

**LETTER OF ISSUE No. 1/2014
of Bank Gospodarstwa Krajowego
of 20 May 2014 regarding the issue of bonds of
Bank Gospodarstwa Krajowego on behalf of the National Road Fund
with maturity date of 25 October 2024
secured with a State Treasury guarantee**

Pursuant to Article 39d(1) and Article 39q(1) of the Act of 27 October 1994 on Toll Motorways and the National Road Fund (Journal of Laws of 2012, item 931, as amended) and in connection with Resolution of the Council of Ministers No. 80/2014 of 20 May 2014 on granting a performance guarantee for the performance of obligations arising from the issuance by Bank Gospodarstwa Krajowego of bonds intended for financing of the National Road Fund,

Bank Gospodarstwa Krajowego (Issuer)

issues bonds on behalf of the National Road Fund (NRF) under the abbreviated name of IDS1024, maturing on 25 October 2024, hereinafter referred to as the "Bonds".

1. The Bonds are bearer securities which are not in the form of a document and which are registered in the securities deposit kept by Krajowy Depozyt Papierów Wartościowych S.A. [National Depository for Securities] (National Depository).
2. The Bonds are secured by a guarantee of the State Treasury.
 - 2.1. A declaration on granting a guarantee by the State Treasury of the Republic of Poland, represented by the Minister of Finance, (Declaration) is issued for the issued Bonds no later than on the date preceding the Bond payment date in the amount equal to the sum of the face value of Bonds sold and interest due, and it is published on the Issuer's website (www.bgk.com.pl).
 - 2.2. A specimen Declaration on granting a guarantee by the State Treasury of the Republic of Poland constitutes Appendix No. 3 to the Letter of Issue.
 - 2.3. The guarantee covers Issuer's cash benefits consisting in Bonds redemption and payment of interest due.
 - 2.4. If the Declaration is not issued by the date referred to in clause 2.1, the issuance of Bonds shall not come into effect, the Agreement referred to in clause 7.9 shall be terminated and the auction participants shall not be obligated to pay for the Bonds.
 - 2.5. The information on the current value of the guarantee is available on the Issuer's website (www.bgk.com.pl).
- 3.1. The Issuer has the right to conduct the following auctions:
 - 1) sales auctions
 - 2) supplementary auctions,
 - 3) switch auctions,
 - 4) buy-back auctions,which can be participated only by banks, credit institutions or financial institutions within the meaning of the Act of 29 August 1997 – the Banking Law (Journal of Laws of 2012, item 1376, as amended) as well as their branches with which the minister competent for the budget concluded an agreement granting them the right to submit bids in the Treasury Bonds auctions (auction participants).
- 3.2. The auctions referred to in clause 3.1 shall be organised by the National Bank of Poland (Issue Agent).
4. The face value of a single Bond is PLN 1,000 (in words: PLN one thousand).
5. Issue size - PLN 5,000,000,000 (in words: PLN five billion), save that the total face value of bonds issued from 1 January 2014 until 31 December 2014 on the basis of all letters of issue issued by Bank Gospodarstwa Krajowego shall not exceed the amount of PLN 8,000,000,000 (in words: PLN eight billion).

6. Interest rate or the manner of interest rate determination – Bond interest rate shall be fixed and shall amount to 4.00% per annum.
7. Dates, manners and terms of sale.
 - 7.1. The Bonds shall be offered for sale in a sale auction on 22 May 2014.
 - 7.2. Payment for Bonds purchased in the auction shall be due on 26 May 2014.
 - 7.3. Auction participants shall purchase Bonds in their own name and for their own account. The purchase price shall be paid by the auction participant.
 - 7.4. The Issuer has the right to sell Bonds in subsequent sale auctions. Dates of subsequent sale auctions and dates of payment for Bonds shall be disclosed to the public in announcements published on the Issuer's website (www.bgk.com.pl) or in other nationwide mass media.
 - 7.5. The Issuer may cancel or invalidate the auction prior to acceptance of any bids without giving any reasons.
 - 7.6. Auction participants shall submit bids in an electronic form via the electronic auction system. In the event of a failure of the electronic auction system, auction participants shall submit bids by telephone or fax to the address specified by the Issue Agent.
 - 7.7. Auction participants shall submit bids by the deadline determined in the announcement.
 - 7.8. An auction participant may cancel the submitted bid prior to the deadline referred to in item 7.7.
 - 7.9. A Bond Sales Agreement shall be concluded on the auction date upon the Issuer's acceptance of the bid submitted by the auction participant.
 - 7.10. Auction participants shall receive from the Issue Agent, no later than on the second business day following the auction date, an information confirming the acceptance or rejection of the bid by the Issuer.
 - 7.11. Bond fractions shall not be allocated.
 - 7.12. The face value of bids presented by an auction participant cannot be lower than the one specified in the announcement. Bids to purchase Bonds which are not submitted in accordance with the condition stipulated in the previous sentence or which are incorrect from the accounting point of view, as well as those submitted after the deadline specified in the announcement, shall be rejected.
 - 7.13. Rules of Bond auction execution are determined in Appendix No. 2 to the Letter of Issue.
8. Bonds shall be issued on the settlement date of bonds offered for purchase (Bond Issue Date) and in the amount equal to the face value of the bonds sold.
9. Bond issue price.
 - 9.1. The issue price of the Bonds shall be equal to the purchase price of the Bonds. The manner of calculating the purchase price of the Bonds purchased in the sale auction is determined in Appendix No. 2 to the Letter of Issue.
 - 9.2. After the deadline for submitting bids, the Issuer shall specify the minimum selling price, constituting the lowest accepted clean price of the Bonds, for a given sales auction. The clean price shall be understood as the face value of one Bond expressed to two decimal places.
 - 9.3. All bids to purchase Bonds with the price higher than the minimum selling price shall be accepted in full. Bids with the price equal to the lowest selling price may be accepted in whole or in part using the reduction of bids. In the case of reduction of bids, the Issuer shall determine the face value of the Bonds sold and specify the bid reduction rate in percentage to an accuracy of two decimal places.
 - 9.4. The issue price may be equal to, higher or lower than the Bonds' face value.
10. Description of the manner and dates of the principal payment (redemption) and interest payment.
 - 10.1. Bonds shall be redeemed at the face value on the maturity date.
 - 10.2. Bond redemption and the payment of interest due shall be performed through the National Depository using current banks accounts maintained by the National Bank of Poland.
 - 10.3. Interest on Bonds shall be charged on the Bond face value in annual interest periods starting on 25 October 2013.
 - 10.4. Interest shall be paid on 25 October in the period between 2014 and 2024.
 - 10.5. Benefits from the Bonds shall be provided in accordance with the Bond holding as of the record date. The list of interest periods, record dates and maturity dates is set out in Appendix No. 1 to the Letter of Issue.

