⁽²⁾ Debt Service includes Foreign and Domestic Debt.

⁽³⁾ Capital expenditures include investments and equity contributions.

⁽⁴⁾ General subventions to local governments.

⁽⁵⁾ 2017 amended Budget (total state budget expenditures in 2017 estimated execution PLN 375,868 million)

⁽⁶⁾ 2018 Budget Act.

Source: Ministry of Finance

Stabilising Expenditure Rule

The goal of the SER is to ensure the sustainability of public finances in Poland by stabilising the general government nominal balance in the medium-term at the level of the medium-term budgetary objective (which currently is a structural deficit of 1 per cent. of GDP) ("MTO") and public debt below predefined thresholds. At the same time, the SER prevents excessive tightening of the fiscal policy, especially under conditions of severe economic slowdown and excessive loosening under favourable economic conditions.

The SER entered into force at the end of 2013 pursuant to the amendment of the Act on Public Finance and became binding in the budget process for 2015. The introduction of the SER and the accompanying changes to Poland's domestic fiscal framework ensured compliance with Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the member states, which obliges member states to use numerical fiscal rules.

Under the SER, the level of expenditures allowed grows in accordance with the medium-term real GDP growth rate multiplied by the CPI inflation (target of the MPC). Moreover, the formula contains projected changes in discretionary revenue measures and an automatic correction mechanism resulting from imbalances in public finances. The medium-term real GDP growth rate is calculated on the basis of eight years, with a six-year retrospective period. As a consequence of incorporating a historical retrospective component into the allowed level of expenditures calculation, the SER formula helps mitigate the risk of a cyclical fiscal policy that results from a calculation based solely on the current year's economic performance. The correction in the formula is applied if there is an imbalance in public finances. An imbalance is defined as a general government deficit exceeding 3 per cent. of GDP; the level of national public debt (calculated according to Article 38a of the Public Finance Act) exceeding 43 per cent. or 48 per cent. of GDP; or cumulated deviations of the general government nominal balance from the MTO being lower than 6 per cent. of GDP or higher than 6 per cent. of GDP.

There are only very limited instances in which the SER does not apply, such as the invocation of martial law or a state of emergency, or a nationwide natural disaster.

The level of expenditures resulting from the rule covers the expenditures of approximately 90 per cent. of the general government sector, including funds in the BGK and in the BGF, which, according to the EU definition, are included in the general government sector, with the exceptions indicated below. First, the calculation of the level of expenditures excludes budget spending of EU funds and expenditures financed by means of a non-refundable grant from the EU and EFTA countries. Secondly, the costs of those governmental bodies which do not have the ability to generate high deficits are also excluded.

As a result, the level of expenditures covers two groups of general government sector institutions. The first group includes: the state budget, the Social Insurance Fund, the Labour Fund, the Pension and Retirement Fund, the Bridging Allowance Fund and the funds established, entrusted or assigned to BGK. The second group comprises the National Health Fund, the BGF, local government units and their associations, and entities referred to in Article 139, item 2 of the Public Finance Act. In order to abide by the expenditure limit, the forecasted expenditure of the entities listed in group 2 are deducted from the total amount of expenditure.

The Supreme Audit Office ("NIK"), which is an independent state audit body fulfilling the role of an independent fiscal institution (IFI), monitors compliance with the rules described above.

Financing the State Budget Deficit

The Budget Act for 2017 had forecast Poland's budget deficit for 2017 to amount to PLN 59.3 billion, while total net borrowing requirements were expected to amount to PLN 79.0 billion, while gross borrowing requirements were projected to amount to PLN 178.5 billion. The actual performance was better and the budget deficit, according to the preliminary data, amounted to PLN 25.4 billion, total net borrowing requirements amounted to PLN 26.3 billion and gross borrowing requirements amounted to PLN 117.2 billion. Borrowing requirements in 2017 were financed mainly by the issuance of bonds in the domestic market (94 per cent.) and Treasury bonds in the international markets (6 per cent.). Some additional funding (0.2 per cent.) was obtained from the World Bank and the CEB.

In 2017, financing in the domestic market was mainly obtained through the sale of Treasury bonds in auctions. Amongst all of the Treasury securities sold, medium-term bonds (five years) amounted to 43 per cent., long-term bonds amounted to 38 per cent. and issuances of short-term bonds (up to two years) and T-bills amounted to 13 per cent. Treasury bonds sold through retail channels amounted to 6 per cent. Net financing in the domestic market in 2017 derived mainly from domestic banks and the domestic non-banking sector, while foreign investors played a smaller role. Financing in the international markets consisted of issues of Treasury bonds denominated in euro. As of 30 November 2017, debt denominated in EUR, USD, JPY, CHF and CNY amounted to 23.5, 5.2, 1.0, 1.0 and 0.2 per cent., respectively, of total State Treasury debt. As of 31 December 2017, the State Treasury's debt had an average time to maturity of 5.15 years, with the share of foreign currency debt amounting to 30.6 per cent.

The budget deficit for 2018 is projected to amount to PLN 41.5 billion according to the Budget Act for 2018, while total net and gross borrowing requirements are expected to amount to PLN 63.3 billion and PLN 181.7 billion, respectively. As in previous years, the process of funding complies with the State Treasury's main strategic objective and provides flexibility in the choice of market, currency and instrument type. The largest portion of funding is expected to derive from the domestic Treasury bond market, with the financing structure depending on market conditions (the plan also provides for the issuance of T-bills). As of 14 February 2018, 43 per cent. of gross borrowing requirements for 2018 had already been financed, mainly in 2017 as prefinancing.

