



**The State Treasury of
THE REPUBLIC OF POLAND**

**Represented by
The Minister of Finance, Development Funds and Regional Policy**

€70,000,000,000
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.

Notice to persons affiliated with the Issuer: Persons affiliated with the Issuer, within the meaning of Article 11a(1)(4) of the CIT Act dated 15 February 1992 (the "**CIT Act**") and Article 23m(1)(4) of the Personal Income Tax Act dated 26 July 1991 (the "**PIT Act**"), that hold, jointly with other affiliated persons, more than 10 per cent. of the nominal value of the Notes do not benefit from the exemption from Polish corporate income tax provided by Article 17(1)(50c) of the CIT Act or the exemption from Polish personal income tax provided in Article 21(1)(130c) of the PIT Act, as described under "*Taxation – Republic of Poland*".

This Simplified Base Prospectus does not constitute a prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129.

Arranger

DEUTSCHE BANK

Dealers

BARCLAYS

CITIGROUP

DEUTSCHE BANK

GOLDMAN SACHS BANK EUROPE SE

ING

SANTANDER

UBS INVESTMENT BANK

BNP PARIBAS

COMMERZBANK

ERSTE GROUP BANK

HSBC

J.P. MORGAN

**SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING**

15 March 2021

IMPORTANT NOTICES

*The State Treasury of the Republic of Poland represented by the Minister of Finance, Development Funds and Regional Policy ("**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 €70,000,000,000 (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, references to the "EEA" are to the European Economic Area, and references to the "UK" are to the United Kingdom.

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 12 March 2021 was PLN 3.8521 = U.S.\$1, whilst the National Bank of Poland's foreign exchange rate for euro on the same day was PLN 4.5909 = €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 Article 9(8) of 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.*

*The Final Terms in respect of any Notes may include a legend entitled "**UK MiFIR 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 the UK MiFIR Product Governance Rules 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 UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR 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 UK MiFIR Product Governance Rules.*

The applicable Final Terms in respect of any Tranche of Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes

pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the "SFA"). The Republic will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a) and Section 309B(1)(c) of the SFA.

*Amounts payable under the Notes may be calculated by reference to an index or reference rate. Any such reference rate or index may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (as amended, the "**Benchmark Regulation**"). The Final Terms for any such Notes will specify whether the administrator for the relevant index or 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 the Benchmark Regulation. However, Article 51 (Transitional provisions) of the Benchmark Regulation provides that providers of benchmarks that qualify as critical benchmarks or as third country benchmarks already providing a benchmark on 30 June 2016 have until 31 December 2021 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 critical benchmark until 31 December 2021 or, where the provider submits an application for authorisation or registration, unless and until such authorisation or registration is refused. Similarly, third country benchmarks already used in the EU prior to 31 December 2021 can continue to be used. Additionally, benchmarks administered by a central bank or by a public authority, where it contributes data to, provides, or has control over the provision of, benchmarks for public policy purposes, including measures of employment, economic activity, and inflation do not fall within the scope of the Benchmark Regulation. Such transitional provisions and exemptions may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Republic does not intend to update the Final Terms to reflect any change in the registration status of the administrator.*

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 12 March 2021, the reference rate amounted to 0.10 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.*

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RATINGS

As at 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 ⁽¹⁾	A-	F2	A-	F1	Stable
Moody's Investors Service ⁽²⁾	A2	P-1	A2	P-1	Stable
S&P Global Ratings ⁽³⁾	A-	A-2	A	A-1	Stable

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

⁽¹⁾ Rating issued by Fitch Ratings Ireland Limited ("**Fitch**"), Frankfurt am Main branch, an affiliate of Fitch Ratings.

⁽²⁾ Rating issued by Moody's Deutschland GmbH ("**Moody's**"), an affiliate of Moody's Investors Service.

⁽³⁾ Rating issued by S&P Global Ratings Europe Limited ("**S&P**"), an affiliate of S&P Global Ratings.

Each of Moody's and Fitch is a credit rating agency established in the UK and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). The rating Moody's has given to the Notes to be issued under the Programme is endorsed by Moody's Deutschland GmbH, which is established in the EEA and registered under Regulation (EU) No 1060/2009 on credit rating agencies (the "**EU CRA Regulation**"). The rating Fitch has given to the Notes to be issued under the Programme is endorsed by Fitch Ratings Ireland Limited, which is established in the EEA and registered under the EU CRA Regulation. S&P is established in the EEA and registered under the EU CRA Regulation. The rating S&P has given to the Notes to be issued under the Programme is endorsed by S&P Global Ratings UK Limited, which is established in the UK and registered under the UK 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.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU 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 EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

The registration status of any credit rating agency under the EU CRA Regulation and the UK CRA Regulation is a matter of public record. ESMA maintains on its website a list of credit rating agencies registered and certified in accordance with the EU CRA Regulation at www.esma.europa.eu/page/list-registered-and-certified-CRAs and the Financial Conduct Authority maintains on its website a list of credit rating agencies registered and certified in accordance with the UK CRA Regulation at www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras. Such websites are not incorporated by reference into, nor do they form part of, this Simplified Base Prospectus.

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 office of the Fiscal Agent, 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 Fiscal Agent.

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

This Simplified Base Prospectus is valid for one year from the date of this document. The Republic has undertaken that during this period, 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 or Republic:	The State Treasury of the Republic of Poland represented by the Minister of Finance, Development Funds and Regional Policy.
Arranger:	Deutsche Bank Aktiengesellschaft
Dealers:	Banco Santander, S.A., Barclays Bank Ireland PLC, BNP Paribas, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, Erste Group Bank AG, Goldman Sachs Bank Europe SE, HSBC Bank plc, ING Bank N.V., J.P. Morgan AG, Société Générale, UBS Europe SE 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:	Citibank, N.A., London Branch.
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 €70,000,000,000 (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 <i>pari passu</i> 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 UK or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Republic in the UK, 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 as amended (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:	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>)). "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.
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 15 March 2021, 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 UK, the Republic of Poland, France, Italy, Japan, Singapore, Switzerland and Canada, 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 depositary or a common depositary for Clearstream Banking, S.A. ("**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 seven 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, Development Funds and Regional Policy (the "**Republic**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €70,000,000,000 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 15 March 2021 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Republic and Citibank, N.A., 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).
- (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.
- (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 "**Holders**") 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 Office of the Fiscal Agent, the initial Specified Office of which is 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

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

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:

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

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:

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

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 or the relevant payment date if the Notes become payable on a date other than an 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;

"Paying Agents" means the Fiscal Agent and any additional paying agent appointed pursuant to the Agency Agreement;

"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 Republic and/or an agent appointed by the Republic 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 at 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 at 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 (or, where the Calculation Agent is the Fiscal Agent, the Republic or its designee) 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 at 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 Republic and/or an agent appointed by the Republic 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 Republic and/or the agent appointed by the Republic) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Republic and/or the agent appointed by the Republic, 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 Republic and/or the agent appointed by the Republic 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 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.
- (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 Fiscal Agent and any Paying Agent(s) 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 66⅔ 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 66⅔ 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 to correct a manifest error,

but, for the avoidance of doubt, the Republic shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders of such Series.

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 23 (*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 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) **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.
- (e) **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.

- (f) ***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.]

[UK MiFIR 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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 the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") 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

[UK MiFIR 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); **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 UK MiFIR, 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 UK MiFIR 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 UK MiFIR, as applicable.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the "**SFA**"), the Issuer has determined and hereby notifies all relevant persons (as defined in section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/"capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

Final Terms dated [•]

**The State Treasury of
THE REPUBLIC OF POLAND**
**Represented by
The Minister of Finance, Development Funds and Regional Policy**

LEI: 259400R9L8QEP0TPXS31

**Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]
under the €70,000,000,000
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 15 March 2021 [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 15 March 2021 [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 sub-paragraphs. 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,
Development Funds and Regional Policy |
| 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) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
- (vii) 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.)
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs 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*

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.

- 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): [•]
- (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")*

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.

- (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 sub-paragraphs 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 sub-paragraphs 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 sub-paragraphs 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 [•] per Calculation Amount/Not Applicable *(if the Early Termination Amount is the principal amount of the Notes/specify the Early Termination Amount*

different from that set out in the Conditions):

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 depositary 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]
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, renominalisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 22 (*Redenomination, Renominalisation and Reconventioning*)] [annexed to these Final Terms] apply]

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.

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 €70,000,000,000 Euro Medium Term Note Programme of the State Treasury of the Republic of Poland represented by the Minister of Finance, Development Funds and Regional Policy.]

[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, Development Funds and Regional Policy upon authorisation of the Minister of Finance, Development Funds and Regional Policy, [•], 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: [•]
- Moody's: [•]
- S&P: [•]

(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: [•] per cent. [per annum]/[semi-annually]

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 at the date of these Final Terms, [administrator] [appears/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: [•]

Common Code: [•]

[FISN: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

[CFI: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

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, S.A. 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 15 March 2021 (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 322,719 square kilometres. Situated on the Baltic Sea, Poland has a coastline of 770 kilometres and is bordered by Germany, the Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Russia. 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 94,391 square kilometres of forest (approximately 30.2 per cent. of Poland's total land area) and 136,030 square kilometres of arable land (approximately 43.5 per cent. of Poland's total land area).

With a population of approximately 38.4 million in 2019, 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 60.1 per cent. of the population living in urban areas. Warsaw, the capital of Poland and its largest city, has an estimated population of 1.791 million. Fourteen 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 93 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 per cent. of the popular vote (8 per cent. for party coalitions) to gain seats. Under the Constitution, political parties and other organisations whose programmes are based on totalitarian methods, and Nazism, fascism and communism, as well as those whose programmes or activities promote racial or national hatred, the application of violence for the purpose of obtaining power or to influence the state policy, or provide for the secrecy of their own structure or membership 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 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

among the candidates indicated by the General Assembly of the Judges of the Supreme Court (the "NJC")) 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 2,477 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 entities.

Judicial authority is vested in the Supreme Court and the common courts (appeal, district and regional courts), the administrative courts (the Supreme 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 12 July 2020, after two rounds. The two competing candidates were Andrzej Duda (the incumbent President of Poland) of the Law and Justice ("PiS") party, and Rafal Trzaskowski (president of Warsaw, Civic Platform ("PO") party.), Andrzej Duda won the election with 51.03 per cent. of the vote and assumed office on 6 August 2020. The next presidential election is scheduled for 2025.

The most recent Parliamentary elections were held on 13 October 2019. Following those elections, PiS received 43.59 per cent. of the vote, PO 27.40 per cent., Sojusz Lewicy Demokratycznej (Democratic Left Alliance) 12.56 per cent., the Polish People's Party ("PSL") 8.55 per cent. and Konfederacja Wolność i Niepodległość (Confederation Liberty and Independence) 6.81 per cent. In November 2019, the current Government was formed, led by the Prime Minister, Mateusz Morawiecki. The next Parliamentary elections will be held in 2023.

The following table shows a breakdown of the distribution of seats in the Sejm (by party) and the Senate (by party) as at 11 February 2021:

	Seats
Sejm	
Law and Justice (PiS)	234
Koalicja Obywatelska (KO).....	133
Lewica	48
Koalicja Polska	23
Konfederacja.....	11
Kukiz 15	5
Unaffiliated	5
Total	460
	Seats
Senate	
Law and Justice (PiS).....	48
Koalicja Obywatelska (KO).....	42
Koalicja Polska	3
Lewica	2
Unaffiliated	5
Total	100

Source: Sejm and Senate

The most recent local elections were held in November 2018, with votes spread between local committees and the main political parties. Of the two largest political parties, PiS received 34.13 per cent. of the national vote and 254 of 552 available seats in the regional legislatures, while PO received 26.97 per cent. of the national vote and 194 seats in the regional legislatures.

The next local elections will be held in 2022.

Reform of the Judicial System

During the last few years, the Government has focused on judicial system reform. These reforms have reduced judicial independence from other state bodies. As a result, the European Commission initiated an official review of Poland's commitment to European Union standards for adherence to the rule of law. Under Article 7 proceedings, initiated by the European Commission against Poland in December 2017, the European Council may rule that Poland has committed a serious and persistent breach of common EU values and decide to suspend certain rights Poland has as member of the EU, including the voting rights of the Government's representative in the European Council, and to impose economic sanctions such as limiting Poland's access to EU funds and subsidies. As of the date of this prospectus, Article 7 proceedings remain in progress. In addition, on 1 January 2021, Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget ("**Regulation 2020/2092**") entered into force, providing the European Commission with certain measures that can be applied against Member States which breach the principle of the rule of law, including, among others, the ability to suspend payments under the EU budget.

One of the key features of the judicial reform was lowering the retirement age of judges of the ordinary courts (i.e. courts having jurisdiction over all matters save for those statutorily reserved to other courts) and public prosecutors, and the age for early retirement of judges of the Supreme Court, to 60 years for women and 65 years for men, but granting the Minister of Justice the power to extend the period of active service of judges of the ordinary courts beyond the new retirement ages.

In its judgment C-192/18 of 5 November 2019, the EU Court of Justice stated that these reforms were contrary to EU law and initiated proceedings for failure to fulfil obligations before the EU Court of Justice. The European Commission argued that this discretionary power awarded to a member of the executive amounted to an infringement on the principle of effective legal protection which derives from EU law. Further, the European Commission argued that the discretionary power of the Minister of Justice to extend the tenure of judges without clear criteria, timeframe, or the possibility to appeal the extension infringed the principle of judicial independence in EU law. The EU Court of Justice accepted these arguments and ruled in favour of the European Commission.

Another aspect of judicial reform in Poland is the newly created Disciplinary Chamber of the Supreme Court. In November 2019, the EU Court of Justice resolved that the Supreme Court should assess whether the Disciplinary Chamber is judicially independent from legislative and executive bodies. The Disciplinary Chamber does not satisfy the requirement of judicial independence established by EU law. According to the ruling of the EU Court of Justice, if the Disciplinary Chamber does not fulfil the criterion of independence, the Supreme Court should not apply local law provisions regarding the jurisdiction of the Disciplinary Chamber as such laws are incompatible with EU legislation, which overrides local laws. On 23 January 2020, the judges of the three joint Supreme Court's Chambers (Labour and Social Security, Civil Law and Criminal law) ruled that the Disciplinary Chamber is not an independent court.