- 10.6. The accrued value of interest shall be specified to an accuracy of two decimal places and the manner of calculating the accrued interest value of one Bond is determined in Appendix No. 2 to the Letter of Issue.
11. The Issuer has the right to buy back Bonds in an auction (buy-back auction) in accordance with the principles set out in Appendix No. 2 to the Letter of Issue. Bonds repurchased by the Issuer shall be redeemed upon the settlement.
12. The Issuer may offer Bonds in auctions through a sale in exchange for redeemable bonds repurchased from holders by recognising debt claims of these Bonds' holders from redemption against the price of Bonds purchased by them (switch auction), in a manner set out in Appendix No. 2 to the Letter of Issue.
13. If the day on which the obligation to execute the action falls on a public holiday or on a Saturday, the deadline for executing this action shall expire on the first business day after this day.
14. Bonds may be traded by the Issuer on a selected regulated market or an alternative trading system. The introduction of Bonds for trading on the selected regulated market or an alternative trading system shall be preceded by the Issuer's announcement.
15. The Issuer may apply to the National Depository for classifying different bond issues under a common code (assimilation).
16. If the law on the liquidation of the Issuer enters into force, the Bonds shall become immediately due and payable (early maturity date) and shall be subject to redemption in the amount equal to the face value including interest accrued until the early maturity date.
17. Issue conditions presented in this Letter of Issue were approved by the Minister of Finance, save that the lowest auction price shall be accepted after the expiry of the deadline for submitting bids in the auction.

Please note that this document is a translation of the Polish binding version. The English version is for information only. In case of any doubts the Polish version shall prevail.

**Appendix No. 1 to the Letter of Issue
No. 1/2014 of Bank Gospodarstwa Krajowego**

List of interest periods, record dates and maturity dates

Interest period number	First day of interest period	Last day of interest period	Record date	Maturity date	Interest accrued on one Bond
1.	25.10.2013	25.10.2014	17.10.2014	27.10.2014	PLN 40.00
2.	25.10.2014	25.10.2015	16.10.2015	26.10.2015	PLN 40.00
3.	25.10.2015	25.10.2016	17.10.2016	25.10.2016	PLN 40.00
4.	25.10.2016	25.10.2017	17.10.2017	25.10.2017	PLN 40.00
5.	25.10.2017	25.10.2018	17.10.2018	25.10.2018	PLN 40.00
6.	25.10.2018	25.10.2019	17.10.2019	25.10.2019	PLN 40.00
7.	25.10.2019	25.10.2020	16.10.2020	26.10.2020	PLN 40.00
8.	25.10.2020	25.10.2021	15.10.2021	25.10.2021	PLN 40.00
9.	25.10.2021	25.10.2022	17.10.2022	25.10.2022	PLN 40.00
10.	25.10.2022	25.10.2023	17.10.2023	25.10.2023	PLN 40.00
11.	25.10.2023	25.10.2024	17.10.2024	25.10.2024	PLN 40.00

Appendix No. 2 to the Letter of Issue No. 1/2011 of Bank Gospodarstwa Krajowego

Rules for conducting Bond auctions

- 1.1. Bond auctions shall be conducted in accordance with these rules and on the basis of related detailed regulations of the Issue Agent.
- 1.2. In the case of discrepancies between these rules and the detailed regulations of the Issue Agent referred to in clause 1.1, the detailed regulations of the Issue Agent shall apply.