Revenues

The principal source of the State's revenues is taxation. The main taxes in the Polish tax system are those on goods and services ("**VAT**"), corporate income tax ("**CIT**"), personal income tax ("**PIT**") and excise tax. Local taxes are also collected directly by the local authorities or tax offices acting on behalf of such authorities. Local taxes include agricultural tax, forest tax, real property tax and transport vehicles tax.

Value Added Tax

VAT levied on the supply of goods and services and other activities in Poland complies with the rules of Council Directive 2006/112/EC on the common system of value added tax. The following VAT rates apply (increased from 1 January 2011):

- a standard rate of 23 per cent.; and
- reduced rates of:
 - 8 per cent. (for example, on certain food items, medicines, public transport, restaurant services, new housing structures and housing construction services covered by the social housing programme);
 - 5 per cent. (for example, on certain unprocessed agricultural products, books and specialist periodicals); and
 - zero per cent. (for exports and intra-Community supplies and selected services such as international transport).

Furthermore, the VAT system provides for exemptions (without the right to deduct input tax) for certain services, such as education, healthcare and welfare, and financial services (with exceptions).

Corporate Income Tax

CIT is levied on the income of certain entities, mainly legal persons, at a flat rate of 19.0 per cent. Dividends are subject to a 19 per cent. withholding tax, unless a relevant double taxation treaty provides otherwise. However, dividends paid by a company resident in Poland to parent entities subject to income tax in an EU/EEA member state or in Switzerland may be exempted from taxation if certain specific requirements are satisfied.

Interest and royalties paid to foreign entities are subject to a 20 per cent. withholding tax, unless a relevant double taxation treaty provides otherwise. However interest and royalties paid by a company resident in Poland to some related entities which are subject to income tax in an EU/EEA member state or in Switzerland (the latter in relation to dividends) may be exempt from taxation if certain specific requirements are satisfied.

Effective from 1 January 2017, a reduced tax rate of 15 per cent. is levied on small taxpayers (i.e., taxpayers whose sales revenues, together with the amount of value added tax due in the previous tax year, do not exceed the equivalent in zlotys of EUR1.2 million, subject to conditions set out in the law) and new taxpayers.

From 1 January 2018, the CIT Act singles out a new source of revenue, i.e., income from capital gains. Capital gains in the meaning of the CIT Act mean income from, for example: redemptions of shares, dividends, the value of the profit retained in a company, assets received from the liquidation of legal persons, and income from investment funds and sales of shares. Other types of revenue consist of any other taxpayer income not included in the capital gains category. These two sources will have to be settled separately, i.e., their revenues, costs and losses should not be mixed. Tax losses from a given source may be deducted in the next five consecutive tax years, but the amount of such reduction in any of those years may not exceed 50 per cent. of the amount of the loss.

From 2018 CIT Act also introduced so-called tax on income derived from fixed assets situated in the territory of Poland whose original value exceeds PLN 10 million) commercial buildings classified as shopping centres, department stores, shops, boutiques, and other shopping services; and 2) office buildings. The tax will be calculated as 0.035 per cent. of the taxpayer's tax base for each month. For the purpose of this provision, the tax base is the income equal to the original value of the fixed asset as of the first day of each month in the relevant period, reduced by the amount of PLN 10 million. The tax amount will be deducted from the general income tax advance.

Personal Income Tax ("PIT")

In 2018, PIT is levied on personal income at progressive tax rates starting at 18 per cent. on the initial PLN 85,528 earned and increasing to 32.0 per cent. on earnings above that threshold. Taxpayers who operate their own business are entitled to choose a different form of income taxation with a flat rate of 19.0 per cent. In a limited number of cases those taxpayers can choose to pay income tax on a lump sum basis. Income from selling securities and other financial instruments is subject to 19.0 per cent. income tax, which is specified in a separate tax return sent no later than 30 April of the year following the relevant tax year.

Excise Tax

Polish law on excise duty complies with the general EU arrangements for excise duty and the specific regulations regarding the taxation of energy products, alcoholic beverages and tobacco products.

As a result, excise duty is imposed on energy products (e.g., gasoline, diesel fuel, kerosene, LPG, natural gas, fuel oil, coal and coke), electricity, alcoholic beverages (e.g., ethyl alcohol, intermediate products, beer, wine and fermented beverages other than wine and beer) and tobacco products (e.g., cigarettes, cigars and cigarillos, smoking tobacco).

Additionally, excise duty is also levied on certain other goods such as passenger cars and raw tobacco.

In 2018, there will be zero excise tax on liquid for electronic cigarettes and novel tobacco products. Starting in 2019, these products will be taxed as follows:

- liquid for electronic cigarettes – PLN 0.5 per millilitre; and

- novelty tobacco products – PLN 141.29 per kilogram and 31.41 per cent. of the weighted average retail selling price of smoking tobacco.

The excise duty system provides for exemptions for certain groups of entities or certain goods (e.g., goods used in the context of diplomatic relations).

Tax on Financial Institutions

Banks, insurance companies, credit unions and non-bank lending companies are subject to a new tax on financial institutions, which came into force on 1 February 2016. The tax covers all bank assets over PLN 4 billion (EUR 0.9 billion), insurance groups' assets over PLN 2 billion (EUR 0.45 billion) and non-bank lending companies' assets over PLN 0.2 billion, which are in each case taxed at a rate of 0.0366 per cent. per month (0.44 per cent. per year). For purposes of this new tax, the taxable asset base of banks (but not other financial institutions) is reduced by the value of their own funds and holdings of State Treasury debt securities. This tax does not apply to state-owned banks, private banks under recovery proceedings, in receivership, or in liquidation, or banks which have filed for bankruptcy and whose activities have been suspended. The new tax does not reduce financial institutions' CIT base. According to the Budget Act for 2018, the Government's goal is to collect up to PLN 4.5 billion from the Tax on Financial Institutions, whereas the budget revenue from this tax in 2017 amounted to PLN 4.3 billion.