The European Commission has also questioned the manner of appointment of the members of the NJC, which is a body that nominates judges to fill judicial vacancies. In the European Commission's view, the Disciplinary Chamber is not independent due to the fact that its judges are appointed by the NJC, which is subordinated to the lower house of the Polish parliament. On 8 April 2020, agreeing with the European Commission's motion, the EU Court of Justice instructed Poland to immediately suspend applying local law provisions concerning the jurisdiction of the Disciplinary Chamber of the Supreme Court over disciplinary matters of judges. This interim measure ordered by the EU Court of Justice will apply throughout the period of the proceedings before the EU Court of Justice, which remain pending.

International Relations and Regional Arrangements

International Relations

Poland, a founding member of the United Nations, belongs to most international organisations and maintains diplomatic relations with 195 states. 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 re-joined 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**") and in 1998 joined the Council of Europe Development Bank ("**CEB**"). Poland became a member of the European Investment Bank ("**EIB**") in 2004, following its accession to the EU. 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.

The Accession Treaty, together with the Treaty on the EU and the Treaty on the Functioning of the EU, constitute the legal basis for regulating, among other things, economic, trade, service, capital and worker movement, and investment support and protection.

The EU operates a customs union among Member States and a common trade policy in relation to non-EU countries which involves a common customs tariff, a common import and export regime, the undertaking of uniform trade liberalisation measures as well as trade defence instruments and trade agreements concluded by the EU with third countries

Accession to the EU has 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 Ireland, Italy, France, the Netherlands, Belgium and Germany.

Following the European Parliamentary elections in 2019, Poland initially had 51 members of the European Parliament but since 1 February 2020 the number has increased to 52 as a result of reallocation of the UK's seats in the European Parliament due to the UK's exit from the EU on 31 January 2020 (commonly known as "**Brexit**"). The majority of these members belong to the Group of European Conservatives and Reformists or the Group of the European People's Party. The next European Parliamentary elections will be held in May 2024.

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 the level of real convergence of Poland with the eurozone – in terms of GDP per capita – still lags behind developed 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 EMU has undergone substantial reform in recent years, with the aim of completing its architecture and strengthening its long-term stability. Therefore, due to the high level of uncertainty over its results and future economic conditions, as at the date of this Simplified Base Prospectus, the Republic is not able to indicate when Poland will adopt the euro.

As with 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 the previous year and includes forecasts for the next three years.

Poland published its latest Convergence Programme update in April 2020. Due to the impact of the pandemic on the economy and high uncertainty caused by the pandemic, in 2020 the European Commission allowed Member States to prepare Convergence Programmes with the time horizon limited to 2020 only. The next Convergence Programme update, with the latest macroeconomic and fiscal projections, should be published in late April 2021.

With the aim of mitigating the economic and social impact of the COVID-19 pandemic ("COVID-19") and making European economies more resilient and better prepared for the challenges of the green and digital transitions, the European Commission proposed, along with the EU long-term budget for 2021-2027, Next Generation EU, a temporary recovery instrument in the amount of EUR 750 billion, the largest stimulus package ever financed through the EU budget. In order to finance the package, the EU will borrow funds from the financial markets. The centrepiece of the new instrument is the Recovery and Resilience Facility ("RRF"), offering EUR 672.5 billion in grants and loans for reforms and investments undertaken by EU countries. Poland will be one of the main beneficiaries of the RRF and may receive up to EUR 23.8 billion (current prices) in grants and up to EUR 34.2 billion (current prices) in loans.

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 at 31 December 2020, Poland's liabilities to multilateral financial institutions amounted to EUR 14.6 billion, accounting for 25.5 per cent. of the State Treasury's total external debt.

World Bank

As at 31 December 2020, the World Bank's exposure to Poland, net of principal repayments, amounted to EUR 6.2 billion. Currently, Poland has one active project financed with World Bank loans related to flood management and protection.

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 4.6 billion in 2020. As at 31 December 2020, the EIB had committed EUR 77.5 billion to Polish borrowers and the EIB's exposure to Polish borrowers, net of principal repayments, amounted to EUR 19.9 billion at 31 December 2020.

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.

As at 10 December 2020, some 58 projects were approved under the infrastructure and innovation window in Poland. The total estimated value of the approved projects is approximately PLN 58.9 billion, including the estimated EFSI share of approx. PLN 18.2 billion. Thirteen agreements were concluded with financial intermediaries (bank, and investment funds) under the SME window in Poland. The total estimated value of the portfolios for the 13 transactions currently amounts to approximately PLN 13.8 billion in Poland.

In the new Multiannual Financial Framework for the years 2021-2027 EFSI will be replaced by the InvestEU Programme, which aims to give an additional boost to investment, innovation and job creation in

Europe. InvestEU is expected to mobilise at least EUR 650 billion in additional investment between 2021 and 2027.

European Bank for Reconstruction and Development

Since the beginning of its operations in Poland, the EBRD has invested EUR 10.8 billion in nearly 455 projects (as of 31 December 2020) in various sectors of the country's economy (corporate, financial institutions, infrastructure and energy). Most of the EBRD's investment, some EUR 9.9 billion, was granted to the private sector. The value of the EBRD's current portfolio of projects in Poland is nearly EUR 3.3 billion.

The EBRD's strategic directions for Poland include the promotion of low carbon economy and green 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.

The recent Article IV consultation with Poland was concluded by the Executive Board of the IMF on 3 February 2021. The consultation confirmed that the Polish economy has weathered the COVID-19 crisis well. According to the Fund, a favourable pre-crisis fiscal situation has provided scope for a large fiscal response, which has aimed to maintain employment and support corporates' liquidity and equity, helping prevent bankruptcies. The fiscal package of support for the first wave – worth up to 11.5 per cent. of GDP, including about 6.5 per cent. of GDP in above-the-line measures – was larger than in most of the EU. The accommodative monetary policy stance remains appropriate until a recovery is well established. To mitigate the long-term effects of the crisis, the authorities, according to the IMF, should bolster investment and adjust labour market policies to support participation and ease the reallocation of labour in the post-COVID-19 economy.

International Development Association

Since 1988, Poland has been a member of, and contributor to, the International Development Association (the "IDA"), which provides grants, concessional and non-concessional credits to the world's poorest countries.

As of 31 December 2020, Poland's contribution to the IDA amounted to SDR 40.44 million and EUR 35.3 million, of which SDR 38.75 million and EUR 6.38 million has already been paid. Poland also participates in the IDA's MDRI initiative ("**Multilateral Debt Relief Initiative**"). As of 31 December 2020, Poland had committed PLN 36.49 million and paid PLN 10.73 million.

Nordic Investment Bank

Although Poland is not a member of the Nordic Investment Bank ("NIB"), it has access to NIB financing.

As at 31 December 2020, loans granted to local governments and private sector entities in Poland by the NIB amounted to approximately EUR 383.79 million.

Asian Infrastructure Investment Bank ("AIIB")

In June 2016, Poland became a founding member of the AIIB. Poland is not currently borrowing from the AIIB.

Council of Europe Development Bank ("CEB")

Poland has been a member of the CEB since 1998.

As at 31 December 2020, the CEB had approved EUR 150 million in loans to Poland, and EUR 150 million had been disbursed. As at 31 December 2020, the CEB's exposure to the State Treasury amounted to EUR 227 million. Total exposure of the CEB to Polish entities amounted to EUR 1.73 billion.

Major International Treaties

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.

Currently, the MLI has altered 39 of the Polish tax treaties. However, the number of treaties covered by the MLI is based on the completion of the ratification procedure by treaty partners. As it is an ongoing process, it is now estimated that, in the future, the MLI will apply to almost 50 of the Polish double tax treaties (however, Poland has listed 78 of its treaties to be covered by the MLI).

THE ECONOMY

With over 38.4 million inhabitants, Poland is the most populous member of the EU among all the countries of Central and Eastern Europe (and the fifth in the EU27 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; 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 country's 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 (65 per cent.), followed by the industry and construction sectors (32 per cent.) and agriculture (3 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 53 per cent. between 2008 and 2020, with an average annual GDP growth of approximately 3.6 per cent. Today, Poland is the sixth-largest economy in the EU27, with a buoyant private sector, internationally competitive export-oriented companies, as well as well-educated and skilled human capital.

COVID-19 and related restrictions last year led to the first fall in GDP since 1991, a drop of 2.8 per cent. However, the recession was milder than initially thought and it may be considered as a positive result, as the world economy, as a whole, has been experiencing an economic downturn.

Poland's monetary policy mandate 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 monetary policy, the basic objective of which is to maintain price stability while supporting the Government's economic policy, insofar as this does not constrain the pursuit of the basic objective of NBP. For over 20 years, the Monetary Policy Council (an independent decision-making body of the NBP) ("**MPC**") has been conducting monetary policy with an 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 percentage point. The main principles of the NBP's monetary policy strategy, including the inflation target level, its medium-term nature and floating exchange rate regime, have not changed since.

Between the years 2004 and 2020, the average consumer price index ("**CPI**") in Poland amounted to 2.1 per cent., in line with the NBP's inflation target, while the average level of core inflation (CPI excluding food and energy) stood at 1.4 per cent.

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

	2004	2008	2018	2019	2020
	<i>Current prices, Purchasing Power Standards ("PPS" per capita)</i>				
GDP per capita.....	11,290	14,470	21,840	22,170	-
	<i>(% of GDP)</i>				
Private consumption.....	64.4	62.0	58.4	57.5	-
Public consumption.....	18.3	18.7	17.7	18.0	-
Investment.....	18.3	23.1	18.2	18.5	17.1
Export.....	34.2	37.8	55.2	55.5	-
Import.....	37.2	43.1	52.2	50.8	-
<i>Value added:</i>					
Industry.....	22.4	21.5	21.8	21.7	-
Construction.....	6.3	7.2	6.7	6.3	-
Trade; repair of motor vehicles.....	16.4	15.9	15.6	15.5	-
	<i>(total=100)</i>				
<i>Structure of employment (LFS⁽¹⁾, 15 years and over):</i>					
Agriculture.....	18.2	14.3	9.6	9.1	-
Industry and Construction.....	28.9	32.5	31.7	32.0	-
Services.....	52.7	54.4	58.3	58.4	-
	<i>(%)</i>				
Participation rate (LFS ⁽¹⁾ , 15 and over).....	54.4	54.2	56.3	56.2	-
Employment rate (LFS ⁽¹⁾ , 20-64 years).....	57.0	65.0	72.2	73.0	-
Unemployment rate (LFS ⁽¹⁾ , 15-74 years).....	19.1	7.1	3.9	3.3	-
Labour productivity per person (EU27=100 ⁽²⁾).....	-	62.5	76.9	79.7	-
CPI.....	3.5	4.2	1.6	2.3	3.4
Core inflation.....	1.7	2.3	0.7	2.0	3.9

	2004	2008	2018	2019	2020
			(EUR million)		
Official reserve assets.....	26,967	44,139	102,268	114,511	125,622
			(% of GDP)		
International investment position	(45.1)	(46.8)	(55.4)	(49.9)	-
CAB.....	(5.8)	(6.9)	(1.3)	(0.5)	-
<i>Credit to the non-financial sector:</i>					
Non-financial enterprises	12.5	16.9	15.9	15.1	-
Households.....	11.8	28.7	33.3	32.7	-

Source: Eurostat, NBP, Statistics Poland, own calculations

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

⁽¹⁾ LFS – Labour Force Survey.

⁽²⁾ EU27 from February 2020 (without the UK)

RECENT ECONOMIC PERFORMANCE

Economic growth remained solid in 2019 (4.1 per cent.), moderating to a more sustainable pace from peaks of around 5 per cent. on average in the period 2017-2020. The COVID-19 outbreak and the introduction of unprecedented measures to contain the epidemic has been a kind of a sudden supply and demand shock, which has been negatively and significantly affecting the dynamics of economic activity in Poland (as well as in our main trade partners) in 2020. Poland reported its first coronavirus cases in March when it also implemented the first lockdown. The restrictions were lifted in the summer, but with a spiralling number of new cases and overloaded healthcare system, new curbs were introduced in the autumn. All these led to the first fall in GDP since 1991. However, it was milder than initially feared and less than the previous contraction of 7 per cent. in 1991. According to preliminary estimates by the Central Statistical Office, Poland's gross domestic product shrank 2.8 per cent. in 2020, compared to a 4.5 per cent. expansion in 2019, as the COVID-19 crisis hampered household consumption and fixed investment. Only net exports provided strong support to GDP. Containment measures did not bypass any sector of the economy. Output decreased in industrial, construction and most market services. However, the restrictions hit the hotel, catering and recreational industries the hardest by far because they were almost totally shut down. To soften the impact of COVID-19 on the economy, Poland launched a multibillion zloty support scheme for companies. Actions of economic authorities (the government and the National Bank of Poland) were quick and effective and Poland, in 2020, was among the best performing EU Member States. The future course of COVID-19 will play a key role in determining the path of economic growth in the coming months.

CPI inflation amounted to 3.4 per cent. on average in 2020 (compared to 2.3 per cent. a year earlier). In the first quarter of 2020, the inflation rate increased strongly and reached the level of 4.5 per cent. (year-over-year), exceeding the upper limit of deviations from the inflation target. It was mainly caused by the rise of electricity prices and continued high food prices, as well as delayed effects of high growth of economic activity and a favourable situation in the labour market, which contributed to the increase of core inflation. A significant drop in fuel prices after the COVID-19 outbreak and lower pace of growth of food prices contributed to the drop of inflation in the following quarters of 2020. However, the core inflation stayed at high level, partly because of rising operating expenses of some enterprises driven by the imposed sanitary restrictions. At the end of the year, the CPI rate decreased considerably to 2.4 per cent, i.e. slightly below the inflation target.

A significant drop in economic activity translated into a worsening of the labour market situation. However, the scale of the deterioration was much milder than expected at the beginning of COVID-19 and relatively small in comparison to other EU countries. The labour market was supported by measures implemented by the government under the so-called Anti-Crisis Shields i.e., governmental stimulus programmes with a total value of over PLN 312 billion, targeting five key areas such as employment protection (including safety and health of employees), financing of entrepreneurs, healthcare, strengthening of the financial system and public investments.