Sales auction

2. The following types of Bond sales auctions are distinguished:
 - 1) multiple-price auction – each sales auction participant whose bids have been accepted is obliged to pay for the purchased bonds an amount being the product of the number of the purchased bonds and the clean price plus accrued interest, calculated in accordance with the Appendix to the present rules;
 - 2) single-price auction – all sales auction participants whose bids have been accepted are obliged to pay for the purchased Bonds an amount being the product of the number of the purchased bonds and the minimum selling price plus accrued interest, calculated in accordance with the Appendix to the present rules.
3. No later than on the Bond sales auction day, the Issuer shall make an announcement about the sales auction specifying in particular:
 - 1) sales auction type;
 - 2) auction date and time of the expiry of the deadline for submitting bids;
 - 3) date and time of the auction settlement;
 - 4) Bonds' ISIN code;
 - 5) Bonds' maturity date;
 - 6) expected face value of the Bonds offered in the sales auction;
 - 7) minimum face value of the bid;
 - 8) value of interest accrued as of the auction settlement date;
 - 9) indication whether non-competitive bids, i.e. bids without a clean price, will be accepted;
 - 10) projected share of non-competitive bids in the total value of sales in the auction, provided that submission of non-competitive bids is accepted.
- 4.1. Sales auction participants may submit non-competitive bids if the submission of non-competitive bids is acceptable in the sales auction concerned.
- 4.2. In a sales auction, an auction participant may submit one non-competitive bid.
- 4.3. By submitting a non-competitive bid, an auction participant agrees to enter into transaction:
 - 1) in the case of a multiple-price auction – at a price being the product of the number of the purchased Bonds and the weighted average clean price for accepted bids containing the clean price plus accrued interest, calculated in accordance with the Appendix to the present rules,
 - 2) in the case of a single-price auction – at a price being the product of the number of the purchased Bonds and the minimum selling price plus accrued interest, calculated in accordance with the Appendix to the present rules.
- 4.4. The Issuer has the right to reduce non-competitive bids after the expiry of the time limit for submitting purchase bids. In the case of a non-competitive bid reduction, the Issuer shall determine the face value of the Bonds sold in this manner and shall specify the non-competitive bid reduction rate rounded to two decimal places to an accuracy of two decimal places.
- 4.5. The number of Bonds covered by non-competitive bid reduction shall be rounded up to the nearest multiple of 1000 (one thousand), with the provision that the number of bonds specified in a given offer cannot be exceeded.
- 4.6. If only non-competitive bids are submitted, the Bond auction shall be cancelled.
5. Bonds purchase bid in a sales auction should include in particular:
 - 1) address of the Issue Agent;
 - 2) Bonds' ISIN code;

- 3) Bonds' maturity date;
 - 4) offered Bonds' clean price, unless the purchase bid is a non-competitive bid;
 - 5) number and face value of the offered Bonds;
 - 6) authorisation for the National Depository to debit the bank account in the National Bank of Poland, together with the number of the account and the amount of compensation in the situation referred to in clauses 14.4-14.6;
 - 7) number of the deposit account or securities account or summarising account in the National Depository, to which Bonds are purchased by the participant.
6. After the sales auction, the Issuer shall make an announcement about the sales auction results specifying in particular:
- 1) auction type;
 - 2) auction date;
 - 3) date and time of the auction settlement;
 - 4) maturity date and Bonds' ISIN code;
 - 5) face value of the Bonds on which a purchase bid was received, with a list of non-competitive bids if submission of the latter was accepted;
 - 6) face value of the accepted bids, with a list of non-competitive bids if submission of the latter was accepted;
 - 7) minimum selling price and corresponding yield;
 - 8) average weighted clean price determined for the accepted bids containing a clean price and the corresponding yield;
 - 9) the highest accepted clean price and the corresponding yield;
 - 10) bid reduction rate for bids containing a minimum selling price, specified to an accuracy of two decimal places, with a list of non-competitive bids if submission of the latter was accepted.
7. In the case of sale of Bond in a single-price auction, the announcement referred to in paragraph 6 shall not contain data mentioned in clauses 6(8) and 6(9).

Supplementary auction

- 8.1. A supplementary auction may be organised no later than on the next day following the sales auction.
- 8.2. Bonds shall be sold in a supplementary auction at the average weighted clean price, if the Bonds were sold in a multiple-price auction, or at the minimum selling price, if the Bonds were sold in a single-price auction.
- 8.3. Only auction participants shall be entitled to purchase bonds in the supplementary auction.
- 8.4. The face value of the Bonds offered in the supplementary auction may not exceed 20% of the face value of Bonds offered in the sales auction.
9. If a decision is made to organise a supplementary auction, the Issuer shall make, on the supplementary auction day at the latest, an announcement of the supplementary auction containing in particular:
- 1) auction date and the time being the deadline for submission of bids;
 - 2) date and time of the auction settlement;
 - 3) Bonds' ISIN code;
 - 4) Bonds' maturity date;
 - 5) price referred to in clause 8.2;
 - 6) face value of Bonds offered in the supplementary auction
 - 7) minimum face value of the bid submitted by the supplementary auction participant;
 - 8) value of interest accrued as of the auction settlement date.
- 10.1. A bid to purchase Bonds in a supplementary auction shall contain in particular:
- 1) address of the Issue Agent;
 - 2) Bonds' ISIN code;
 - 3) Bonds' maturity date;
 - 4) number and face value of the offered Bonds;