Retailer Turnover Tax

On 6 July 2016, the Polish Parliament adopted the Act on Retailer Turnover Tax, which entered into force on 1 September 2016, and introduced a tax on retail sales to the Polish tax system. The Ministry of Finance expects that the total revenues to the state budget resulting from the introduction of the retailer turnover tax will amount to approximately PLN 1.6 billion annually. However, on 19 September 2016, the European Commission, after conducting an in-depth investigation, found that the Polish tax on the retail sector was in breach of EU state aid rules. The Commission concluded that progressive tax rates based on turnover give companies with low turnover an advantage over their competitors. The Commission concluded that the structure of the tax rates would unduly favor certain companies over others, depending on their turnover and size, and required Poland to suspend the application of the progressive rates until the Commission could complete its state aid assessment.

Poland appealed both decisions of the Commission to the Court of Justice of the European Union on 30 November 2016 and on 13 September 2017. On 12 October 2017 the Act on Tax on Retail Sales was amended; its provisions are expected to come into force from 1 January 2019.

Social Security System

Pension Reforms

In 2012, the Government introduced comprehensive pension reforms, which came into effect on 1 January 2013. The changes included, *inter alia*, increases in the retirement ages from 65 to 67 years old for men and from 60 to 67 years old for women. The current Government and the current President, Andrzej Duda, have declared their intention to reverse this aspect of the reforms and restore the former retirement ages, i.e., 60 years old for women and 65 years old for men. As a consequence, the former retirement ages, i.e., 60 years old for women and 65 years old for men, were restored by the Act Amending the Act on Pensions from the Health Insurance Fund and Certain Other Acts, which came into force on 1 October 2017.

In November 2017, the Ministry of Finance announced a draft bill creating Employee Capital Plans (*Pracownicze Plany Kapitałowe*). The introduction of the new pension scheme is part of the Government's Strategy for Sustainable Development. According to the assumptions proposed by the Ministry of Finance, the Employee Capital Plans will be obligatory for employers and voluntary for employees. Employees will decide whether to participate or withdraw from the system. Unless an employee clearly decides to opt out of the programme and renews the opt-out decision on a periodic basis, he will automatically be opted in to the programme based on automatic enrolment. Contributions will need to be paid by both employers and employees. It is assumed that the basic contribution payable by an employer will be 1.5 per cent. of the employee's salary, with the possibility of voluntarily increasing this amount by an additional 2.5 per cent., whereas employees will pay 2 per cent. of their salary with the possibility of voluntarily increasing this by an additional 2 per cent.. Several fiscal

incentives are also planned in order to persuade employees to remain participants of the Employee Capital Plans. The Employee Capital Plans are intended to replace pension funds. Their aim is to increase the overall pool of retirement savings and pension security for Poles. The draft law is still on the Government's agenda, but has been temporarily postponed with the first phase currently projected to begin on 1 January 2019, subject to the approval of the Sejm.

Expenditure

A major component of state expenditures is social security payments. Four social security and pension funds are administered by the state and are partially or wholly financed by contributions from employers and employees. The revenues of these funds are not shown as revenues in the state budget. Two of these funds do, however, receive significant transfers from the state budget, and such transfers are shown as expenditures in the tables under "*Public Finance*." The Social Insurance Fund and the Pension and Disability Fund for Farmers are the largest extra-budgetary funds and rely on state budget transfers to supplement their own off-budget revenues.

Direct Budgetary Social Expenditure

The transfer of contributions from the Social Insurance Institution to open pension funds ("**OPFs**"), which are financed from the state budget, amounted to PLN 3.1 billion in 2015, compared with PLN 8.2 billion in 2014. In 2016 and 2017, PLN 3.2 billion and PLN 3.3 billion were transferred, respectively. This significant decrease was due to a systemic change in the pension system. The transfers in macroeconomic terms represent long-term savings for the whole economy. This, in turn, reduces the negative impact of the budget deficit on national savings.

PUBLIC DEBT

Overview

For reporting purposes relating to external and internal debt, Poland classifies as public debt only debt incurred directly by the state (i.e., State Treasury debt), by local governments and by entities within the public finance sector. It does not include debt incurred by state-owned financial institutions, other state-owned enterprises or the NBP.

The following table sets out total public sector debt as of the dates indicated:

	As of 31 December				As of 31 September
	2013	2014	2015 <i>(PLN millions)</i>	2016	2017
Public finance debt.....	882,293	826,775	877,282	965,198	972,207
Central government debt.....	813,515	754,993	805,109	895,558	904,882
<i>of which</i>					
State Treasury debt	811,827	753,332	803,372	893,893	903,151
Local government debt	68,398	71,663	72,073	69,561	67,256
Social Security debt	380	119	101	79	69

Source: Ministry of Finance

State Treasury Debt

The Ministry of Finance classifies debt as internal or external according to two criteria: the place of issuance and residence of the targeted investors. On the basis of the first of these criteria, all instruments issued in the domestic market, regardless of the status of their holder (domestic or foreign), are classified as internal debt and, on the basis of the second, all other instruments are classified as external or internal according to the residence of the holder, regardless of the market in which the instruments are issued. For purposes of this section, where debt is classified as internal or external based on the place of issue criterion, internal and external debt will be referred to as domestic debt and international debt, respectively. In "*Total External Debt*", Poland's gross external debt is classified solely on the basis of the residence of the creditor.