According to Eurostat, the harmonised unemployment rate (seasonally adjusted, Eurostat) increased from the historical minimum of 2.9 per cent. in November-December 2019 to 3.3-3.4 per cent. in May-December 2020. It was still one of the lowest rates in the EU. Labour demand (LFS methodology) and the participation rate decreased. Average wage growth slowed from almost 8 per cent. pre-crisis to about 5 per cent.

In the spring of 2020, the economy of the EU – Poland's main trading partner – experienced an unprecedented contraction as COVID-19 and strict measures to contain it halted many business activities. As a result, there was a large drop in Polish exports between the first and second quarter of 2020. However, following the phased removal of restrictions and a quick rebound in activity in international Polish supply chains, exports trended strongly upward. Foreign sales also proved to be relatively resilient to the second wave of COVID-19. On the other hand, import dynamics remained weaker, influenced, among others, by low oil prices. This has led to an improvement in the balance of goods (to 2.2 per cent. of GDP in November 2020 according to preliminary data). In addition, the primary income deficit declined to 3.1 per cent. of GDP, reflecting temporarily lower income of foreign direct investors on their capital involvement in Polish entities. Current accounts, as a whole, noted a record high surplus (3.4 per cent. of GDP in November 2020).

In response to the outbreak of COVID-19, the Polish monetary authorities stepped in quickly to ease monetary policy. In March – May 2020, key interest rates were cut three times – the NBP reference rate by a total of 1.4 percentage points to 0.1 per cent. To support bank liquidity, the required reserve ratio was lowered from 3.5 per cent. to 0.5 per cent. The NBP applied a package of additional measures as well, including repo operations, bill discount credits and an asset purchase program. The latter operations are

conducted in the secondary market for government securities and government-guaranteed debt securities. The stated objectives of the program have been to change the long-term liquidity structure in the banking sector, ensure liquidity in secondary markets for purchased securities and strengthen the monetary policy transmission mechanism. From March 2020 till the end of January 2021, the NBP purchased PLN 108.6 billion (face value) in debt securities in 17 auctions. According to the MPC, the NBP's monetary policy is mitigating the negative economic impact of COVID-19 by supporting economic activity and stabilising inflation at a level consistent with the NBP's medium-term inflation target.

The following table sets out certain macroeconomic statistics for the five years ended 2020:

	2016	2017	2018	2019	2020
			<i>(Real growth, %)</i>		
GDP	3.1	4.8	5.4	4.5	(2.8)
Total consumption	3.5	4.2	4.3	4.4	(1.5)
Private consumption	4.0	4.7	4.5	3.9	(3.0)
Investment	(8.2)	4.0	9.4	7.2	(8.4)
			<i>(Contribution to GDP growth, percentage points)</i>		
Domestic demand	2.2	4.7	5.4	3.4	(3.6)
Net export	0.9	0.1	0.0	1.1	0.8
			<i>(%)</i>		
Employment growth (LFS ⁽¹⁾ , 15 years and over)	0.7	1.4	0.4	(0.1)	-
Unemployment rate (LFS ⁽¹⁾ , 15-74 years)	6.2	4.9	3.9	3.3	-
CPI	(0.6)	2.0	1.6	2.3	3.4
NBP reference rate (end of the period)	1.50	1.50	1.50	1.50	0.10
			<i>(% of GDP)</i>		
CAB	(0.8)	(0.3)	(1.3)	0.5	-

Source: Statistics Poland, NBP, Eurostat, own calculations

⁽¹⁾ LFS – Labour Force Survey.

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

	2016	2017	2018	2019	2020
			<i>(%)</i>		
Sections					
Agriculture, forestry and fishing	2.5	2.9	2.3	2.3	-
Industry	23.3	22.2	21.8	2.7	-
Construction	6.2	6.2	6.7	6.3	-
Trade; repair of motor vehicles	15.5	15.5	15.6	15.5	-
Transport	5.7	6.0	6.2	6.2	-
Accommodation and catering	1.0	1.1	1.2	1.2	-
Information and communication	3.6	3.6	3.7	3.8	-
Financial and insurance activities	3.7	3.8	3.6	3.6	-
Real estate activities	4.6	4.3	4.3	4.8	-
Professional, scientific and technical activities and administrative and support service activities	7.0	7.5	7.5	7.6	-
Public administration and defence; compulsory social security; education; human health and social work activities	13.1	12.8	12.7	12.9	-
Arts, entertainment and recreation; other service activities; activities of household and extraterritorial organisations and bodies	2.1	2.0	2.0	2.0	-
Gross value added	88.3	87.8	87.6	87.9	-
Taxes on products less subsidies on products	11.7	12.2	12.4	12.1	-
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0

Source: Statistics Poland

Risks

The near-term outlook remains highly uncertain. Growth prospects depend mainly on the magnitude, duration and frequency of any new COVID-19 outbreaks, the degree to which they can be effectively contained and the time until an effective vaccine can be widely deployed. Although recent vaccine approvals have raised hopes of a turnaround in COVID-19, renewed waves, new variants of the virus and logistical problems with vaccine distribution at the EU level pose concerns for the outlook. On the upside, large-scale deployment of an effective vaccine in 2021 could accelerate the pace of recovery by boosting external demand and investors' confidence.

TRADE AND BALANCE OF PAYMENTS

Balance of Payments⁵

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 recompiled according to BPM6.

In 2018, Poland's current account balance was negative and amounted to EUR 6,518 million. In 2019, the current account balance was positive and amounted to EUR 2,611 million. In the first three quarters of 2020, it was positive, amounting to EUR 13,387 million. Measured by balance of payments statistics in 2018, the deficit in trade in goods amounted to EUR 6,219 million. In 2019, the balance on trade in goods was positive and amounted to EUR 1,204 million. In the first three quarters of 2020, the balance on trade in goods was also positive and amounted to EUR 7,738 million. The main driver of the overall positive external balance was a surplus in trade in goods and services.

In 2018, the trade in goods decreased as a result of faster growth in imports than exports. In 2019, the balance on goods improved as a result of faster growth in exports than in imports. In the first three quarters of 2020 the balance on goods improved because imports decreased more than exports compared with the corresponding period in 2019. During 2018, the value of exports and imports increased by 7.4 per cent. and by 10.3 per cent., respectively, compared with 2017. In 2019, the value of exports increased by 7.3 per cent. and the value of imports increased by 3.8 per cent. In the first three quarters of 2020, the value of exports decreased by 3.5 per cent., and the value of imports decreased by 7.9 per cent., compared with the corresponding period in 2019. Weaker results for both exports and imports of goods and services in the balance of payments after three quarters of 2020 are the result of restrictions related to COVID-19.

Direct investments are presented in the balance of payments according to the assets and liabilities principle. In 2018, the balance of transactions on the liabilities side of direct investment was positive and amounted to EUR 14,805 million. A positive balance was also achieved in 2019, amounting to EUR 12,805 million. In the first three quarters of 2020, inflows of capital in the amount of EUR 8,805 million were observed in the balance of payments. During 2019, the surplus in the balance of direct investment resulted from a positive balance of transactions involving equity and investment fund shares amounting to EUR 11,125 million. The balance of debt instruments was also positive, amounting to EUR 1,680 million. The balance of direct investment on the liabilities side in the first three quarters of 2020 was influenced by positive net inflows of equity and investment fund shares in the amount of EUR 7,542 million, and net inflows of capital against debt instruments in the amount of EUR 1,263 million. The following table sets out Poland's balance of payments and related statistics for the periods indicated:

	2016	2017	2018	2019	Nine months ended 30 September 2020*
			(EUR millions)		
Current Account	(3,384)	(1,542)	(6,518)	2,611	13,387
Balance on Goods	2,030	(353)	(6,219)	1,204	7,738
Goods: exports f.o.b.	177,486	202,035	217,066	232,936	166,485
Goods: imports f.o.b.	175,456	202,388	223,285	231,732	158,747
Balance on Services	13,752	17,837	21,259	23,647	17,313
Services: Credit	44,030	50,960	57,662	62,469	42,239
Services: Debit	30,278	33,123	36,403	38,822	24,926
Balance on Primary Income	(17,728)	(18,879)	(20,124)	(20,420)	(11,199)
Primary income: Credit	11,231	11,851	12,280	12,680	8,809
Primary income: Debit	28,959	30,730	32,404	33,100	20,008
Balance on Secondary Income	(1,438)	(147)	(1,434)	(1,820)	(465)
Secondary Income: Credit	5,484	6,057	5,659	5,845	5,390
Secondary Income: Debit	6,922	6,204	7,093	7,665	5,855
Capital Account	4,457	5,891	10,423	10,544	7,624

⁵ The Balance of Payments section 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 changes are described in the Information on changes in the statistics of the balance of payments and international investment position in 2014. Please see <https://www.nbp.pl/en/aktualnosci/2014/Revision-BoP-IIP-2014.pdf>.

	2016	2017	2018	2019	Nine months ended 30 September 2020*
			(EUR millions)		
Capital account: Credit	5,171	6,362	11,785	11,581	9,235
Capital account: Debit	714	471	1,362	1,037	1,611
Financial Account	1,335	(2,287)	1,173	7,852	16,208
Direct investment assets	12,813	3,431	1,951	4,267	1,095
Direct investment liabilities	16,639	10,182	14,805	12,805	8,805
Portfolio investment assets	(5,436)	1,320	482	(278)	2,386
Equity securities	(5,677)	281	(1,101)	(688)	814
Debt securities	241	1,039	1,583	410	1,572
Portfolio investment liabilities	(2,077)	5,466	(3,249)	(11,242)	(8,928)
Equity securities	(2,347)	1,274	776	84	(1,270)
Debt securities	270	4,192	(4,025)	(11,326)	(7,658)
Other investment assets	2,487	5,726	5,184	823	4,556
Monetary authorities	227	(230)	0	(3)	3
Central and local government	220	16	1,081	819	2,140
MFI (excluding Central Bank) ...	298	444	2,862	(748)	887
Other sectors	1,742	5,496	1,241	755	1,526
Other investment liabilities	14,572	(11,031)	42	3,643	(1,716)
Monetary authorities	15,082	(10,157)	1,865	1,544	(1,976)
Central and local government	(70)	(650)	(894)	(764)	2,178
MFI (excluding Central Bank) ...	(1,874)	(2,341)	(3,094)	(3,237)	(1,052)
Other sectors	1,434	2,117	2,165	6,100	(866)
Financial derivatives	175	(1,004)	(1,074)	(964)	(645)
Official Reserve Assets	20,430	(7,143)	6,228	9,210	6,977
Net errors and omissions	262	(6,636)	(7,732)	(5,303)	(4,803)

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, fourth edition. The following table sets out the inflow of FDI to Poland for the periods indicated:

Year	Components of FDI inflow			
	Equity	Reinvestment of earnings	Debt instruments	Total (net)
	(EUR millions)			
2015	5,229	6,966	1,563	13,758
2016	1,776	8,549	3,855	14,181
2017	(938)	9,172	(92)	8,142
2018	4,197	8,250	1,108	13,555
2019	952	10,097	(1,354)	9,695

Source: NBP

In 2019, the net FDI inflows in Poland amounted to EUR 9,695 million. The inflows from EU countries amounted to EUR 8,019 million, derived mainly from Germany and the Netherlands. Net inflows from countries outside the EU amounted to EUR 1,676 million, with the most significant inflows from the Republic of Korea. Inflows of FDI in 2019 were mainly attributable to: (i) reinvestment of earnings amounting to EUR 10,097 million; (ii) net inflows of equity of EUR 952 million; and (iii) net outflows of capital against debt instruments (other capital) of EUR 1,354 million.

Foreign Trade

Exports accounted for 49.1 per cent. of GDP in 2015, 51.9 per cent. in 2016, 54.2 per cent. in 2017, 55.2 per cent. in 2018 and 55.5 per cent. in 2019. Imports constituted 46.3 per cent. of GDP in 2015, 48.2 per cent. in 2016, 50.4 per cent. in 2017, 52.2 per cent. in 2018 and 50.8 per cent. in 2019.

Focus of Trade

In 2019, trade with EU countries accounted for 80.06 per cent. of exports and 58.18 per cent. of imports. Germany is Poland's largest trading partner, accounting for 28.27 per cent. of exports and 22.16 per cent. of imports. Trade with other EU countries accounted for 52.43 per cent. of exports and 36.2 per cent. of imports in the same period.

The most significant export items in 2019 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:

	2016		2017		2018		2019*		January – November 2020*	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Developed Countries:										
Germany	27.4	23.3	27.5	23.1	28.2	22.6	27.7	21.9	28.8	21.8
United Kingdom.....	6.7	2.6	6.4	2.4	6.2	2.4	6.0	2.3	5.7	2.1
Other EU countries	45.7	35.3	46.1	34.9	46.2	33.8	46.3	33.9	45.1	33.3
Other developed countries.....	6.5	7.0	6.6	7.3	6.5	7.1	6.8	7.7	6.7	7.6
Total developed countries	86.3	68.2	86.6	67.7	87.1	65.9	86.8	65.8	86.3	64.8
Central and Eastern Europe:										
CEFTA ⁽¹⁾	0.7	0.3	0.7	0.3	0.7	0.4	0.7	0.4	0.6	0.5
Russia.....	2.8	5.8	3.0	6.4	3.0	7.1	3.1	6.1	3.0	4.5
Other Central and Eastern Europe ⁽²⁾	2.7	1.4	2.1	1.2	2.1	1.4	2.2	1.3	2.4	1.2
Total Central and Eastern Europe	5.5	7.2	5.8	7.9	5.8	8.9	6.0	7.8	6.0	6.2
Developing countries..	8.2	24.6	7.6	24.4	7.1	25.2	7.2	26.4	7.7	29.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(*) Preliminary data.

⁽¹⁾ In 2006, the Central European Free Trade Agreement ("CEFTA") consisted of Bulgaria, Romania, Croatia and North Macedonia. From 1 May 2007 to July 2013, the CEFTA consisted of Albania, Bosnia and Herzegovina, Croatia, North 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 Socialist 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 is directly applicable in all Member States, including Poland.

Since 1 January 2021, the Commission Implementing Regulation (EU) 2020/1577 of 21 September 2020 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 361/1 of 30 October 2020) governs the Common Customs Tariff.