- 5) authorisation for the National Depository to debit the bank account in the National Bank of Poland, together with the number of the account and the amount of compensation in the situation referred to in clauses 14.4-14.6;
 - 6) number of the deposit account or securities account or summarising account in the National Depository, to which Bonds are purchased by the participant.
- 10.2. In a supplementary auction, an auction participant may submit one bid.
 - 10.3. The face value of a purchase bid submitted in the supplementary auction by one auction participant may not exceed the face value of Bonds offered in the Bond supplementary auction.
 - 10.4. The provision of clause 4.5 apply accordingly.
- 11.1. In the supplementary auction, the purchase of Bonds by particular auction participants shall be in proportion to the value of Bonds purchased by them in the sales auction.
 - 11.2. The proportional share of the supplementary auction participant shall be calculated as a percentage share of the auction participant in the total purchase made in a particular sales auction, after excluding the purchases made by auction participants who resigned from participating in the supplementary auction.
 - 11.3. If the value of the bid submitted in the supplementary auction by the auction participant is lower than the value being the product of the proportional share and the face value of the Bonds offered in the supplementary auction, the bonds not allocated to the participant with the value equal to the difference between these amounts shall be proportionally distributed to the remaining participants of the auction. In such as case the bonds shall be allocated using the proportional share calculated in the manner set out in clause 11.2, after excluding purchases made by auction participants resigning from the purchase of bonds with the full value available to them.
 - 11.4. If the total face value of bids submitted in the supplementary auction is lower than the face value of Bonds offered in the Bonds supplementary auction, the bids of individual auction participants shall be executed in full.
 - 11.5. Bids submitted by auction participants who did not purchase any bonds in the sales auction shall be accepted by the Issuer only after all bids of those auction participants who purchased bonds in the sales auction are accepted.
12. After the supplementary auction, the Issuer shall make an announcement about the supplementary auction results specifying in particular:
 - 1) auction date;
 - 2) date and time of the auction settlement;
 - 3) price referred to in clause 8.2;
 - 4) Bonds' maturity date;
 - 5) face value of the Bonds offered for sale;
 - 6) face value of the Bonds on which a purchase bid was received;
 - 7) face value of the Bonds on which purchase bids were accepted.

Settlement of the sales auction and of the supplementary auction

- 13.1. Participants of the sales auction whose purchase bids were accepted shall pay the purchase price on the sales auction settlement date by the time specified in the announcement.
 - 13.2. The purchase price shall be paid through the National Depository using current banks accounts maintained by the Issue Agent
 - 13.3. The accounts referred to in clause 13.2, used for settlements, shall be debited and the Issuer's account shall be credited on the basis of an instruction of the National Depository.
- 14.1. If the purchase price is not paid on the payment date, interest shall be charged.
 - 14.2. The amount of interest due for each day of delay in payment referred to in clause 14.1 shall be calculated as the product of lombard loan interest rate determined by the National Bank of Poland and the amount allowing a settlement of a single transaction, divided by 365. A single transaction shall be understood as a purchase of bonds by an auction participant who submitted a bid for a specified number of bonds at a given clean price to one deposit account or securities account or summarising account maintained by the National Depository.
 - 14.3. A single transaction may not be settled partially.
 - 14.4. If the purchase price, increased by the interest in the amount referred to in clause 14.2, is not paid on the fifth business day at the latest after the auction settlement date, it shall be deemed a waiver of bonds purchase, and the auction participant shall be obliged to pay a compensation.

14.5. The amount of the compensation referred to in clause 14.4 shall be calculated as the product of twice the lombard loan interest rate determined by the National Bank of Poland, the amount allowing a settlement of a single transaction and 5/365.

14.6. The compensation shall be collected from the account referred to in clause 10.1(5) on the business day following the day referred to in clause 14.4.

15. In the case of a supplementary auction, provisions of clauses 13 and 14 apply accordingly.

Bond switch auction

16.1. The following types of Bond switch auctions are distinguished:

- 1) multiple-price switch auction – each switch auction participant whose bids have been accepted purchases or sales bonds in an amount determined on the basis of a formula, in accordance with an Appendix to the present rules, with the use of the price specified in the switch bid;
- 2) single-price switch auction – each switch auction participant whose bids have been accepted purchases bonds in an amount determined on the basis of a formula, in accordance with an Appendix to the present rules, with the use of the minimum switch price.

16.2. The minimum switch price shall be understood as the lowest accepted clean price of bonds offered for sale determined on the basis of bids submitted by auction participants.