In nominal terms, Poland's total State Treasury debt amounted to PLN 927.9 billion at the end of December 2017.

The following table sets out categories of the State Treasury's debt as of the dates indicated as aggregate amounts and as percentages of nominal GDP:

	As of 31 December					
	2013	2017	2015	2016	2017*	
		<i>(PLN millions except for percentages)</i>				
Domestic State Treasury Debt	584,273	503,079	543,262	609,203	643,873	
as a percentage of GDP	35.3%	29.3%	30.2%	32.9%	-	
International State Treasury Debt	253,752	276,859	291,288	319,463	284,011	
as a percentage of GDP	15.3%	16.1%	16.2%	17.3%	-	
Total State Treasury Debt	838,025	779,938	834,551	928,666	927,884	
as a percentage of GDP	50.6%	45.4%	46.4%	50.2%	-	
GDP	1,656,842	1,719,704	1,799,321	1,851,171	-	

*Preliminary data

Source: Ministry of Finance

Debt Management

Under Polish law, the Minister of Finance supervises the level of public debt. This supervision is twofold: direct (in the case of the State Treasury) and indirect (in the case of other entities in the public finance sector which are autonomous in contracting liabilities).

Polish regulations primarily seek to restrict the growth of public debt by establishing limits on the public debt-to-GDP ratio. The Polish Constitution prohibits the incurrence of liabilities resulting in public debt exceeding 60.0 per cent. of GDP, whereas the Public Finance Act sets thresholds of 55.0 and 60.0 per

cent. of GDP, violation of which is followed by certain requirements to prevent the constitutional limit from being breached.⁸

Since joining the EU, Poland has been obliged to respect the reference values indicated in the Stability and Growth Pact, including with regard to the deficit (limited to 3.0 per cent. of GDP) and public debt (limited to 60.0 per cent. of GDP) limits.

The objective of the debt management strategy as stated in the Public Finance Sector Debt Management Strategy in the years 2018-2021 (approved by the Council of Ministers in September 2017) is the minimisation of long-term debt servicing costs, subject to maintaining appropriate levels of refinancing risk, exchange rate risk, interest rate risk, State budget liquidity risk, other risks (in particular credit and operational risk) and the distribution of debt servicing costs over time.

The debt management strategy's objective is pursued through two key strategies:

- selection of instruments to minimise costs within the time frame of the longest maturities of debt instruments with a significant share in debt volume, through the appropriate selection of markets, debt management instruments, the structure of financing borrowing requirements and issuance dates; and
- ensuring the efficiency of the Treasury securities market, contributing to lowering Treasury security yields. This strategy is focused on attempting to eliminate or limit potential unfavourable factors in market organisation and infrastructure.

Refinancing Risk

In an attempt to manage the refinancing risk, the role of medium- and long-term instruments in financing the state budget borrowing requirements in the domestic market has increased at a pace dependent on market conditions. The debt management strategy aims to achieve an even distribution of debt redemptions in the future. Furthermore, the ATM of domestic debt is intended to reach and maintain a level of approximately 4.5 years. The ATM of the whole State Treasury debt is to remain at approximately 5 years. See "*Monetary and Financial System—Capital Markets—Treasury Securities.*"

Exchange Rate Risk

In an attempt to manage the exchange rate risk, the debt management strategy has been designed to reduce the exchange rate risk measured by the share of foreign currency debt in State Treasury debt to below 30 per cent. and maintain an effective (after swaps) share of euro of at least 70 per cent., subject to possible temporary deviations due to market conditions. Derivatives may also be used in order to shape the desired currency structure of debt.

Interest Rate Risk

In an attempt to manage interest rate risk, the debt management strategy has been designed to maintain the average time to re-fixing ("**ATR**") of domestic debt between 2.8 and 3.8 years, and to separate the management of the interest rate from management of the refinancing risks by using floating rate bonds, inflation-linked bonds and derivatives. The strategy assumes that the current level of foreign debt interest rate risk does not impede the minimisation of costs.

State Budget Liquidity Risk

In an attempt to manage the state budget liquidity risk, the debt management strategy was designed to maintain a safe level of state budget liquid assets while managing them effectively. The level of liquid assets will be the result of the current and predicted budgetary and market conditions, taking into account seasonality as well as striving for the even distribution of Treasury securities supply during the course of a year. The use of foreign currency funds and derivative transactions to manage the currency structure of liquid assets is also possible.

⁸ Please see: <http://www.finanse.mf.gov.pl/en/web/wp/public-debt/publications/debt-management-strategies>

Credit Risk and Operational Risk

In an attempt to manage credit and operational risks, the debt management strategy includes entering into derivatives transactions with entities of high creditworthiness, using instruments limiting credit risk, and allowing for its diversification when concluding transactions involving derivatives, as well as diversification of credit risk generated by uncollateralised transactions.

Distribution of Debt Servicing Costs Over Time

The debt management strategy requires setting bond coupons at levels slightly below their forecast yields over the sales period and distributing the debt servicing costs evenly throughout the years, including also through the use of derivative instruments.

INTERNAL STATE TREASURY DEBT

Poland's internal State Treasury debt amounted to PLN 643.9 billion at the end of December 2017.