Movement of Foreign Exchange Rates

Exchange Rate Policy

Since April 2000, the Polish złoty has, generally, been floating freely. However, the floating exchange rate regime does not exclude 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 złoty and the U.S. dollar for the periods indicated:

	2016	2017	2018	2019	2020
End of period.....	4.1793	3.4813	3.7597	3.7977	3.7584
Average	3.9431	3.7777	3.6134	3.8395	3.8978

Source: NBP

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

	2016	2017	2018	2019	2020
End of period.....	4.4240	4.1709	4.3000	4.2585	4.6148
Average	4.3625	4.2576	4.2623	4.2980	4.4449

Source: NBP

Total External Debt⁶

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 2020 amounted to EUR 300,695 million. Short-term debt on an original maturity basis constituted 25.0 per cent. of the total external debt and was completely covered by the official reserve assets. The general government sector's foreign debt constituted 32.6 per cent. of Poland's total foreign debt. The share of the enterprise sector (including Direct Investment) in total external debt was 49.1 per cent.

The following table shows Poland's external debt by obligor as at the dates indicated:

As at 31 December (except for 2020)					As at 30 September 2020
	2016	2017	2018 (EUR millions)	2019	
Monetary authorities.....	20,229	9,233	10,996	12,392	9,483
Other investment.....	20,229	9,233	10,996	12,392	9,483
Special drawing rights (SDRs), Allocation	1,672	1,553	1,584	1,612	1,569
Loans	0	0	0	0	0
Currency and deposits	18,271	7,650	9,412	10,780	7,914

⁶ External debt has been presented using new standards outlined by the IMF in the *Balance of Payments and International Investment Position Manual (BPM6)*.

As at 31 December (except for 2020)

	2016	2017	2018	2019	As at 30 September 2020
			(EUR millions)		
Other liabilities	286	30	0	0	0
Central and local government	120,611	122,298	113,605	102,781	98,132
Debt securities	99,453	101,621	93,720	83,612	74,862
Bonds and notes	99,453	101,621	93,720	83,612	74,606
Money market instruments	0	0	0	0	256
Other investment	21,158	20,677	19,885	19,169	23,270
Trade credits	9	20	10	17	68
Loans	21,038	20,569	19,818	19,092	21,586
Other liabilities	111	88	57	60	1,616
Banks	49,488	49,267	48,883	47,452	45,392
Debt securities	2,891	5,456	7,874	9,361	9,527
Bonds and notes	2,891	5,456	7,874	9,361	9,500
Money market instruments	0	0	0	0	27
Other investment	46,597	43,811	41,009	38,091	35,865
Loans	29,051	23,390	23,244	21,070	20,578
Currency and deposits	16,204	18,925	16,442	16,061	14,349
Other liabilities	1,342	1,496	1,323	960	938
Other sectors	50,707	56,256	58,307	66,931	60,935
Debt securities	1,118	2,476	2,589	2,849	2,386
Bonds and notes	1,116	2,471	2,580	2,840	2,386
Money market instruments	2	5	9	9	0
Other investment	49,589	53,780	55,718	64,082	58,549
Currency and deposits	6	16	11	0	0
Trade credits	14,310	15,844	16,785	17,606	16,236
Loans	33,837	36,307	37,337	43,359	39,312
Insurance technical reserves	425	503	521	565	544
Other liabilities	1,011	1,110	1,064	2,552	2,457
Direct investment: intercompany lending	80,269	82,662	84,891	86,103	86,753
Direct investors in direct investment enterprises	33,091	35,575	39,297	42,224	43,258
Direct investment enterprises in direct investors	7,007	6,570	6,225	4,504	3,852
Between related enterprises	40,017	40,517	439,369	39,375	39,643
Total external debt	321,304	319,716	316,682	315,659	300,695

Source: NBP

MONETARY AND FINANCIAL SYSTEM

Structure and Development of the Polish Banking System

At the end of September 2020, there were 30 commercial banks (14 with majority Polish ownership and 16 with majority foreign ownership), 533 co-operative banks and 34 branches of foreign credit institutions operating in Poland. The banking sector was dominated by commercial banks, which together held 91.3 per cent. of the sector's total assets and 43.5 per cent. of this figure belonged to foreign-controlled subsidiaries and branches of credit institutions. Co-operative banks, which are numerous but small, formed Institutional Protection Schemes in 2016 and since then have been progressing towards integration and improving their competitive position in relation to commercial banks. Concentration of the market, although increasing, was still moderate – the market share of the five largest banks in the sector's assets amounted to 55 per cent. Three domestic banks performed services abroad either through a subsidiary or a branch; however, the scope of this activity was fairly limited and did not influence overall financial results of the sector.

The developments and profits of the Polish banking sector in 2020 were influenced by COVID-19. In September 2020, the annualised Return on Assets (ROA) amounted to 0.38 per cent. (down from 0.69 per cent. a year before). The drop in profitability was mainly due to a surge in provisions for expected COVID-19-driven credit losses. The low interest rate environment did not significantly affect the net interest margin ratio, which has remained relatively stable, recently reaching 2.26 per cent. In spite of the adverse effects of COVID-19, the financial performance of Polish banks is still much higher than the current EU average.

The growth rate of lending to non-financial customers, due to the COVID-19 pandemic, has been slowing down gradually over the year and was negative in the last quarter of 2020 (-1 per cent. at the end of the year). However, the decline in the growth of lending was largely due to the reduction in demand for credit and not a consequence of the excessive restriction of credit availability by banks. The scale of the slowdown varied across credit categories. The annual growth rate of corporate loans was 6.6 per cent., consumer loans -2.2 per cent., and residential housing loans 5.4 per cent. (of which złoty-denominated housing loans grew by 10.3 per cent. and foreign currency-denominated housing loans decreased by 7.5 per cent. year-on-year). Since 2011, new housing loans are being granted almost entirely in złoty. As a result, the share of foreign currency housing loans in the total stock of housing loans decreased, down to 25.8 per cent. or 5.2 per cent. of GDP (compared with a peak of over 70 per cent. of the total housing loan portfolio, or 10 per cent. of GDP, in 2009). The ratio of loans to the non-financial sector to GDP reached about 48 per cent.

Despite the surge in uncertainty and credit risks, the asset quality of the Polish banking sector, measured by the ratio of non-performing loans, decreased only slightly. The use of loan moratoria and the relatively moderate increase in unemployment limited to some extent the amount of loan losses. Housing loan portfolios outperformed other loan portfolios, with the NPL ratio (2.4 per cent.) being much lower than the average for non-financial sector loans (7.1 per cent.). The ratio of impaired loans covered by provisions amounted to 59.5 per cent., and may be regarded as high, taking into account the average collateralisation of loans.

Banks' funding structure in 2020 remained solid and the share of local non-financial sector deposits amounted to 61 per cent. There was a significant increase in the value of corporate deposits (29.0 per cent. year-on-year) as well, due to the inflow of state aid funds. The loan-to-deposit ratio continued a gradual downward trend and amounted to approximately 81.5 per cent. Mortgage banks pursued issuances of covered bonds, but market funding is still a minor source of financing in the Polish banking sector.

The banking sector entered COVID-19 with ample capital buffers. In the difficult environment in 2020, the sector remained well-capitalised. The average Total Capital Ratio (TCR) was 19.5 per cent. and the Tier 1 capital ratio was 17.4 per cent. The ratio of risk-weighted assets to total assets in Poland was significantly higher than the EU average (54.2 per cent.) and the average leverage (assets over Tier 1 capital) for Polish banks visibly lower (10.6), indicating greater capacity to cover risks. The systemic resilience of the banking sector was proven by stress tests carried out in the autumn of 2020. The results of the stress tests confirmed that even in the worst-case scenario, the vast majority of the examined banks would be able to cover their incurred losses using excess capital and could continue their lending activity.

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 zloty 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, two of whom 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 it has been one of the fastest-growing stock exchanges in Europe. The WSE Group 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 4 February 2021, there were 434 companies listed on the WSE (384 local members and 50 foreign members) and, of a total of 46 investment firms conducting their activities under Polish law, nine were banks conducting brokerage activities and the remainder were independent entities. In February 2021, there were 3,175 licensed brokers of securities and 784 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.

Development of the Polish capital market resulted in upgrading Poland's status to "developed market" in the indices run by FTSE Russell as part of the September 2017 FTSE Country Classification annual review of markets. Receiving the status of a "developed market" by Poland was the first such event in almost a decade. Moreover, Poland is the first country from the CEE region for which the development market status was updated by FTSE Russell. Since the date of promotion, major Polish companies have been included in the FTSE Developed Index.

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:

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
	<i>(nominal amount, PLN billions)</i>				
Gross sales of Treasury securities					
Treasury bonds.....	56.9	75.2	23.6	26.9	182.6
Treasury bills	0	17.7	0	0	17.7
Total.....	56.9	92.9	23.6	26.9	200.4
Net sales of Treasury securities					
Treasury bonds.....	24.8	43.5	12.1	(2.5)	78.0
Treasury bills	0	17.7	(6.8)	0	10.9
Total.....	24.8	61.3	5.3	(2.5)	88.9

Source: Ministry of Finance

Trading of Treasury bonds is conducted on three segments of secondary market: the non-regulated over-the-counter ("OTC") market, the Treasury BondSpot Poland electronic platform, and on regulated markets of the WSE and BondSpot S.A. In 2020, Treasury bonds were primarily traded on the OTC market (98.0 per cent. of total trading volume), while the shares of Treasury BondSpot Poland's electronic platform and the regulated markets of the WSE and BondSpot S.A. in the total Treasury bond trading volume amounted to 2.0 per cent. and approximately 0.01 per cent., respectively. The principal holders of State Treasury debt at the end of December 2020 were the domestic banking sector with PLN 451.9 billion (41.2 per cent), foreign investors with PLN 373.0 billion (34.0 per cent) and domestic non-banking investors with PLN 272.6 billion (24.8 per cent.).

The average time to maturity ("ATM") and duration of domestic marketable debt decreased from 4.53 and 3.10 years at the end of December 2019, respectively, to 4.23 and 3.09 years, respectively, at the end of December 2020. The average time to refixing ("ATR") of domestic marketable debt decreased from 3.18 years at the end of December 2019 to 3.16 years at the end of December 2020. 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 4.72 years and duration of 4.76 years at the end of December 2020).

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, insofar as this does not constrain the pursuit of the basic objective of the NBP. 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 11 times a year to discuss the economic conditions and outlook, and, after analysing risks to price stability, either takes no action or adjusts the monetary policy instruments. According to the binding MPC Monetary Policy Guidelines, the principal instrument of monetary policy is NBP interest rates. 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. ± 1 percentage point, average CPI inflation in Poland has amounted to 2.1 per cent. In 2020, average annual CPI inflation amounted to 3.4 per cent., thus remaining within the fluctuation band of the NBP target. Changes in the inflation rate over the year were primarily driven by developments in prices of services with a substantial contribution of administered price growth to the annual consumer price index. Core inflation (CPI inflation excluding food and energy prices) in 2020 was somewhat elevated, reaching an average of 3.9 per cent. By the end of the year 2020, CPI inflation decreased to 2.4 per cent. and was close to the target. According to the MPC assessment, following a temporary rise driven by supply and regulatory factors, inflation is expected to remain close to the target in the monetary policy transmission horizon.

Following the outbreak of COVID-19, the NBP acted promptly and decisively. Since mid-March 2020, a substantial package of decisions has been implemented, including interest rate cuts, providing liquidity to the banking sector, launching an asset purchase programme encompassing purchases of government securities and government-guaranteed debt securities on the secondary market as well as offering bill discount credit aimed at refinancing loans granted to enterprises by banks. In particular, the MPC reduced the interest rates in three consecutive steps between March and May 2020, which was the first interest rate change since March 2015. As a result, the NBP's reference rate decreased from 1.5 to 0.1 per cent.

Money Supply

In 2020, the annual rate of growth of broad money supply was 16.4 per cent. in nominal terms or 13.7 per cent. in real terms.

The following table sets out data on monetary aggregates for the periods indicated:

	2016	2017	2018	2019	2020
			(PLN millions)		
Cash in circulation	174,401.2	184,486.4	203,212.5	224,072.7	306,735.2
Demand deposits	640,902.8	721,888.2	809,140.6	930,798.9	1,224,900.8
Narrow Money (M1)	815,304.0	906,374.6	1,012,353.1	1,154,871.6	1,531,636.0
Time deposits	440,907.8	406,472.7	415,880.1	397,776.3	283,035.3
Repurchase agreements	6,238.6	6,478.3	11,239.6	6,809.4	2,835.6
Debt securities with maturity less than two years	3,211.1	5,042.9	6,619.8	6,117.4	5,143.2
Broad Money (M3)	1,265,661.7	1,324,368.6	1,446,092.6	1,565,574.7	1,822,650.1
Annual Changes (%)					
Broad Money (nominal)	9.6	4.6	9.2	8.3	16.4
Broad Money (CPI deflated)	8.7	2.5	8.0	4.7	13.7

Source: NBP

Polish monetary statistics are maintained in accordance with the requirements of the European Central Bank and, as such, are directly comparable to the statistics provided by other states applying the same methodology.

Monetary Policy Implementation

The NBP's interest rates are the principal key 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 market interest rates.

The main NBP interest rate is the reference rate, which determines the yield obtainable on the main open market operations conducted by the NBP, while at the same time affecting the level of short-term market interest rates.

The NBP Lombard rate determines the interest rate on the Lombard credit offered by the NBP allowing funds to be obtained from the central bank overnight. The NBP deposit rate, in turn, determines the interest rate on deposits allowing funds to be deposited with the NBP overnight.

Open market operations are the main instrument used by the NBP to pursue its monetary policy operational target. By using open market operations, the NBP influences liquidity conditions in the banking sector in a way enabling the Polish Overnight Index Average ("**POLONIA**") rate to run close to the NBP reference rate.

The NBP's reference rate determines the yield obtainable on open market operations. Due to the 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 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 undertaken on a regular weekly basis in the form of the issuance of NBP bills typically with a seven-day maturity. A fixed rate at the level of the NBP reference rate is binding during tenders;
- fine-tuning operations, which may be conducted to limit the volatility of short-term market interest rates and to provide liquidity to the banking sector or absorb liquidity for longer terms. As part of liquidity provision, the NBP may offer repo transactions and redeem NBP bills before maturity. To absorb liquidity, the central bank may issue NBP bills or offer reverse repo operations. The maturity and yield of these operations as well as the manner in which they are carried out depend on the purpose of their application;
- structural open market operations, which may be conducted in order to change the long-term liquidity structure in the banking sector as well as in order to ensure the liquidity of the secondary market of purchased securities and strengthen the monetary transmission mechanism. Under such operations, the NBP can issue bonds and purchase or sell securities on the secondary market.