17. No later than on the Bond switch auction day, the Issuer shall make an announcement about the switch auction specifying in particular:

- 1) switch auction type;
- 2) auction date and the time being the deadline for submission of bids;
- 3) date and time of the auction settlement;
- 4) maturity date and repurchased Bonds' ISIN code;
- 5) maturity date and offered Bonds' ISIN code;
- 6) value of interest accrued as of the auction settlement date for bonds specified in point 4 and Bonds specified in point 5;
- 7) list of bonds the clean price of which an auction participant is obliged to provide in the bid;
- 8) minimum face value of the bid;
- 9) indication whether non-competitive bids will be accepted;
- 10) projected share of non-competitive bids in the total value of repurchase in the switch auction, provided that submission of non-competitive bids is accepted.

18. No later than on the Bond switch auction day, the Issuer shall make an announcement about the prices in the auction specifying in particular:

- 1) clean price of repurchased Bonds or
- 2) clean price of offered Bonds.

19.1. Switch auction participants may submit non-competitive bids if the submission of non-competitive bids is acceptable in the sales auction concerned.

19.2. In a switch auction, an auction participant may submit one non-competitive bid.

19.3. By submitting a non-competitive bid, an auction participant agrees to:

- 1) in the case of a multiple-price switch auction – purchase or sale bonds at the average weighted price adopted for bids containing a clean price;
- 2) in the case of a single-price switch auction – purchase bonds at the minimum switch price.

19.4. Provisions of clauses 4.4 – 4.6 apply accordingly.

20. A bid to switch Bonds shall contain in particular:

- 1) address of the Issue Agent;
- 2) maturity date and repurchased Bonds' ISIN code;
- 3) maturity date and offered Bonds' ISIN code;
- 4) number and face value of the offered Bonds;
- 5) clean price of:
 - a) offered bonds, in the case referred to in clause 18(1), or
 - b) repurchased Bonds, in the case referred to in clause 18(2) – unless the bid constitutes a non-competitive bid;

- 6) authorisation for the National Depository to debit the bank account in the National Bank of Poland, together with the number of the account and the amount of compensation in the situation referred to in clauses 22.7-22.9;
 - 7) number of the deposit account or securities account or summarising account in the National Depository from which Bonds are sold and to which Bonds are purchased by the participant.
21. The method of calculating the price of a single source Bond, the price of a single bond offered for sale and the number of bonds purchased in the switch auction is specified in the Appendix to these rules.
- 22.1. After the deadline for submitting bids, the Issuer shall specify the accepted clean price of the bonds, for a given switch auction.
- 22.2. The number of Bonds allocated in exchange for the repurchased Bonds shall be rounded to the nearest integer, down or up, on general terms.
- 22.3. On the switch auction settlement date auction participants whose bids were accepted shall have the offered Bonds on the deposit or securities account or summarising account.
- 22.4. If the amount of bonds in the deposit or securities account or summarising account is not sufficient on the switch auction settlement date, the auction participant shall pay contractual penalty.
- 22.5. The amount of the contractual penalty due for each day of failure to comply with the deadline to provide bonds referred to in clause 22.4 shall be calculated as the product of lombard loan interest rate determined by the National Bank of Poland, the number of bonds offered for repurchase within the framework of the settled transaction and the price specified in the Appendix to the present rules, divided by 365.
- 22.6. A switch transaction may not be settled partially.
- 22.7. If the auction participant does not provide an appropriate number of bonds and does not pay the contractual penalty on the fifth business day at the latest after the auction settlement date, it shall be deemed a waiver of bonds sale, and the auction participant shall be obliged to pay a compensation.
- 22.8. The amount of the compensation referred to in clause 22.7 shall be calculated as the product of lombard loan interest rate determined by the National Bank of Poland, the price specified in the Appendix to the present rules, the number of bonds offered for repurchase within the framework of the unsettled switch transaction and 5/365.
- 22.9. The compensation shall be collected from the account referred to in clause 20(6) on the business day following the day referred to in clause 22.7.
23. Bonds repurchased by the Issuer in a switch auction shall be redeemed upon the settlement.
24. After the switch auction, the Issuer shall make an announcement about the switch auction specifying in particular:
- 1) switch auction type;
 - 2) auction date;
 - 3) date and time of the auction settlement;
 - 4) maturity date and repurchased Bonds' ISIN code;
 - 5) maturity date and offered Bonds' ISIN code;
 - 6) price specified in clause 18;
 - 7) face value of the Bonds on which a purchase bid was received, with a list of non-competitive bids if submission of the latter was accepted;
 - 8) face value of the accepted bids, with a list of non-competitive bids if submission of the latter was accepted;
 - 9) face value of Bonds sold;
 - 10) the lowest accepted clean price and the corresponding yield;
 - 11) average weighted clean price and the corresponding yield;
 - 12) the highest accepted clean price and the corresponding yield;
 - 13) bid reduction rate for non-competitive bids if submission of the latter was accepted;
 - a) acceptability of cash purchase referred to in clause 26;
 - 15) date and time until which switch auction participants accept cash purchase bids.
25. In the case of a single-price switch auction, referred to in clause 16(2), the announcement shall not contain data mentioned in clauses 24(11) and 24(12).