Internal public debt comprises three categories:

- marketable Treasury securities with maturities of up to 30 years, including fixed, floating rate and CPI-linked securities, offered on the domestic primary market through auctions at market prices to Treasury securities dealers;
- fixed and floating rate savings bonds sold through Customer Service Outlets to individuals at nominal value, which are not freely marketable and currently have maturities of up to ten years; and
- other debt (mainly deposits of public finance sector entities and court deposits).

At the end of December 2017, marketable Treasury securities constituted approximately 94 per cent. of domestic State Treasury debt.

External State Treasury Debt

As of 31 December 2017, Poland's outstanding external State Treasury debt amounted to PLN 284.0 billion (EUR 68.1 billion). Approximately 75.0 per cent. of this debt is comprised of sovereign bonds issued abroad.

The following table sets forth details as to the outstanding principal amount of the State Treasury's external debt as of the dates indicated:

	As of 31 December				
	2013	2014	2015	2016	2017
	<i>(EUR millions)</i>				
<i>Medium and Long-Term Loans</i>					
Paris Club	9	–	–	–	–
Multilateral	14,440	16,053	17,753	17,622	16,980
EIB	8,204	9,465	10,324	10,244	9,754
The World Bank	6,055	6,399	7,219	7,171	7,016
CEB	180	188	210	206	211
Other loans	12	4	–	–	–
Total Loans	14,460	16,057	17,753	17,622	16,980
<i>Bonds</i>					
Bonds	46,726	48,899	50,599	54,586	51,093
<i>Short-Term Debt</i>	0	–	2	4	21
Total State Treasury External Debt	61,186	64,955	68,353	72,211	68,093

Source: Ministry of Finance

The following table presents the currency composition of the State Treasury's external debt as of 31 December 2017:

	In millions of original currency	Equivalent in EUR millions	%
EUR	52,202	52,202	76.7
U.S.\$	13,263	11,070	16.3
Japanese yen	306,600	2,272	3.3
Swiss francs	2,530	2,164	3.2
Chinese yuan	3,000	385	0.6
Total	68,093	68,093	100.0

Source: Ministry of Finance

Projected State Treasury External Debt Service Requirements

The following table presents debt service projections for the State Treasury's medium and long-term external debt by type of creditor for the years indicated as of 17 January 2017. The data contained in the table does not assume any refinancing of existing debt:

	2017	2018	2019	2020	2021	2022 and beyond
			<i>(EUR millions)</i>			
Principal payments.....	3,654	4,958	7,555	6,993	8,668	40,368
Loans	656	1,333	1,368	1,660	1,414	11,205
Multilateral	656	1,333	1,368	1,660	1,414	11,205
Other	0	0	0	0	0	0
Bonds.....	2,998	3,625	6,187	5,333	7,254	29,163
Interest payments	2,099	1,988	1,825	1,548	1,266	5,267
Loans	154	140	102	90	82	370
Multilateral	154	140	102	90	82	370
Other	0	0	0	0	0	0
Bonds.....	1,945	1,848	1,723	1,458	1,185	4,897
Total debt service.....	5,753	6,946	9,380	8,541	9,934	45,635
Loans	810	1,472	1,470	1,750	1,495	11,575
Multilateral	810	1,472	1,470	1,750	1,495	11,575
Other	0	0	0	0	0	0
Bonds.....	4,943	5,473	7,919	6,791	8,438	34,060

Source: Ministry of Finance

State Treasury's Contingent Liabilities

The following table sets out the contingent liabilities that arise from sureties and guarantees owed by the State Treasury:

	2015	2016	2017
		<i>(PLN thousands)</i>	
Domestic sureties and guarantees	31,418,350.2	28,978,225.5	26,301,187.4
Foreign guarantees.....	81,783,880.5	95,535,457.1	90,577,360.3
Total State Treasury's contingent liabilities.....	113,202,230.7	124,513,682.6	116,878,547.7

Source: Ministry of Finance

As of the end of 2017, the largest value of contingent liabilities was connected with the guaranteed debt of BGK incurred for financing investments of the National Road Fund ("NRF") – PLN 85,591 million. The second biggest exposure was related to the guarantees issued with respect to the payments from the NRF and financing the liabilities of concessionaires incurred for motorways projects – PLN 13,816 million. The third highest value of contingent liabilities was connected with the guarantees covering the debt of PKP Polskie Linie Kolejowe S.A. (the national railway infrastructure manager) – PLN 13,208 million.

In recent years, there has been an increase in contingent liabilities from the guarantees issued to cover the debt relating to infrastructure projects (motorways and railways). The amount of NRF-related guarantees is expected to increase further in future years as BGK refinances existing NRF-related debt and the NRF enters into new projects partly funded by EU funds disbursed under the EU Multiannual Financial Framework 2014-2020. To some extent, the same applies to railway infrastructure projects with EU financing.

The decline in the value of contingent liabilities by 6.1 per cent. at the end of 2017, as compared with the end of previous year, results mainly from the repayment of financial obligations by borrowers in 2017 and the decrease of 5.7 per cent. in the value of the foreign exchange rate (EUR to PLN).

TAXATION

The following is a general description of certain tax considerations relating to the Notes and should not be deemed to be tax advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which country's tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Simplified Base Prospectus and is subject to any change in law that may take effect after such date.

Republic of Poland

This section is based on Polish tax laws and their interpretation as at the date of this Supplementary Base Prospectus. It may thus be subject to change including a change with retrospective effect. Any change may negatively affect the tax treatment described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Notes are advised to consult their professional tax adviser regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of any Notes. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds or performing a business activity(ies) in Poland by non-Polish tax residents).