The required reserve system supports the pursuit of the operational target of the monetary policy, contributing to the stability of the short-term market interest rates. At the same time, the reserve requirement reduces the scale of NBP open market operations conducted to absorb liquidity surplus.

Standing facilities offered by the NBP (i.e. Lombard credits and overnight deposits) are designed to limit the scale of overnight market rate fluctuations by stabilising liquidity conditions in the banking sector.

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

	<u>Lombard Rate</u>	<u>Reference Rate</u>	<u>Deposit Rate</u>
		(%)	
Effective Date			
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

	Lombard Rate	Reference Rate	Deposit Rate
		(%)	
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
18 March 2020	1.50	1.00	0.50
9 April 2020	1.00	0.50	0.00
29 May 2020	0.50	0.10	0.00

Source: NBP

As part of monetary policy easing in 2020, in response to COVID-19, the NBP decided to expand the use of existing monetary policy instruments. The measures taken by NBP involved, among others, a reduction in the NBP interest rates (the NBP reference rate was reduced in total from 1.50 per cent. to 0.10 per cent.), purchases of government securities and government-guaranteed debt securities in the secondary market, and a decrease in the required reserve ratio (from 3.50 per cent. to 0.50 per cent.). The NBP has provided banks with a bill discount credit, thus allowing them to refinance bank loans granted to enterprises. Moreover, the NBP provided liquidity to the banking sector in the form of repo operations and is ready to carry out such operations if necessary.

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 Fund to Counteract COVID-19, 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, among others:

- the upper limit of state budget expenditure 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—Stabilising 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.

In 2020, the European Commission determined that, due to the severe economic downturn across the EU caused by COVID-19, the conditions for the use of the general escape clause enshrined in the EU's Stability and Growth Pact were fulfilled. The activation of the clause allowed countries including Poland to temporarily depart from the EU Council's recommendations on fiscal policy goals in 2020, **provided that** it did not endanger fiscal sustainability in the medium term.

A similar approach was taken with regard to the stabilising expenditure rule. The stabilising expenditure rule allows an escape clause to be applied in emergency situations. The activation the escape clause on the EU level and also domestically was to expand fiscal policy and introduce measures to protect the economy and mitigate the effects of COVID-19.

Fiscal performance in 2020

The robust pre-COVID-19 growth environment, strong revenue growth and disciplined fiscal stance resulted in a sustained improvement in Poland's headline general government deficit, which averaged 0.8 per cent. of GDP in 2017-19 (1.5 per cent. in 2017, 0.2 per cent. in 2018 and 0.7 per cent. in 2019). In 2020, as a result of COVID-19, followed by a shutdown of the economy in the second quarter and necessity to adopt significant spending measures and fiscal stimulus aimed at supporting business activity and employment, the headline general government deficit increased sharply.

According to detailed data published by Eurostat and Statistics Poland in January 2020, after the first three quarters of 2019 the general government sector showed a surplus of PLN 12.1 billion (0.7 per cent. of GDP), compared to a surplus of PLN 7.5 billion in the corresponding period of 2018. To finance the government support (fiscal measures), BGK established the Fund to Counteract COVID-19 (as defined above) in the amount of 5 per cent. of GDP for 2020 with the added ability to raise funds via the issuance of bonds guaranteed by the State Treasury. Companies have received subsidies under government programmes operated by the Polish Development Fund ("**PFR**") (the so-called Financial Shield). On the basis of market financing, also guaranteed by the State Treasury, PFR provided support for SMEs and large companies with a wide range of instruments like loans, guarantees and subsidies to allow them to remain active and retain financial liquidity. Declared support in 2020 was planned at the level of PLN 100 billion

(4.5 per cent. of GDP), of which approximately 60 per cent. was allowed to be written off by companies if they fulfilled the requirements of the granted assistance (keeping employment). Another form of business assistance was the extension of and large-scale introduction of new guarantee programmes managed by BGK.

The central budget was updated with an increasing cash-based deficit and the forecast for the GG deficit was increased for the whole of 2020 to 11.8 per cent. of GDP. The forecast of the GG deficit in 2020 assumed a substantial increase in the central budget cash deficit (from a balance to deficit of PLN 109.3 billion), and an increase in the expenditures of the COVID-19 Fund and the expected performance of the Financial Shield (below limits) with non-returnable support at the level of 1.8 per cent. of GDP. Based on the preliminary execution of the central budget, there are indications of higher tax revenues and visibly lower than forecasted deficit, lower spending of the COVID-19 Fund in BGK, and subsidies to companies under the Financial Shield substantially below the limit and less severe contraction of GDP, the GG deficit in 2020 should be well below 10 per cent. of GDP.

The detailed data released by Eurostat and the Central Statistical Office in January 2021 present the performance of the GG sector after three quarters of 2020. According to that data, the GG sector, after three quarters had a deficit of PLN 115.2 billion (6.9 per cent. of GDP). The deficit recorded in the first quarter was PLN 12.2 billion (2.2 per cent. of GDP), followed by a record high deficit of PLN 86.4 billion (16.3 per cent. of GDP) in the second quarter, after which the deficit dropped to PLN 16.6 billion (2.9 per cent. of GDP) in the third quarter.

Developments in Poland were in line with tendencies in all EU Member States, which suffered mostly in the second quarter of 2020 as a result of lockdown and spending aimed at supporting the economy. The deficit of the EU, as a whole, in the first quarter was 3.9 per cent. of GDP, which increased sharply up to 11.2 per cent. in the second quarter and fell to 5.3 per cent. in the third quarter.

In Poland, the outcome of the first three quarters of 2020 was the result of a rapid increase in expenditures (an increase of 21.7 per cent. year-on-year) combined with a slight increase of revenues (by 2.6 per cent. compared to the same period in 2019). In 12-month terms, the GG balance was negative at 6.3 per cent. of GDP. The primary balance of the GG sector, after excluding interest, was negative at PLN 93.4 billion.

The revenues, according to the ESA2010 methodology, were PLN 706.2 billion and expenditures were PLN 821.4 billion. Taxes amounted to PLN 363.7 billion (a small decrease of 0.2 per cent. year on year) and social contributions were PLN 255.9 billion (a 5.3 per cent. year on year increase). The collection of tax revenues was determined by negative developments related to COVID-19 in the first half of the year (results of the restrictions freezing the economy to counteract the spread of COVID-19 started in mid-March and eased in stages by the middle of June). In the third quarter, following the economic recovery, tax revenues increased by 8.6 per cent.

The sharp increase of the GG spending was due to subsidies generally intended to support the business activity of companies and maintain employment levels, introduced under government programmes to counteract the impact of COVID-19. Most of the transfers were made in the second and third quarter of 2020 (increases of approx. PLN 69.9 billion and 18.6 billion, respectively, when compared to the same period of 2019). An increase of social benefits was caused by the extension of the Family 500+ programme to cover each child starting from the second half of 2019.

Final data relating to the fiscal deficit of the whole general government sector in 2020 will be published by Statistics Poland in April 2021.

GENERAL GOVERNMENT BALANCE

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

	2015	2016	2017	2018	2019
			(as % of GDP)		
General government balance.....	(2.6)	(2.4)	(1.5)	(0.2)	(0.7)
Central government	(2.1)	(2.6)	(3.6)	(0.5)	(1.1)
Local government	(0.1)	0.3	0.1	(0.3)	(0.2)
Social security funds.....	(0.4)	(0.1)	2.1	0.6	0.6

	2015	2016	2017	2018	2019
			(PLN millions)		
General government balance.....	(47,090)	(44,460)	(29,581)	(5,127)	(15,883)
Central government	(38,217)	(47,686)	(72,587)	(11,662)	(24,838)
Local government	(992)	4,995	2,036	(6,718)	(4,739)
Social security funds.....	(7,881)	(1,769)	40,970	13,253	13,694

Source: Statistics Poland

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

	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽²⁾
				(PLN billions, except as otherwise indicated)	
Total revenue	350.4	380.0	400.5	419.8	404.5
Total expenditure	375.8	390.5	414.3	504.9	486.8
Balance	(25.4)	(10.4)	(13.7)	(85.0)	(82.3)

	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽²⁾
			(as a % of GDP)		
Total revenue	17.6	17.9	17.5	18.2	17.2
Total expenditure	18.9	18.4	18.1	21.9	20.7
Balance	(1.3)	(0.5)	(0.6)	(3.7)	(3.5)

⁽¹⁾ preliminary execution of 2020.

⁽²⁾ 2021 Budget Act.

Source: Ministry of Finance, Statistics Poland

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

	2016	2017	2018	2019	I-XII 2020
Total revenue	213,669	229,879	251,846	278,507	304,301
Total expenditure	206,035	230,166	259,386	280,209	298,740
Balance	7,634	-287	-7,540	-1,702	5,561

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 2021 Budget Act

The 2021 Budget Act was signed on 28 January 2021. The 2021 Budget Act envisions the state budget deficit to be PLN 82.3 billion, with state budget revenue estimated to reach PLN 404.5 billion and state budget expenditure PLN 486.8 billion. The budget projects real GDP growth of 4.0 per cent.

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

	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽²⁾
			(PLN millions)		
Nominal Revenues					
Tax Revenue	315,257.4	349,353.8	367,290.7	370,298.3	369,140.0
VAT and other Indirect taxes	226,702.7	248,957.5	255,624.2	258,677.1	254,912.0
Corporate Income Tax	29,758.5	34,640.9	39,984.7	41,329.6	37,100.0
Personal Income Tax	52,668.8	59,558.7	65,444.9	63,797.4	69,300.0
Non-tax Revenue	33,671.7	28,887.9	31,379.0	47,365.7	32,752.9
Dividends	2,427.4	2,792.2	3,510.7	-	386.7
Transfers from the NBP	8,740.9	0.0	0.0	-	1,329.1
Custom Duties	3,555.7	4,034.6	4,409.0	4,557.7	4,428.0
Payments, fees, interest and others	16,825.2	19,801.6	20,861.6	-	23,463.5
Local government payments	2,122.4	2,259.5	2,597.7	-	3,145.5
Revenue from EU and other non-returnable means	1,485.6	1,806.4	1,865.5	2,172.8	2,591.2
Total Revenue	350,414.7	380,048.1	400,535.3	419,836.8	404,484.0
	2017	2018	2019	2020 ⁽¹⁾	2021 ⁽²⁾
			(Revenues as % of GDP)		
Tax Revenue	15.8	16.5	16.1	16.0	15.7
VAT and other Indirect taxes	11.4	11.7	11.2	11.2	10.8
Corporate Income Tax	1.5	1.6	1.7	1.8	1.6
Personal Income Tax	2.6	2.8	2.9	2.8	2.9
Non-tax Revenue	1.7	1.4	1.4	2.1	1.4
Dividends	0.1	0.1	0.2	-	0.0
Transfers from the NBP	0.4	0.0	0.0	-	0.1
Custom Duties	0.2	0.2	0.2	0.2	0.2
Payments, fees, interest and others	0.8	0.9	0.9	-	1.0
Local government payments	0.1	0.1	0.1	-	0.1
Revenue from EU and other non-returnable means	0.1	0.1	0.1	0.1	0.1
Total Revenue	17.6	17.9	17.5	18.2	17.2

⁽¹⁾ Estimated execution.

⁽²⁾ 2021 Budget Act.

Source: Ministry of Finance, Statistics Poland

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

	2016	2017	2018	2019	2020
			(PLN millions)		
Subsidies ⁽¹⁾	6,774	7,374	7,459	6,607	11,401
Social Insurance	84,607	78,337	76,770	88,093	91,923
Current Expenditures of the Budget Sphere	142,622	161,493	168,796	183,716	236,999
Debt Service and Guarantees ⁽²⁾	32,056	29,641	29,486	27,336	29,400
Capital Expenditures	17,701	24,551	26,494	18,610	33,668
Subsidies to Local Authorities	52,739	54,000	56,139	61,477	66,697
EU own resources	19,168	15,742	18,661	21,720	25,992
Co-financing EU projects	5,176	4,630	6,650	6,714	11,939
Total State Budget Expenditures	360,843	375,768	390,454	414,273	508,019
	2016	2017	2018	2019	2020
			(Expenditures as % of GDP)		
Subsidies ⁽¹⁾	0.4	0.4	0.4	0.3	0.5
Social Insurance	4.5	3.9	3.6	3.9	4.1
Current Expenditures of the Budget Sphere	7.7	8.1	8.0	8.0	10.7
Debt Service and Guarantees ⁽²⁾	1.7	1.5	1.4	1.2	1.3
Capital Expenditures	0.9	1.2	1.2	0.8	1.5
Subsidies to Local Authorities	2.8	2.7	2.6	2.7	3.0
EU own resources	1.0	0.8	0.9	0.9	1.2

	2016	2017	2018	2019	2020
	<i>(Expenditures as % of GDP)</i>				
Co-financing EU projects.....	0.3	0.2	0.3	0.3	0.5
Total State Budget Expenditures	19.4	18.9	18.4	18.1	22.8

From 2010, financing from the EU resources budget was excluded from the state budget (without a part concerning technical assistance and national co-financing).

⁽¹⁾ Subsidies to enterprises.

⁽²⁾ Debt Service include Foreign and Domestic Debt

Stabilising Expenditure Rule ("SER")

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 permitted expenditure increases 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 calculation at the allowed level of expenditure, 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, or a pandemic outbreak (since March 2020 – see below).

The level of expenditure resulting from the rule covers the expenditure 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 expenditure excludes budget spending of EU funds and expenditure financed by means of a non-refundable grant from the EU and EFTA countries. Secondly, the costs of those units which do not, by the rule, generate high deficits are also excluded.

As a result, the level of expenditure 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 is comprised of 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 forecast expenditure of the entities listed in group 2 is deducted from the total amount of expenditure.