26. The Issuer may offer the participants who purchased bonds in a switch auction to buy, by means of cash purchase, an additional number of bonds representing the difference between the sum of securities purchased by the auction participant in the switch auction and the nearest multiple of one thousand.
- 27.1. By accepting a cash purchase, an auction participant agrees to enter into transaction:
- 1) in the case of a multiple-price auction – at a price being the product of the number of the purchased bonds:
 - a) average weighted price for the accepted bids related to bonds offered for sale and containing a clean price, in the case referred to in clause 18(1),
 - b) price of bonds offered for sale announced by the Issuer, in the case referred to in clause 18(2);
 - 2) in the case of a single-price auction – at a price being the product of the number of the purchased bonds and the minimum switch price.
- 27.2. Provisions of clauses 13 and 14 apply accordingly.
28. After the expiry of the period referred to in clause 24(15), the Issuer shall make an announcement concerning the number of bonds bought by means of cash purchase.

Bond buy-back auction

29. The Issuer may buy back Bonds prior to their maturity date.
30. No later than on the day of the buy-back auction, the Issuer shall make an announcement of the buy-back auction containing in particular:
- 1) auction date and the time being the deadline for submission of bids;
 - 2) date and time of the auction settlement;
 - 3) ISIN code of Bonds provided for buy-back;
 - 4) maturity date of Bonds provided for buy-back;
 - 5) face value of Bonds provided for buy-back;
 - 6) minimum face value of the bid;
 - 7) value of interest accrued as of the auction settlement date;
 - 8) indication whether non-competitive bids will be accepted;
 - 9) projected share of non-competitive bids in the total value of buy-back in the auction, provided that submission of non-competitive bids is accepted.
31. A bid to sell Bonds in a buy-back auction shall contain in particular:
- 1) address of the Issue Agent;
 - 2) Bonds' ISIN code;
 - 3) Bonds' maturity date;
 - 4) clean price of the Bonds being the subject of the bid, unless the Bond buy-back bid constitutes a non-competitive bid;
 - 5) number and face value of the Bonds being the subject of the bid;
 - 6) authorisation for the National Depository to debit the bank account in the National Bank of Poland, together with the number of the account and the amount of compensation in the situation referred to in clauses 22.7-22.9;
 - 7) number of the deposit account or securities account or summarising account in the National Depository from which Bonds are sold.
- 32.1. Sales auction participants may submit non-competitive bids if the submission of non-competitive bids is acceptable in the buy-back auction concerned. Provisions of clauses 4.2-4.6 apply accordingly.
- 32.2. Provisions of clause 7.12 of the Letter of Issue apply accordingly.
- 32.3. After the deadline for submitting sales bids, the Issuer shall specify for a particular buy-back auction the highest accepted clean price of the repurchased Bonds.
- 32.4. All sales bids with a price lower than the highest accepted clean price shall be accepted in full. Bids with the price equal to the highest accepted clean price may be accepted in whole or in part using the reduction of bids. In the case of reduction of bids, the Issuer shall determine the bid reduction rate in percentage to an accuracy of two decimal places.
- 32.5. Provisions of clause 4.5 apply accordingly.

33. After the buy-back auction the Issuer shall make an announcement of the results of the buy-back auction, containing in particular:
- 1) auction date;
 - 2) date and time of the auction settlement;
 - 3) maturity date and Bonds' ISIN code;
 - 4) face value of Bonds provided for buy-back;
 - 5) face value of the Bonds included in buy-back bids, with a list of non-competitive bids if submission of the latter was accepted;
 - 6) face value of the repurchased Bonds, with a list of non-competitive bids if submission of the latter was accepted;
 - 7) the highest accepted clean price and the corresponding yield;
 - 8) average weighted clean price and the corresponding yield;
 - 9) bid reduction rate for bids with the highest clean price, specified to an accuracy of two decimal places, with a list of non-competitive bids if submission of the latter was accepted.
- 34.1. The method of calculating the buy-back price of Bonds sold in a buy-back auction is specified in the Appendix to these rules.
- 34.2. In relation to buy-back auctions, provisions of clauses 2(1), 22.3-22.9 and 23 shall apply.
- 35.1. The buy-back price shall be paid by the Issuer through the National Depository using current bank accounts maintained by the Issue Agent.
- 35.2. The accounts referred to in clause 35.1 shall be credited and the Issuer's account shall be debited through the National Depository.

Final provisions

31. The Issuer reserves the right to amend the "Principles of conducting Bond auctions" in the form of an annexe to the letter of issue that shall be disclosed to the public on the Issuer's website (www.bgk.com.pl) or in other nationwide mass media.