The reference to "interest" as well as to any other terms in the paragraphs below means "interest" or any other term as understood in Polish tax law.

Non-Polish tax residents – individuals

Under Article 3(2a) of the Personal Income Tax Act dated 26 July 1991 (the "**PIT Act**"), natural persons who do not reside in Poland are subject to tax only on income (revenue) earned in Poland (limited tax obligation).

Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds, or mutual fund institutions where real estate property located in the territory of the Republic of Poland or rights to such real estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables placed at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Under Article 21(1)(130) of the PIT Act, interest on Notes offered on foreign markets and income from the disposal of such Notes for remuneration received by individuals who are not tax resident in the Republic of Poland are exempt from Polish personal income tax.

Specific withholding tax consequences may relate to payments to omnibus accounts within the meaning of the provisions of the Act on Trading in Financial Instruments dated of 29 July 2005, (hereinafter, the "**Omnibus Account**"). Pursuant to Article 30a(2a) of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax should be withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Article 41(10) of the PIT Act, the tax remitters for securities registered in Omnibus Accounts are the entities operating the Omnibus Accounts through which the amounts due are paid. The tax is collected on the day of placing the amounts due at the disposal of the Omnibus Account holder.

Withholding tax obligations do not apply to Omnibus Accounts that are not qualified as Omnibus Accounts in the meaning of the Polish Act on Trading in Financial Instruments. As an omnibus account kept outside of Poland should not be in principle qualified as an Omnibus Account under the Act on Trading in Financial Instruments, no withholding tax should be withheld from interest paid on securities registered in such foreign omnibus accounts.

If withholding tax is required by law, the Republic of Poland shall in principle pay such additional amounts as will result in the Noteholders and the Coupon holders receiving such amounts they would have received had no such withholding been required, in line with Condition 12 (*Taxation*),

Non-Polish tax residents – corporate income taxpayers

Pursuant to Article 3(2) of the CIT Act dated 15 February 1992 (the "**CIT Act**"), taxpayers who do not have their seat or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland.

Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds, or mutual fund institutions where real estate property located in the territory of the Republic of Poland or rights to such real estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables placed at disposal, paid out or deducted, by natural persons, legal persons, or organisational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Under Article 17(1)(50) of the CIT Act, interest on notes offered on foreign markets and income from the disposal of such notes for remuneration received by entities which do not have their seat and which do not have their management office in the Republic of Poland are exempt from Polish corporate income tax.

However, the above exemption may not be fully respected by the local tax authorities in the case of the Notes being subject to secondary trading and listing on the regulated market in Poland. In such cases, interest would be subject to withholding tax in Poland at the rate of 20 per cent., and income from the disposal of such Notes at the rate of 19 per cent. In principle, the tax will be calculated in the same way as in the case of Polish tax residents. The tax rate provided for in the relevant double tax treaty may be applied or the collection of tax may be waived in accordance with the treaty, on condition the taxpayer's tax residence is confirmed in a tax residence certificate.

Specific withholding tax consequences may relate to payments to Omnibus Accounts. Under Article 26(2a) of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Article 26(2b) of the CIT Act, the entity operating the Omnibus Account is the tax remitter. Withholding tax obligations do not apply to Omnibus Accounts that are not qualified as Omnibus Accounts in the meaning of the Polish Act on Trading in Financial Instruments. As an omnibus account kept outside of Poland should not be in principle qualified as an Omnibus Account under the Act on Trading in Financial Instruments, no withholding tax should be withheld from interest paid on securities registered in such foreign omnibus accounts.

If withholding tax is required by law, the Republic of Poland shall in principle pay such additional amounts as will result in the Noteholders and the Coupon holders receiving such amounts they would have received had no such withholding been required, in line with Condition 12 (*Taxation*).

Polish tax residents – individuals

Under Article 3(1) of the PIT Act, natural persons residing in Poland are subject to tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

Under Article 3(1a) of the PIT Act, a Polish tax resident is a natural person who has his/her centre of personal or business interests in Poland or who stays in Poland for longer than 183 days in a year. This regulation may be affected by specific regulations of the applicable tax treaty, under which, as a rule, the criterion of the centre of vital interests prevails.

Interest income

Under Article 30a(7) of the PIT Act, interest income does not cumulate with general income subject to the progressive tax rate, but under Article 30a(1)(2) of the PIT Act it is subject to a 19 per cent. flat rate tax.

Under Article 21(1)(119) of the PIT Act, interest received on Notes is exempt from personal income tax in the part that corresponds to the interest paid on the acquisition of the Notes from the issuer.

Under Article 41(4) of the PIT Act, an interest payer, other than an individual not acting within the scope of his/her business activity, should withhold the 19 per cent. Polish tax on any interest payment. Under Article 41(4d) of the PIT Act, the entities operating securities accounts for the individuals, acting as tax remitters, should withhold this interest income if it has been earned in the territory of Poland and is connected with registered securities, and the interest payment to the individual (the taxpayer) is made through those entities. Although this is not expressly regulated in the tax law, there is a practice that only Polish entities or individuals remit Polish withholding tax and, consequently, it can be expected that a foreign entity, e.g. foreign investment firm will not withhold the tax. Under Article 45(3b) of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself in their annual tax return. Under Article 45(1), of the PIT Act, the annual tax return should be submitted by 30 April of the following year.