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

In March 2020, due to COVID-19, an amendment to the stabilising expenditure rule ("SER") was introduced. In line with the European Commission and the Ecofin Council recommendations, a general escape clause to tackle the economic downturn caused by COVID-19 was implemented. The amendment created two main changes. Firstly, an epidemic outbreak was included in the list of cases when escape clauses can be applied. In addition, there needs to be a significant deterioration of the macroeconomic

situation (specifically, the real GDP growth forecast in the budget act needs to be lower than the historical six-year average by at least 2 percentage points). Secondly, a mechanism for an automatic return to the conventional rule was introduced. The return should take place within a timeframe of two to four years. The pace of return depends on the macroeconomic situation and the level of additional expenditures in each year after the escape clause activation depends on the sum of the financial effects of discretionary measures aimed directly against the negative effects of the state of emergency (epidemic in this case). However, according to the macroeconomics forecast in the draft budget act for 2021 the return to the conventional rule should last two years. Additionally, in 2021 the capital expenditures of local government units, the capital expenditures of the budget, and expenditure of funds established, entrusted or transferred to BGK are excluded from the expenditure limit.

Financing the State Budget Deficit

The Amended Budget Act for 2020 had forecast Poland's budget deficit to amount to PLN 109.3 billion, while total net borrowing requirements were expected to amount to PLN 103.3 billion and gross borrowing requirements were projected to amount to PLN 234.7 billion. The actual performance was significantly lower than forecast. Budget deficit amounted to PLN 85.0 billion, while total net borrowing requirements amounted to PLN 50.3 billion and gross borrowing requirements amounted to PLN 182.5 billion. The total value of State Budget revenues obtained from gross sales of Treasury securities (on the domestic and international markets) and from granted international loans in 2020 amounted to PLN 222.9 billion. These revenues were financed mainly by the issuance of Treasury securities in the domestic market (90 per cent.) and Treasury bonds in the international markets (7 per cent.). Additional funding (3 per cent.) was obtained from the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), European Investment Bank, the World Bank and the CEB.

In 2020, financing in the domestic market was mainly obtained through the sale of Treasury bonds in auctions. Among all of the Treasury securities sold, medium-term bonds (five years) amounted to 38 per cent., long-term bonds amounted to 27 per cent., issuances of short-term bonds (up to two years) amounted to 12 per cent. and issuances in T-bills amounted to 9 per cent. Treasury bonds sold through retail channels amounted to 14 per cent. Net financing in the domestic market in 2020 derived from domestic banks and the domestic non-banking sector, while foreign investors decreased their holdings. Financing in the international markets consisted of an issue of Treasury bonds denominated in euro. As at 31 December 2020, debt denominated in EUR, USD, JPY and CHF amounted to 19.6, 3.6, 0.8 and 0.2 per cent., respectively, of total State Treasury debt. As at 31 December 2020, the State Treasury's debt had an average time to maturity of 4.63 years, with the share of foreign currency debt amounting to 24.2 per cent.

In the Budget Act for 2021, deficit is projected to amount to PLN 82.3 billion, while total net and gross borrowing requirements are expected to amount to PLN 113.5 billion and PLN 283.6 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 structure depending on market conditions. As of 15 February 2021, 51 per cent. of gross borrowing requirements for 2021 had already been financed, mainly in 2020 as pre-financing on switch auctions and higher cash position at the end of the year.

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 currently (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, newspapers (excluding local and regional periodicals), e-newspapers, fertilisers, 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, some bread and other bakery products, meat, some fresh fruits and vegetables, dairy products, books, e-books, audiobooks and local and regional periodicals – printed and on other physical means of support); and
 - zero per cent. (basically 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, for example, 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 2019, income gained by non-Polish residents from interest on Polish treasury bonds is tax-exempt under the following conditions:

- the term for repurchasing the bonds is shorter than one year;
- the bonds have to be issued on a regulated market on the territory of Poland or the territory of a country where Poland has signed an agreement on the avoidance of double taxation.

This does not, however, apply to related parties from the perspective of transfer pricing.

Effective from 1 January 2021, a reduced tax rate of 9 per cent. is applicable for income other than from capital gains and refers to taxpayers whose income in a given tax year do not exceed the amount of EUR 2 million if they have small taxpayer status (i.e. taxpayers with sales revenues not exceeding the equivalent of EUR 2 million in the previous tax year). The requirement to have the status of a small taxpayer does not apply to taxpayers just beginning their economic activity (in the tax year of beginning the activity).

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. Taxpayer can also reduce income from the source of revenue by the amount of loss not exceeding PLN 5 million in one of the next five consecutive tax years.

The tax on revenues derived from fixed assets (being buildings situated in the territory of Poland) is 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 sum of revenue equal to the initial value of the fixed assets as at 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

Since 1 October 2019, PIT is levied on personal income at progressive tax rates starting at 17 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, as well as liquid for electric cigarettes and novelty tobacco products.

Taxation on the latter two products has been imposed since 1 February 2018; however, until 30 June 2020 there was no excise tax on liquid for electronic cigarettes and novelty tobacco products. Additionally, a tax waiver was introduced for the period 1 July-30 September 2020 as a result of the COVID-19 situation.

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). Recently, a number of tax incentives targeted at low emission vehicles have been introduced.

Tax on Financial Institutions

Banks, insurance companies, credit unions and non-bank lending companies are subject to a 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 the purposes of this 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 tax does not reduce financial institutions' CIT base. According to the Budget Act for 2020, the Government's goal is to collect up to PLN 4.7 billion from the Tax on Financial Institutions, whereas the budget revenue from this tax in 2019 amounted to PLN 4.7 billion.

Retail Sales Tax

On 6 July 2016, the Polish Parliament adopted the Act on Retail Sales 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 retail sales tax will amount to approximately PLN 1.6 billion annually. However, in a decision given on 19 September 2016, the European Commission, after initiating its preliminary investigation on state aid, 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 favour 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. After in-depth investigation, the Commission made its final decision on 30 June 2017, and concluded that the retail sales tax constitutes state aid.

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 16 May 2019, a judgment of the General Court of the European Union was issued in the joined cases T-836/16 and T-624/17 concerning retail sales tax. The judgment is positive for Poland.

The European Commission, on 24 July 2019, appealed against the judgment (case C-562/19 P).

Following the appeal brought by the European Commission, proceedings are currently pending before the Court of Justice of the European Union (the "CJEU", the court of second instance). In one of them the Advocate General of the CJEU issued an opinion on 15 October 2020, in favour of the Republic of Poland.

Due to an expected positive decision of the CJEU regarding the compliance of the retail sales tax with EU law, no work has been undertaken to extend the suspension of tax collection. Therefore, retail sales tax will be collected starting from 1 January 2021 (for the first settlement period of January 2021, tax will be collected in February 2021).

Exit Tax

From 1 January 2019, the so-called exit tax (tax on unrealised income) was applied to both the PIT and CIT. In principle, exit tax applies in the case of any change in tax residency, or any asset movement, from Poland to another country, **provided that** such actions result in the loss of the Polish right to tax any potential capital gains that would have been realised if the transfer had not taken place.

The exit tax rate amounts to 19 per cent. for both corporate persons and natural persons (in the latter case, if the tax value of an asset is determined). For natural persons, a 3 per cent. rate may be applicable if the tax value of an asset is not determined. In the case of natural persons, exit tax applies to those assets whose value exceeds PLN 4 million.

In some circumstances, a transfer of asset to another country will not be subject to an exit tax if the transfer does not last longer than 12 months.

In the case of natural persons, exit tax generally applies only to the transfer of assets related to their business. In the case of assets of natural persons which are unrelated to business activity, exit tax applies only to shares, stocks and securities as well as all the rights and obligations of partnerships, provided that the individual has been domiciled in Poland for at least five years in total, within the 10 years preceding the day of change of the tax residency status.

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*, gradually 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 Social Insurance Fund and Certain Other Acts, which came into force on 1 October 2017.

Currently, the legislative work on open-ended pension funds ("OFEs") reform is ongoing. The reform is planned for entry into force in 2021 and is one of the pillars of the Strategy for Responsible Development. OFEs are managed by privately held pension fund managers ("PTEs") and receive a part of the pension contribution from the insured persons. The Government believes that the current form of OFEs and the way they operate are not justified, since OFEs ensure neither diversification of risk nor social security of insured persons. Furthermore, the current structure of the OFE sector will lead to permanent net cash outflows and no cash inflows from the accounts at OFEs to the national economy that could be invested. Pension contributions paid by insured persons are 19.52 per cent. Only 2.92 per cent. of the gross salaries are transferred to OFEs and the remaining part of the contribution is paid to the accounts in the Social Security Fund ("FUS"). Additionally, pension contributions are transferred to OFEs only in the case of those insured persons who declared that they wish to have their contributions transferred to OFEs. Due to this fact, the

share of the pensions paid from OFEs in the future in relation to the total amount of pensions paid out will be insignificant.

The main assumptions of the planned reform are:

- PTEs managing OFEs will be transformed into investment fund managers ("TFIs"), while OFEs will become specialised open-ended investment funds ("SFIOs");
- Net assets of OFEs will be transferred to Individual Retirement Accounts ("IKEs") managed by TFI;
- OFE members will be entitled to request that the assets in their OFE member account are transferred to their accounts at FUS and added to the assets already contributed to FUS. No fee will be paid by the insured person for this transfer;
- If the insured person decides to keep their assets in IKEs, a transfer fee amounting to 15 per cent. of net assets transferred from OFEs to IKEs will be charged. This fee will be paid in 2022 in two instalments. The amount of this fee corresponds to the amount of the income tax on pension benefits that would have been paid if the funds from OFEs were transferred to FUS and the insured person received the pension benefits only from FUS. Capital gains from the assets on IKEs are exempt from personal income tax and the capital gains tax; and
- The investment policy of the new SFIOs will be adjusted to the age structure and profile of insured persons and the requirements of the Act on Investment Funds.

The Act on Employee Capital Plans ("PPK") was adopted by the Parliament on 4 October 2018 and entered into force on 1 January 2019.

This act is the consequence of the so-called Capital Accumulation Programme announced in July 2016. The main objective of PPK is to increase private, long-term savings and to enhance the stability of future pensioners through creating voluntary employee capital plans, with contributions paid by the employee and employer, with incentives from the State Treasury to encourage employees to join the system. Higher long-term savings should have a positive impact on investment in the Polish economy through ensuring more domestic capital, especially in a situation of a probable decrease in funds dedicated to Poland in future EU budgets.

Under the new act, the establishment of so-called employee capital plans is planned, based on an automatic enrolment for all employees aged from 18 to 55 whose employee contracts are subject to regular pension contributions. Participation in the new scheme is voluntary because employees have the right to opt out. Employees aged between 55 and 70 may also join the system when an application to join the programme is sent by them to the employer.

The act assumes an obligation for all employers to create the capital plans within a company, managed by entitled financial institutions (investment funds managed by investment fund companies, pension funds managed by general pension societies or labour pension societies, insurance institutions offering insurance with investment-based insurance funds). 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 remuneration, with the possibility of voluntarily increasing this amount by an additional 2.5 per cent., whereas employees will pay 2 per cent. of their remuneration with the possibility of voluntarily increasing this by an additional 2 per cent. (resulting in a minimum contribution amounting to 3.5 per cent. and a maximum contribution amounting to 8 per cent.). To encourage employees to join PPK, incentives paid from the Labour Fund are envisaged: PLN 250 – one-time welcome payment at the start of the programme (after three months of regular delivery of contributions to PPK); and PLN 240 – annual supplemental payment when a certain amount of savings is accumulated over the previous year (equal to six monthly contributions of 2 per cent. paid on minimum remuneration). As an incentive for persons with the lowest monthly income (120 per cent. of the minimum wage or less) to join the scheme, the option to declare payment of lower employee contribution (the minimum rate is 0.5 per cent. of gross remuneration) was adopted. They will not lose the right to receive the annual supplemental payment.

Accumulated savings will be managed by licensed financial institutions and invested in the financial market. When an employee exceeds 60 years of age, 25 per cent. of their savings might be withdrawn as a

one-off transfer, and 75 per cent. might be paid in equal monthly instalments over a minimum period of 10 years. Those payments are not subject to capital gains taxation. The Act on Employee Capital Plans indicates the possibilities of withdrawing funds accumulated in the programme. Withdrawals are conditional on reaching a specified retirement age, disability, or death, or economic penalties apply to withdrawals made before such specified events. In the case of premature withdrawals, income from participation in the PPK is taxed at the ordinary personal income tax rate. In order to increase security of invested funds, a permitted investment policy has been specified. The financial institutions will invest savings in investment funds that differentiate the level of risk according to the age of the participants – these are the so-called defined date funds.

The obligation to establish employee capital plans has gradually covered all companies depending on the number of employees, starting from July 2019 with those companies employing more than 250 persons, and closing in January 2021 with public sector employers and companies hiring fewer than 20 employees.

Expenditures

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 expenditure 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 Fund 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. In 2018, contributions to OFEs in the amount of PLN 3.3 billion were transferred for the last time in their current form. The Budget Act for 2019 envisaged a change of the character of refunds for Social Insurance Fund to compensate for the transfer of contributions to open pension funds. Starting from 2019, refunds are treated as an expenditure of the state budget transferred to Social Insurance Fund in the form of subsidies from the state budget. The above-mentioned change resulted from recommendations made to the Ministry of Finance by the Supreme Audit Office. According to the government project, OFEs are planned to be closed in 2021. The funds will be transferred to private individual retirement accounts (after deduction of 15 per cent. of the transformation fee) with the possibility of inheriting the accumulated funds, or to the account at ZUS (after submitting the declaration) without the possibility of inheritance.

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 at the dates indicated:

	As at 31 December				As at 30 September
	2016	2017	2018	2019	2020
			(PLN millions)		
Public finance debt.....	965,199	961,841	984,313	990,948	1,106,286
Central government debt.....	895,559	892,272	907,316	907,650	1,022,905
of which:					
State Treasury debt.....	893,893	890,687	905,594	905,615	1,020,916
Local government debt.....	69,561	69,504	76,928	83,241	83,315
Social Security debt.....	79	65	69	57	65

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 1,097.5 billion at the end of December 2020.

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

	As at 31 December				
	2016	2017	2018	2019	2020
			(PLN millions except for percentages)		
Domestic State Treasury Debt.....	609,203	644,533	674,422	716,454	831.4
as a percentage of GDP	32.7%	32.4%	31.8%	31.3%	35.9%
International State Treasury Debt.....	319,463	283,940	279,847	256,885	266.0
as a percentage of GDP	17.1%	14.3%	13.2%	11.2%	11.5%
Total State Treasury Debt	928,666	928,473	954,269	973,338	1,097.5
as a percentage of GDP	49.9%	46.7%	45.1%	43.0%	47.4%
GDP	1,863,487	1,989,835	2,121,555	2,287,738	2,317,089

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 breached⁷.