Appendix to appendix no. 2

1. METHOD OF CALCULATING THE VALUE OF INTEREST ACCRUED ON A SINGLE BOND

The value of interest accrued on a single Bond on day "d" on which the calculations are made is equal to the result of the following formula, rounded up to two decimal places:

$$O_d = N \cdot r \cdot \frac{a}{D \cdot F}$$

where:

- Od – value of interest accrued on a single Bond on day "d",
- N – face value of a single Bond,
- r – interest on Bonds in a particular interest period,
- a – actual number of days from the first day of a particular interest period, inclusive, to day "d", excluding day "d",
- D – actual number of days in a particular interest period, including the first day of the interest period and excluding the last day of the interest period,
- F - the frequency of coupon payments in a year.

2. METHOD OF CALCULATING THE PURCHASE PRICE OF BONDS PURCHASED IN A SALE AUCTION

The purchase price of Bonds purchased in the auction as a result of accepting the "i" purchase bid by the Issuer is equal to the result of the following formula:

$$P_i = (C_i + O_d) \cdot L_i$$

where:

- P_i – purchase price of Bonds purchased in the auction as a result of accepting the "i" purchase bid by the Issuer,
- C_i – price which corresponds to:
 - a) clean price registered by the auction participant in "i" purchase bid,
 - b) for non-competitive bids, weighted average clean price for accepted bids containing a clean price,
 - c) for each bid submitted within a single-price auction, the minimum selling price
- O_d – value of interest accrued as of the auction settlement date,
- L_i – number of Bonds in the "i" purchase bid or number of Bonds after applying the bid reduction.

3. METHOD OF CALCULATING THE PRICE OF A SINGLE SOURCE BOND, THE PRICE OF A SINGLE BOND OFFERED FOR SALE AND THE NUMBER OF BONDS PURCHASED IN A SWITCH AUCTION

- 1) The price of a single source Bond for the "i" bid is equal to the result of the following formula rounded to two decimal places:

$$CO_i = CO_{C_i} + OO_{d,d}$$

where:

- CO_i – price of a single source bond for "i" bid,
- CO_{C_i} – price which corresponds to:
 - a) in the case referred to in clause 18(1) of Appendix No. 2 to the Letter of Issue, clean price of one repurchased bond announced by the Issuer,

- b) in the case referred to in clause 18(2) of Appendix No. 2 to the Letter of Issue, price offered by the auction participant in the "i" bid,
- c) for non-competitive bids, weighted average clean price for accepted bids containing a clean price,

OO,d – value of interest accrued on a repurchased Bond on the auction settlement date.

- 2) The price of a single Bond offered for sale for the "i" bid is equal to the result of the following formula rounded to two decimal places:

$$CZi = CZCi + OZ,d$$

where:

CHI – price of a single Bond offered for sale for 'the "i" bid,

CZCi – price which corresponds to:

- a) for each bid submitted within a single-price auction, the minimum switch price,
- b) in the case referred to in clause 18(1) of Appendix No. 2 to the Letter of Issue, in a multiple-price auction:
 - clean price of one bond offered for sale, registered by the auction participant in "i" purchase bid,
 - for non-competitive bids – weighted average clean price for accepted bids containing a clean price,
- c) in the case referred to in clause 18(2) of Appendix No. 2 to the Letter of Issue, price announced by the Issuer,

OZ,d – value of interest accrued on a Bond offered for sale on the auction settlement date.

- 3) The number of bonds purchased by the switch auction participant as a result of accepting the "i" bid by the Issuer is equal to the result of the following formula, rounded up to the nearest integer:

$$LZi = (COi / CZi) \cdot LOi$$

where:

LZi – number of Bonds purchased by the switch auction participant as a result of accepting the "i" bid,

LOi – number of repurchased bonds in the "i" bid,

COi – price of one source Bond for the "i" bid, calculated in accordance with item 1),

CZi – price of a single Bond offered for sale for the "i" bid, calculated in accordance with point 2).

4. METHOD OF CALCULATING THE BUY-BACK PRICE OF BONDS SOLD IN A BUY-BACK AUCTION

The buy-back price of Bonds sold in a buy-back auction as a result of accepting the "i" sale bid by the Issuer is equal to the result of the following formula:

$$Zi = (CCi + Od) \cdot Li$$

where:

Zi – buy-back price of Bonds sold in the buy-back auction as a result of accepting the "i" sale bid by the Issuer,

CCi – price which corresponds to:

- a) clean price determined by the auction participant in "i" purchase bid,
- b) for non-competitive bids – weighted average clean price for accepted bids containing a clean price,

Od – value of interest accrued as of the auction settlement date,

Li – number of Bonds in the "i" sale bid or number of Bonds after applying the bid reduction.

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**Appendix No. 3 to the Letter of Issue
No. 1/2014 of Bank Gospodarstwa Krajowego**

**Specimen Declaration on granting
a guarantee by the State Treasury of the Republic of Poland
(fixed rate bonds)**

§ 1.