Separate, specific rules apply to interest income on securities held on Omnibus Accounts. Pursuant to Article 30a(2a) of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Polish Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, dated 29 July 2005, a 19.0 per cent. flat rate tax is withheld by the tax remitter (under article 41(10) of the PIT Act, the entity operating the Omnibus Account) from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Article 41(10) of the PIT Act, so far as the tax remitters for securities registered in Omnibus Accounts are concerned, tax remitters shall be the entities operating the Omnibus Accounts through which the amounts due are paid. The tax is collected on the day of placing the amounts due at the disposal of the Omnibus Account holder. Withholding tax obligations do not apply to Omnibus Accounts that are not qualified as Omnibus Accounts in the meaning of the Polish Act on Trading in Financial Instruments.

Income from disposing of Notes for remuneration

Under Article 30b(5) of the PIT Act, income from a disposal of securities, including the Notes, for remuneration does not accumulate with general income subject to the progressive tax rate or with income from business activity, but under Article 30b(1) of the PIT Act it is subject to a 19 per cent. flat rate tax. The tax should be calculated on the total amount of income from disposing of securities for remuneration, i.e. including the Notes and other securities (if any), in the given tax year. In general, the income is calculated as the difference between the sum of revenues earned from the disposal of securities for remuneration and the tax deductible costs.

In principle, if individuals hold Notes as a business asset, the income should be taxed in the same way as other business income. This will either be a tax at the 19 per cent. rate or the 18 per cent. to 32 per cent. progressive tax rate, depending upon the individual's choice and the meeting of certain conditions.

Polish tax residents – corporate tax payers

Under Article 3(1) of the CIT Act the entire income of taxpayers who have their registered office or management in Poland is subject to tax obligations in Poland, irrespective of where the income is earned.

Polish corporate income taxpayers are subject to income tax earned from securities, including the Notes, following the same principles as those which apply to any other income received from a business activity(ies). This applies both to interest and capital gains. As a rule, for Polish income tax purposes, interest is recognised as revenue on a cash basis, i.e. when it is received and not when it has accrued. Regarding capital gains, the cost of acquiring securities is recognised at the time the revenue from the disposal of the securities for remuneration is obtained. The taxpayer itself (without the involvement of the tax remitter) settles the tax on interest (discount) or capital gains on securities, which is aggregated with other income derived from business operations conducted by the taxpayer.

The appropriate tax rate is the same as the tax rate applicable to business activity, i.e. 19 per cent. or 15 per cent. for small and new taxpayers.

Although Polish corporate income taxpayers are not subject to Polish withholding tax, such tax may be withheld under specific rules applying to interest income on securities held in Omnibus Accounts. Under Article 26(2a) of the CIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities registered in Omnibus Accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 20 per cent. flat rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the Omnibus Account holder. Under Article 26(2b) of the CIT Act, the entity operating the Omnibus Account is the tax remitter. If such tax is withheld for a Polish corporate income taxpayer, to receive a refund of such tax the taxpayer should contact its tax adviser. Withholding tax obligations do not apply to Omnibus Accounts that are not qualified as Omnibus Accounts in the meaning of the Polish Act on Trading in Financial Instruments.

Civil law transactions tax

Under Article 9(7) of the Civil Law Transactions Tax Act dated 9 September 2000, a sale of Treasury bonds and bills is exempt from civil law transactions tax; therefore, no Polish civil law transactions tax should apply to a sale of the Notes.

Stamp duty

No Polish stamp duty should apply to transfers of the Notes.

New rules of settling income tax for corporate income tax payers subject to a limited or unlimited tax obligation in Poland and applicable to all income generated by taxpayers starting from 1 January 2018.

A new law amending the CIT Act entered into force on 1 January 2018. According to Article 7(1) of the CIT Act, an income tax is imposed on income which is a sum of income generated from capital gains defined in Article 7b of the CIT Act and income generated from other sources of revenue.

Under the new rules income is determined separately for each relevant basket, i.e. revenues from capital gains are separated from revenues from other sources. Correspondingly, the tax losses are determined separately for each of these baskets, whereby a tax loss from one basket may not be deducted against the income from the other basket. Within the same basket, losses can be deducted for five tax years, in an amount not exceeding 50 per cent. of the loss in any of those years.

Pursuant to Article 19(1) of the CIT Act, the tax amounts to 19 per cent. of the tax base, and for small taxpayers and taxpayers beginning their business activity (in the first tax year) is 15 per cent. of the tax base.

Double taxation avoidance clause

On 15 July 2016, a double taxation avoidance clause was introduced into the Polish legal system. According to Article 119a § 1 of the Tax Ordinance dated 29 August 1997 (the "**Tax Ordinance**"), an activity performed mostly in order to achieve a tax benefit, which in given circumstances conflicts with the subject and aim of the tax law, does not result in a tax benefit if the manner of acting was fake (tax evasion). In the situation listed in § 1, the tax consequences of a given action are determined based on the circumstances which would occur if the proper action was performed (Article 119a § 2 of the Tax Ordinance). A proper action includes an action which an entity could perform in given circumstances if

such entity acted reasonably and for lawful purposes other than achieving a tax benefit contrary to the subject and purpose of a tax law provision (Article 119a § 3 of the Tax Ordinance).

If, in the course of proceedings, the party indicates an appropriate action, the tax consequences will be determined based on the circumstances that would occur if such action were performed (Article 119a § 4 of the Tax Ordinance). According to Article 119a § 5 of the Tax Ordinance, the provisions of § 2-4 do not apply if the circumstances indicate that the achievement of such tax benefit would be the only purpose of performing the action referred to in § 1. In such case, the tax consequences are determined based on the circumstances which would occur if such action was not performed.