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.

Due to the serious economic slowdown caused by the COVID-19 pandemic throughout the European Union, the European Commission has launched the general escape clause provided for in the Stability and Growth Pact. The clause allows Member States to temporarily depart from the Ecofin Council recommendations on the medium-term budgetary objective. The EU flexible approach does not suspend the EU fiscal rules or exclude the excessive deficit procedure, but is intended to facilitate a coordinated response to the crisis.

The objective of the debt management strategy as stated in the Public Finance Sector Debt Management Strategy in the years 2021-2024 (approved by the Council of Ministers in September 2020) 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 dominant role of medium- and long-term instruments in financing the state budget borrowing requirements in the domestic market has been maintained, subject to market conditions. The debt management strategy aims to maintain the average maturity of the domestic State Treasury debt of around 4.5 years, and that of the total State Treasury debt of around 5 years, subject to possible temporary deviations resulting from market and budgetary conditions related to the effects of the COVID-19 pandemic.

Exchange Rate Risk

In an attempt to manage the exchange rate risk, the debt management strategy has been designed to the share of foreign currency debt in State Treasury debt below 25 per cent., reduce the exchange rate risk measured by the share of foreign currency debt in the State Treasury debt to below 25 per cent., and its further gradual reduction in the timeframe of the strategy and to maintain an effective (after swaps) share of euro of at least 70 per cent. ("**Strategy**"). 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 ATR of domestic debt at 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 maintaining the dominant share of fixed rate instruments in State Treasury debt denominated in foreign currencies.

⁷

Please see: <https://www.gov.pl/web/finance/debt-management-strategies>.

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.

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, including collateral agreements, and allowing for its diversification when concluding transactions involving derivatives, as well as diversification of credit risk generated by uncollateralised transactions.

It is possible to conclude, in the timeframe of the Strategy, further collateral agreements that are in line with the current best practices in the market which enable concluding transactions without bearing credit risk on more favourable terms. The technical infrastructure allowing for running debt management processes from outside of the Ministry of Finance's building, if needed, is assured.

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 1,097.5 billion at the end of December 2020.

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 12 years; and
- other debt (mainly deposits of public finance sector entities, court deposits and debt of earmarked funds).

At the end of December 2020, marketable Treasury securities constituted approximately 90 per cent. of domestic State Treasury debt.

External State Treasury Debt

As at 31 December 2020, Poland's outstanding external State Treasury debt amounted to PLN 266.0 billion (EUR 57.6 billion). Approximately 75 per cent. of this debt was 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 at the dates indicated:

	As at 31 December				
	2016	2017	2018	2019	2020
	<i>(EUR millions)</i>				
<i>Medium- and Long-Term Loans</i>					
EIB	10,244	9,754	9,006	8,108	7,191
The World Bank	7,171	7,016	6,754	6,512	6,261
CEB	206	211	221	212	227
EU	0	0	0	0	1,000
Total Loans	17,622	16,980	15,981	14,832	14,679
<i>Bonds</i>					
Bonds	54,586	51,093	49,100	45,491	42,968
<i>Short-Term Debt</i>	4	4	0	0	0
Total State Treasury External Debt	72,211	68,076	65,081	60,323	57,647

Source: Ministry of Finance

The following table presents the currency composition of the State Treasury's external debt as at 31 December 2020:

	In millions of original currency	Equivalent in EUR millions	%
EUR	46,626	46,626	80.9
U.S.\$	10,571	8,609	14.9
Japanese yen	246,600	1,950	3.4
Swiss francs	500	462	0.8
Total	-	57,647	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 at 28 February 2020. The data contained in the table does not assume any refinancing of existing debt:

	2021	2022	2023	2024	2025	2026 and beyond
	(EUR millions)					
Principal payments	7,629	5,699	6,089	7,515	6,808	26,408
Loans	1,248	1,199	940	956	1,308	13,246
Multilateral	1,248	1,199	940	956	1,308	13,246
Other	0	0	0	0	0	0
Bonds	6,381	4,500	5,149	6,559	5,500	13,162
Interest payments	1,360	1,086	901	778	588	3,122
Loans	79	72	65	57	49	492
Multilateral	75	64	54	46	38	208
Other	5	8	11	11	11	284
Bonds	1,281	1,014	835	721	539	2,630
Total debt service	8,989	6,785	6,990	8,293	7,396	29,530
Loans	1,327	1,271	1,005	1,013	1,357	13,738
Multilateral	1,323	1,263	994	1,002	1,346	13,454
Other	5	8	11	11	11	284
Bonds	7,662	5,514	5,984	7,280	6,039	15,792

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:

	2017	2018	2019	2020
	(PLN thousands)			
Domestic sureties and guarantees	26,301,187.4	11,692,416.7	11,355,697.5	198,278,816.4
Foreign guarantees	90,577,360.3	97,106,247.8	100,015,623.0	104,596,240.4
Total State Treasury's contingent liabilities	116,878,547.7	108,798,664.5	111,371,320.5	302,875,056.8

Source: Ministry of Finance

As of the end of 2020, contingent liabilities from state guarantees amounted to PLN 302,875 million. Of that amount, guarantees issued in 2020 in relation to COVID-19 countermeasures amounted to PLN 188,105 million, while guarantees of non-COVID-19 origin added up to PLN 114,770 million.

COVID-19 related guarantees include guarantees covering the repayment of: bonds issued by BGK on behalf of the COVID-19 Response Fund – PLN 116,934 million, and bonds issued by the Polish Development Fund to finance the government financial shield support programme for entrepreneurs – PLN 71,171 million of contingent liabilities.

Of non-COVID-19 related guarantees, 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 84,595 million. The second biggest exposure was related to guarantees covering the debt of PKP Polskie Linie Kolejowe S.A. (the national railway infrastructure manager) – PLN 14,682 million. The third largest amount of contingent liabilities was connected with guarantees issued with respect to payments from the NRF and financing the liabilities of concessionaires incurred for motorways projects – PLN 13,130 million.

The amount of contingent liabilities from guarantees remained at similar level in the period between 2017 and 2019. There was a surge of about 170 per cent. in the value of contingent liabilities as of the end of 2020, mainly due to the issuance of the above mentioned COVID-19 related guarantees. Contingent liabilities connected to non-COVID-19 related guarantees remained at a similar level.

The amount of state guarantees is expected to increase further in 2021 as more COVID-19 related guarantees will be issued. BGK may also refinance existing NRF-related debt in the future and the

infrastructure sector is expected to develop new projects partly funded by EU funds with the support of state guarantees.

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 Simplified 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 PIT Act, natural persons who do not reside in Poland are subject to tax only on income (revenue) earned in Poland (limited tax obligation).

Pursuant to Article 3.2b of the PIT Act, income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from:

- (i) work performed in the Republic of Poland based on a service relationship, employment relationship, outwork system and co-operative employment relationship, irrespective of the place where remuneration is paid;
- (ii) personal activity performed in person in the Republic of Poland, irrespective of the place where remuneration is paid;
- (iii) business activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland;
- (iv) 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;
- (v) 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;
- (vi) the transfer of the ownership of shares in a company, all of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity and rights of similar character, or receivables being the result of holding such shares, all of the rights and obligations, participation titles or rights, if at least 50 per cent. of the assets of such company, company that is not a legal entity, such investment fund, such mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property;
- (vii) the transfer of the ownership of shares, all of the rights and obligations, shares in investment fund or rights of similar character in real estate company (in the meaning of the Polish tax regulations);

- (viii) 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; and
- (ix) unrealised gains as referred to in the exit tax regulations.

Since the issuer is a Polish entity, income from the Notes should be considered as earned in Poland. However, 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.

Although no Polish withholding tax should apply to interest payable on the Notes to non-Polish tax residents and, in principle, Polish tax provisions do not specifically require any documentation to confirm the right of a non-resident taxpayer to apply the exemption referred to Article 21(1)(130) of the PIT Act which would allow the tax remitter not to collect Polish withholding tax, it cannot be excluded that in practice some documentation may be requested or required to identify that taxpayer as a non-resident taxpayer which is a tax beneficiary of the payment as defined by the Polish tax regulations and to apply a tax exemption, e.g. a certificate of tax residency from the non-resident taxpayer. A certificate of tax residency means a certificate of the place of the taxpayer's registered office (domicile) for tax purposes issued by a competent tax administration authority in the state where the taxpayer's registered office (domicile) is located (Article 5a (21) of the PIT Act). Lack of documentation might result in the withholding tax having to be collected by the entity obliged to remit the tax.

However, if a non-Polish tax resident performs any business activities in Poland and the Notes and any income from such Notes are related to that Polish activity, the non-Polish tax resident could be required to report its income from the Notes in Poland. In addition, although the above exemptions would generally still apply, it cannot be excluded that any income due to foreign exchange differences might be subject to Polish taxation. You should consult your tax advisor about your particular situation.

According to Article 41(4aa) of the PIT Act, when verifying the conditions for the application of a lower withholding tax rate or for an exemption, or conditions for the non-collection of a withholding tax, arising from the provisions of tax law, a tax remitter shall be obliged to exercise due diligence. When assessing whether due diligence has been exercised, the nature and the scale of the tax remitter's activity shall be taken into account. Please see also the section "*Special provisions on withholding tax on large payments*" below. Prospective investors in the Notes are advised to seek their own professional advice in relation to the withholding tax in such case.

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. These rules should also apply to the entities indicated in Article 3(2) of the CIT Act to the extent that they conduct business activity through a foreign establishment located within the territory of the Republic of Poland, if the account on which given securities are recorded is connected with the activity of that establishment. Consequently, foreign entities that do not operate through a Polish permanent establishment, e.g. foreign investment firms, should not be obliged to withhold the tax.

If withholding tax is required by law, the Republic of Poland, acting as the issuer, 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, 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.

Under Article 3.3 of the CIT Act, 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 of the rights and obligations in a company that is not a legal entity or shares in an investment fund, mutual fund institution or other legal entity and rights of similar character, or receivables being the result of holding such shares, all of the rights and obligations, participation titles or rights, if at least 50 per cent. of the assets of such company, company that is not a legal entity, such investment fund, such mutual fund institution or other legal entity, directly or indirectly, constitutes real estate located in the territory of the Republic of Poland or rights to such property;
- (v) the transfer of the ownership of shares, all of the rights and obligations, shares in investment fund or rights of similar character in real estate company (in the meaning of the Polish tax regulations);
- (vi) 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; and
- (vii) unrealised gains.

Since the issuer is a Polish entity, income from the Notes should be considered as earned in Poland. However, 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.

Although no Polish withholding tax should apply to interest payable on the Notes to non-Polish tax residents and, in principle, Polish tax provisions do not specifically require any documentation to confirm the right of a non-resident taxpayer to apply the exemption referred to in Article 17(1)(50) of the CIT Act which would allow the tax remitter not to collect Polish withholding tax, it cannot be excluded that in practice some documentation may be requested or required to identify that taxpayer as a non-resident taxpayer which is a tax beneficiary of the payment as defined by the Polish tax regulations and to apply a tax exemption, e.g. a certificate of tax residency from the non-resident taxpayer. A certificate of tax residency means a certificate of the place of the taxpayer's registered office (domicile) for tax purposes issued by a competent tax administration authority in the state where the taxpayer's registered office (domicile) is located (Article 4a (12) of the CIT Act). Lack of documentation might result in the withholding tax having to be collected by the entity obliged to remit the tax.

According to Article 26(1) of the CIT Act, when verifying the conditions for the application of a reduced withholding tax rate or for an exemption, or conditions for the non-collection of a withholding tax, arising from special provisions or double taxation conventions, a tax remitter shall be obliged to exercise due diligence. In the assessment whether due diligence has been exercised, the character and the scale of the tax remitter's activity shall be taken into account. Please see also the section "*Special provisions on withholding tax on large payments*" below. Prospective investors in the Notes are advised to seek their own professional advice in relation to the withholding tax in such case.

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. This rule should also apply to the entities indicated in Art. 3.2 of the CIT Act (i.e. non-residents) to the extent that they conduct economic activity through a foreign establishment located within the territory of the Republic of Poland if the account on which given securities are recorded is connected with the activity of that establishment. Consequently, foreign entities that do not operate through a Polish permanent establishment, e.g. foreign investment firms, should not be obliged to withhold the tax.

If withholding tax is required by law, the Republic of Poland, acting as the issuer, 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(1)(2) of the PIT Act interest income 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 30a(7) of the PIT Act, interest income (discount) from securities 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 tax at a flat rate of 19 per cent.

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, is obliged to collect flat-rate income tax on payments made (benefits) or on the money or money equivalents made available to the taxpayer. However, 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. These rules should also apply to the entities indicated in Article 3(2) of the CIT Act to the extent that they conduct business activity through a foreign establishment located within the territory of the Republic of Poland, if the account on which given securities are recorded is connected with the activity of that establishment. Consequently, a foreign entity that does not operate through a permanent establishment in Poland, e.g. a foreign investment firm not acting through a Polish permanent establishment, should not be obliged to 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. These rules should also apply to the entities indicated in Article 3(2) of the CIT Act to the extent that they conduct business activity through a foreign establishment located within the territory of the Republic of Poland, if the account on which given securities are recorded is connected with the activity of that establishment. Consequently, foreign entities that do not operate through a permanent establishment in Poland, e.g. foreign investment firms not acting through a Polish permanent establishment, should not be obliged to withhold the tax.

Under Article 45(3c) of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities (including the Notes) in the annual tax return if the Notes were registered in an Omnibus Account and the taxpayer's identity was not revealed to the tax remitter.

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 income is calculated as the difference between the sum of revenues from a transfer of securities against a consideration and tax deductible costs, calculated on the basis of the relevant provisions of the PIT Act (Article 30b(2) of the PIT Act). Based on Article 17(2) and Article 19(1) of the PIT Act, if the price expressed in the contract without a valid reason significantly deviates from the market value, the amount of income is determined by the tax authority or fiscal control authority in the amount of the market value. The amount of tax payable 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.

The taxpayer itself is obliged to settle the tax on the transfer of securities (including Notes) against a consideration. Taxpayers should prepare their annual tax return by the end of April of the year following the tax year in which the income was earned.

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 17 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.