European Union Directives on Administrative Cooperation in the Field of Taxation and the Taxation of Savings Income

The European Union has adopted Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU, on administrative cooperation in the field of taxation and repealing Council Directive 2003/48/EC, regarding the taxation of savings income. From 1 July 2005, Member States have been required to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a person to an individual resident in another Member State. A number of non-EU countries and territories (referred to in that Directive) have adopted equivalent measures from the same date.

Notwithstanding the repeal of Council Directive 2003/48/EC (as amended by Directive 204/48/EU), equivalent measures continue to apply in Poland pursuant to the PIT Act. As a result, disclosure obligations may be applicable under the PIT Act if income is generated from the Notes, although under the PIT Act such obligations will not apply to beneficial owners of Notes, unless they act as the paying interests entity or act on behalf of other entity, enterprise or natural person being the beneficial owner and reveal to the paying interests entity or the securing entity the data indicated in the Article 44c (2) of the PIT Act. This obligation may also apply to the indirect recipient in the meaning of the Article 44c (2) point 3 of the PIT Act.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a "**Participating Member State**"). However, Estonia has ceased to participate.

The Commission's proposal is very broad and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument involved is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may also decide to participate.

On 7 December 2015 ten Member States issued a short statement presenting the main assumptions of the FTT, which are mostly consistent with proposal of 14 February 2013. The ten Member States expressed a will to continue work on the implementation of the FTT.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Republic to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Erste Group Bank AG, Goldman Sachs International, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Société Générale, UBS Limited and UniCredit Bank AG and any other Dealer appointed from time to time by the Republic either generally in respect of the Programme or in relation to a particular Tranche of Notes (together the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Republic to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 8 March 2018 (as amended, restated, supplemented and/or replaced from time to time, the "**Dealer Agreement**") and made between the Republic and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Republic in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 1; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold within the United States or to U.S. persons. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes within the United States or to U.S. persons. In addition, until 40 days after the commencement of any offering, an offer or sale of Notes from that offering within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Republic;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Republic; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Poland

Each Dealer has agreed that it has offered or sold and will offer and sell any Notes to residents in the Republic of Poland as part of their initial or secondary distribution only in accordance with the applicable Polish laws and regulations as amended or supplemented from time to time. Polish residents (natural and legal person and partnerships without legal personality) may purchase the Notes as part of the initial or secondary distribution.

Republic of France

Each Dealer has represented and agreed that the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France, and that it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Simplified Base Prospectus, the Final Terms or any other offering material relating to the Notes and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined by and in accordance with articles L.411-1, L.411-2 and D.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*). Neither the offer and sale of the Notes nor this Simplified Base Prospectus have been submitted for clearance to the French Financial Market Authority (*Autorité des Marchés Financiers*).

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (the "**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Simplified Base Prospectus or any other document relating to the Notes in the Republic of Italy will be made in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Simplified Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time);
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Simplified Base Prospectus.

The Dealer Agreement provides that the Dealers will not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions are, as a result of a change in official interpretation after the date hereof of applicable laws and regulations, no longer be applicable, but without prejudice to the obligations of the Dealers described in the paragraph titled "*General*".

Selling restrictions may be supplemented or modified with the agreement of the Republic. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Simplified Base Prospectus.

In the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Republic. Certain of the Dealers or their affiliates that have a lending relationship with the Republic routinely hedge their credit exposure to the Republic consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Republic, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

Listing

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange. The Notes may be subject to secondary trading and listing on the regulated market in Poland.

However, Notes may be issued pursuant to the Programme which will not be listed on either the Luxembourg Stock Exchange or any other stock exchange or at the regulated market in Poland or which will be listed on such stock exchange or regulated market as the Republic and the relevant Dealer(s) may agree.

Authorisations

The Notes will be issued and performed pursuant to (1) Order of the Minister of Finance on the conditions of issuing treasury bonds to be offered on foreign markets dated 15 December 2010, (2) the Budget Act for 2018 and (3) the relevant letter of issue. The Republic has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Clearing of the Notes

The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The appropriate Common Code, International Securities Identification Number (ISIN), CUSIP, Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be used to finance the Republic's State budget borrowing requirements.

Litigation

Except as disclosed in this Simplified Base Prospectus, the Republic is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the Programme or the issue of the Notes thereunder nor, so far as the Republic is aware, is any such litigation or arbitration pending or threatened.

Material change

Since 31 December 2017, there has been no adverse change, nor any development reasonably likely to involve an adverse change, in the condition (financial, economic or political) or general affairs of the Republic that is material in the context of the Programme or the issue of the Notes thereunder.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent and the Listing Agent in Luxembourg, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Programme Manual (which contains the forms of the Notes in global and definitive form); and
- (d) the Order of the Minister of Finance on the conditions of issuing treasury bonds to be offered on foreign markets dated 15 December 2010 and a letter of issue issued by the Minister of Finance for each issue of Notes under the Programme,

and copies and, where appropriate, English translations of the following documents may be obtained during normal business hours at the specified office of the Fiscal Agent and at the specified office of the Paying Agent:

- (e) this Simplified Base Prospectus (and any supplements hereto); and
- (f) the Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a holder of the relevant Notes upon production of evidence satisfactory to the Republic and the relevant Paying Agent as to its holding of such Notes and identity.

In addition, this Simplified Base Prospectus, any supplements hereto and the documents specified as containing information incorporated by reference in this Simplified Base Prospectus will also be available on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Republic is 259400R9L8QEP0TPXS31.

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