Income (revenue) from the Notes, both on account of interest/discount and other income, including transfer of securities against a consideration, earned by a Polish tax resident corporate income taxpayer, is subject to income tax following the same general principles as those which apply to any other income received from business activity within the same source of revenue. 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. Income from a transfer of securities against a consideration is in principle their value expressed in the price specified in the contract. If the price expressed in the contract, without a valid reason, significantly deviates from the market value, the revenue amount is determined by the tax authority in the amount of the market value (Article 14 of the CIT Act). 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.

Regarding the proper source of revenue, in principle, the income (revenue) from the Notes, including their transfer against a consideration, is combined with revenues from capital gains (Article 7b(1) of the CIT Act). In the case of insurers, banks and some other entities (financial institutions), this revenue is included in revenues other than revenues from capital gains (Article 7b(2) of the CIT Act).

The appropriate tax rate is the same as the tax rate applicable to business activity, i.e. 19 per cent. or 9 per cent. for small 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. This rule should also apply to the entities indicated in Art. 3.2 of the CIT Act (i.e. non-residents) to the extent that they conduct economic activity through a foreign establishment located within the territory of the Republic of Poland if the account on which given securities are recorded is connected with the activity of that establishment. Consequently, foreign entities that do not operate through their permanent establishments in Poland, e.g. foreign investment firms, should not be obliged to withhold the tax.

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

Special exemption for notes meeting special conditions

Under Article 17(1)(50c) of the CIT Act, tax-free income is income earned by a CIT taxpayer subject to limited tax liability in Poland in respect of interest or a discount on notes:

- (a) having a maturity of at least one year;
- (b) admitted to trading on a regulated market or introduced into an alternative trading system within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments, in the territory of Poland or in the territory of a state that is a party to a double tax convention concluded with Poland which regulates the taxation of income from dividends, interest and royalties;

unless the taxpayer is an affiliate, within the meaning of the transfer pricing law, of the issuer of such notes, and holds, directly or indirectly, together with other affiliates within the meaning of those regulations, more than 10 per cent. of the nominal value of those notes.

Under Article 26(1aa)-(1ac) of the CIT Act, remitters are not obliged to withhold tax on interest or discount in respect of the notes meeting the above requirements, **provided that** the issuer submits to the tax authority a declaration that it has acted with due diligence in informing affiliates, within the meaning of the transfer pricing provisions, about the exemption conditions applying to those affiliates. The declaration is made once in relation to a given issue of notes, not later than the date of the payment of interest or discount on the notes.

Analogous provisions apply to personal income tax (Article 21(1)(130c) and Article 41(24)-(26) of the PIT Act).

Special provisions on withholding tax on large payments

Corporate income tax

Under Article 26(2e) of the CIT Act, if the total amount paid out on account of the items listed in Article 21(1) of the CIT Act (including interest / discount on notes) and Article 22(1) of the CIT Act to the same taxpayer exceeds PLN 2,000,000 in the tax year of the payer, payers are, as a general rule, required to withhold, on the day of payment, a flat-rate income tax at the basic rate (20 per cent. in the case of interest/discount on notes) from the excess over that amount, without being able not to withhold that tax on the basis of an appropriate double tax treaty, and also without taking into account exemptions or rates resulting from special regulations or double tax treaties (hereinafter the "**Obligation to Withhold Tax**").

Under Article 26(2i) and 26(2j) of the CIT Act, if the payer's tax year is longer or shorter than 12 months, the amount to which the Obligation to Withhold Tax applies is calculated by multiplying 1/12 of PLN 2,000,000 and the number of months that have begun in the tax year in which the payment was made; if the calculation of that amount is not possible by reference to the payer's tax year, the Obligation to Withhold

Tax shall apply accordingly to the payer's current financial year and, in its absence, with respect to the payer's other period with features specific to the financial year, no longer however than 23 consecutive months.

Under Article 26(2k) of the CIT Act, if the payment was made in a foreign currency, to determine whether the amount to which the Obligation to Withhold Tax applies was exceeded, the amounts paid are converted into PLN at the average exchange rate published by the National Bank of Poland on the last business day preceding the payment day.

Under Article 26(2l) of the CIT Act, if it is not possible to determine the amount paid to the same taxpayer, it is presumed that it exceeded the amount from which the Obligation to Withhold Tax applies.

Under Article 26(7a) of the CIT Act, the Obligation to Withhold Tax does not apply if the payer has declared that:

- (a) it holds the documents required by the tax law for the application of the tax rate or tax exemption or non-taxation under special regulations or double tax treaties;
- (b) after the verification of the conditions to apply an exemption or reduced withholding tax rate resulting from special regulations or double tax treaties, it is not aware of any grounds for the assumption that there are circumstances that exclude the possibility of applying the tax rate or tax exemption or non-taxation under special regulations or double tax treaties, in particular it is not aware of the existence of circumstances preventing the fulfilment of certain conditions referred to in other regulations, including the fact that the interest/discount recipient is their beneficial owner and, if the interest/discount is obtained in connection with the business activity conducted by the taxpayer, that in the country of tax residence the taxpayer carries on the actual business activity.

The above is to be declared by the head of the unit within the meaning of the Accounting Act (e.g. the Issuer's management board), specifying his/her position. The declaration cannot be made by proxy. The declaration is to be made by in electronic form not later than the payment day (Article 26(7b) and 26(7c) of the CIT Act).

In the case of withholding tax as a result of the Obligation to Withhold Tax, if double tax treaties or special regulations provide for a tax exemption or reduced tax rate, the taxpayer or tax remitter (if the taxpayer has paid tax with its own funds and has borne the economic burden of such tax, e.g. as a result of a gross-up clause) may apply for a refund of that tax by submitting the relevant documents and declarations. When recognising that the refund is justified, the tax authorities shall carry it out within six months.

Pursuant to the Regulation of the Minister of Finance dated 31 December 2018 regarding the exclusion or limited application of Article 26(2e) of the CIT Act (the "**Regulation**"), the Obligation to Withhold Tax, does not apply to interest and discount earned by foreign tax residents from Notes issued by the State Treasury.

Moreover, pursuant to the Regulation, the application of the Obligation to Withhold Tax is excluded *inter alia* in relation to the following interest/discount payments:

- (a) to central banks not having their registered office or management in the territory of the Republic of Poland, obtained from interest or discount on treasury bonds issued by the State Treasury on the domestic market and acquired from 7 November 2015;
- (b) to economic units established by a state administration body jointly with other States under an agreement or contract, unless those agreements or contracts provide otherwise;
- (c) to international organisations of which the Republic of Poland is a member;
- (d) to entities with which the Republic of Poland has concluded cooperation agreements, if they have been exempted from corporate income tax on the receivables in question; and
- (e) to entities exempt from corporate income tax, **provided that** their name is indicated in double tax treaties to which the Republic of Poland is a party.

In addition, until 30 June 2020, the Obligation to Withhold Tax is excluded in respect of interest/discount on notes for taxpayers having their registered office or management in the territory of a state being a party to a double tax treaty with the Republic of Poland which regulates the taxation of income from dividends, interest and royalties, if there is a legal basis for exchanging tax information with the state of the taxpayer's registered office or management.

The Obligation to Withhold Tax does not apply in the case of the special exemption applicable to Notes meeting certain conditions referred to in the section Special exemption for Notes meeting special conditions above, **provided that** the Issuer submits to the tax authority a declaration that the Issuer has observed due diligence in informing its affiliates, within the meaning of the provisions on transfer pricing, about the terms of that exemption in relation to those affiliates. The declaration is made once in relation to a given issue of Notes, by no later than the date of the payment of interest or discount on the Notes.

Personal income tax

Analogous provisions apply to personal income tax, including Article 41(12) of the PIT Act which provides for an analogous tax withholding obligation, while the Regulation of the Minister of Finance of 31 December 2018 regarding the exclusion or limited application of Article 41.12 of the PIT Act is in principle the equivalent of the Regulation.

Solidarity levy on income from disposal of notes for consideration generated by natural persons subject to either unlimited or limited tax liability in Poland (i.e. notwithstanding their tax residence)

According to Art. 30h of the PIT Act, natural persons are required to pay a solidarity levy at the rate of 4 per cent. of the base amount for its calculation. The base amount for calculation of the solidarity levy is the amount in excess of PLN 1,000,000 of the sum of incomes subject to taxation pursuant to Art. 27 Section 1, 9 and 9a, Art. 30b (i.e. in particular the income from disposal of notes for a consideration), Art. 30c and Art. 30f of the PIT Act, decreased by the premiums referred to in Art. 26 Section 1 item 2 and 2a of the PIT Act and the amounts referred to in Art. 30f Section 5 of the PIT Act, deducted from such incomes.

In calculating the base amount of the solidarity levy for a given calendar year, one should include the incomes and the incomes deductions as described above, as reported in:

- the annual tax calculation referred to in Art. 34 Section 7 of the PIT Act (the annual tax calculation prepared and sent by social allowance authorities to the taxpayers receiving income, in particular, from age and disability allowance) if such a reconciliation shows a payable tax; and
- the tax returns referred to in Art. 45 Section 1, Section 1a item 1 and 2 and Section 1aa of the PIT Act for which the filing deadline falls within the period starting on the day following the lapse of the time period for filing of the solidarity levy amount statement in the year preceding that calendar year, to the last day for submission of the solidarity levy amount statement.

Natural persons are required to file the solidarity levy amount statements on the official forms provided by 30 April of the calendar year and pay the levy by the same day.

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.

General Anti Abuse Regulations

On 15 July 2016, General Anti Abuse Regulations were introduced into the Polish legal system. In accordance with Article 119a § 1 of the Tax Ordinance dated 29 August 1997 (the "**Tax Ordinance**"), amended as at 1 January 2019, an act shall not result in deriving a tax benefit if deriving the tax benefit being at variance, in given circumstances, with the object of goal of a tax Act or provision thereof, was the main or one of the main objectives of performing it, and the mode of action was artificial (taxation

avoidance). 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 or tax provision and the manner of acting would not be artificial. Proper action could be also failure to act (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.

According to new tax regulations which came into force on 1 January 2019, the exemplary list of considerations used for determination, whether an arrangement is artificial has been extended. The following considerations should be taken into account:

- (a) an unjustified division of operations;
- (b) the use of intermediaries despite a lack of economic or commercial grounds for their presence;
- (c) the state of affairs following the arrangements is identical or similar to the state existing before the activity was undertaken;
- (d) the state of affairs cancel out or compensate each other;
- (e) commercial risk exceeding expected other than tax benefits to such extent that a reasonable party would not choose acting in such manner;
- (f) obtained tax benefit is not reflected in commercial risk or cash flows incurred by a party;
- (g) profit before taxation, which is slight in comparison to a tax benefit, which does not result directly from actually borne economic loss; and
- (h) arrangement of an entity, which does not conduct actual business activity or does not have material economic function, or has its seat or residency in harmful tax competition states.

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 2014/107/EU), equivalent measures continue to apply in Poland pursuant to the Act of 9 March 2017 on the exchange of tax information with other countries.

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, 10 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 Ireland PLC, BNP Paribas, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, Erste Group Bank AG, Goldman Sachs Bank Europe SE, HSBC Bank plc, ING Bank N.V., J.P. Morgan AG, Société Générale, UBS Europe SE 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 15 March 2021 (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 UK.

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 organisational units 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 it has only offered or sold and will only offer or sell, directly or indirectly, Notes in France to qualified investors (*investisseurs qualifiés*) as defined in Article L.411-2 1° of the French *Code monétaire et financier* and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France to such qualified investors this Simplified Base Prospectus, the Final Terms or any other offering material relating to the Notes.

Republic of Italy

This Simplified Base Prospectus has not been submitted to the *Commissione Nazionale per le Società e la Borsa*, the Italian Securities Exchange Commission ("**CONSOB**"), for clearance and will not be subject to formal review or clearance by CONSOB. 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 *soggetti abilitati* (including investment firms, banks or financial intermediaries, as defined by Article 1, first paragraph, letter r), of the Legislative Decree of 24 February 1998. No. 58, as amended (the "**Consolidated Financial Act**"), to the extent duly authorised to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the Consolidated Financial Act, the CONSOB Regulation No. 20307 of 15 February 2018, as amended, Legislative Decree No. 385 of 1 September 1993, as amended, and any other applicable laws and regulations; and
- (ii) in compliance with any other applicable requirements or limitations which may be imposed by CONSOB, the Bank of Italy or any other Italian regulatory 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 or 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 of 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, regulations and ministerial guidelines of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Dealer has acknowledged that this Simplified Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Simplified Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA, as modified or amended from time to time) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivative contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investment) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Switzerland

This Simplified Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Simplified Base Prospectus nor any other offering or marketing material relating to the Instruments constitutes a prospectus pursuant to the FinSA, and neither this Simplified Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Simplified Base Prospectus (including any supplement thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.4 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the Dealers are not required to comply with the disclosure requirements of (NI 33-105) regarding underwriter conflicts of interest in connection with this offering.

General

Each Dealer has agreed 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 above paragraph.

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 have made or hold, or may make or hold, a broad array of investments, 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, and perform services and engage in investment banking and/or commercial banking transactions. Such investments and securities activities, transactions and services may involve securities and/or instruments of the Republic. Certain of the Dealers or their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Republic and investor clients in order to hedge their credit exposure to the Republic, general market risk or other trading activities consistent with their customary risk management policies. Typically, but not exclusively, 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 official list Luxembourg Stock Exchange and admitted to trading on its regulated market. 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 2021; 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), 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

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 2020, 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, 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 any Paying Agents:

- (a) this Simplified Base Prospectus (and any supplements hereto); and
- (b) 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) of the Republic is 259400R9L8QEP0TPXS31.

THE REPUBLIC

The Republic of Poland

Ministry of Finance
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00-916 Warsaw
Poland

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Germany

DEALERS

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Ciudad Grupo Santander
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Spain

Barclays Bank Ireland PLC

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Dublin 2
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Ireland

BNP Paribas

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Citigroup Global Markets Europe AG

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Germany

Commerzbank Aktiengesellschaft

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Federal Republic of Germany

Deutsche Bank Aktiengesellschaft

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Erste Group Bank AG

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1100 Vienna
Austria

Goldman Sachs Bank Europe SE

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HSBC Bank plc

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United Kingdom

ING Bank N.V.

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J.P. Morgan AG

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