The State Treasury of the Republic of Poland, represented by the Minister of Finance acting on behalf of the Council of Ministers, hereinafter referred to as the "**Guarantor**", pursuant to Article 12(1) in connection with Article 5(2) of the Act of 8 May 1997 on sureties and guarantees granted by the State Treasury and certain legal persons (Journal of Laws of 2012, item 657, as amended), in connection with Article 39d(2) of the Act of 27 October 1994 on Toll Motorways and the National Road Fund (Journal of Laws 2012, item 931, as amended) and the resolution of the Council of Ministers No. 80/2014 of 20 May 2014, hereby grants a guarantee for the obligations of Bank Gospodarstwa Krajowego with its registered office in Warsaw, Al. Jerozolimskie 7, acting pursuant to the Act of 14 March 2003 on Bank Gospodarstwa Krajowego (Journal of Laws of 2014, item 510) and the By-Laws of Bank Gospodarstwa Krajowego conferred by the regulation of the Minister of State Treasury of 11 May 2010 (Journal of Laws No. 81, item 535, as amended) with tax identification number (NIP) 525-00-12-372 and a statutory fund of PLN as of, hereinafter referred to as the "**Issuer**", towards bondholders, hereinafter referred to as "**Bondholders**", arising from a purchase of Issuer's bonds with the abbreviated name IDS1024, hereinafter referred to as the "**Bonds**", issued pursuant to the Letter of Issue No. 1/2014 dated 20 May 2014 regarding the issue of bonds of Bank Gospodarstwa Krajowego on behalf of the National Road Fund with maturity date of 25 October 2024, hereinafter referred to as the "**Letter of Issue**", secured with a guarantee of the State Treasury, hereinafter referred to as the "**Guarantee**".

§ 2.

1. The Guarantee shall cover Issuer's cash benefits for Bondholders, specified in the Letter of Issue, hereinafter referred to as the "**Benefit**" or "**Benefits**" depending on the context, consisting in the payment of:
 - (i) Bond face value for the total amount of PLN (in words: PLN) on the Bond maturity date, including the following amounts:
 - the amount of PLN (in words: PLN) resulting from the sale of Bonds by the Issuer during the auction on,
 - (ii) the amount due under Bonds (the face value and interest on Bonds) on the Bond early maturity date, if the law on liquidation of the Issuer enters into force, as specified in the Letter of Issue, and
 - (iii) interest on Bonds on its payment dates determined in the Letter of Issue,
 - save that the responsibility of the Guarantor under the Guarantee shall be limited to PLN (in words: PLN), hereinafter referred to as the "**Guarantee Amount**".
2. The total value of the guarantee for the fulfilment of obligations resulting from the issuance by Bank Gospodarstwa Krajowego of bonds on behalf of the National Road Fund on the basis of all letters of issue issued by Bank Gospodarstwa Krajowego until 31 December 2009 in connection with Resolution No. 152/2009 of the Council of Ministers of 2 September 2009, until 31 December 2010 in connection with Resolution No. 64/2010 of the Council of Ministers of 26 April 2010, until 31 December 2011 in connection with Resolution No. 53/2011 of the Council of Ministers of 27 April 2011, until 31 December 2012 in connection with Resolution No. 90/2012 of the Council of Ministers of 4 June 2012, and issued until 31 December 2014 in connection with Resolution No. 80/2014 of the Council of Ministers of 20 May 2014, which cover 100% of the amount of liabilities arising from the bond issue, i.e. 100% of bonds redemption value constituting their face value in the amount of PLN 7,250,000,000 (in words: PLN seven billion two hundred fifty million), in

the amount of PLN 7,900,000,000 (in words: PLN seven billion nine hundred million), in the amount of PLN 10,700,000,000 (in words: PLN ten billion seven hundred million), in the amount of PLN 4,000,000,000 (in words: PLN four billion), in the amount of PLN [●],000,000,000 (in words: PLN [●]) accordingly, and 100% of interest, cannot exceed the total value of PLN (in words: PLN).

3. The Guarantor hereby guarantees to Bondholders irrevocably, unconditionally and on the first demand a due and timely payment of outstanding Benefits.

§ 3.

1. The Guarantee shall constitute an independent commitment of the Guarantor towards Bondholders as the beneficiaries of the Guarantee to pay the Benefits in Polish zlotys in the cases set out in this Declaration.
2. The Guarantor shall, subject to the amount of Guarantor's liability referred to in § 2(1), pay on the Benefit payment date, hereinafter referred to as the "**Benefit Date**", the amount equal to the Benefit due or Benefits due specified in § 2(1)(i) and § 2(1)(iii) to the account maintained by the National Depository for Securities, if the Issuer fails to pay the amount sufficient to make a payment of Benefits under Bonds to the account used for processing payments under Bonds by 10.00 AM (in words: ten o'clock) of the business day preceding the Benefit Date. Interest for delay in the payment of Benefits by the Issuer shall be charged solely to the Issuer.
3. If the law on liquidation of the Issuer enters into force, resulting in an immediate early maturity of Bonds, in accordance with clause 16 of the Letter of Issue, if the Issuer does not pay the Benefit, the Guarantor shall, subject to the amount of the Guarantor's liability referred to in § 2(1), pay the amount equal to the amount of the Benefit due specified in § 2(1)(ii) within 10 (in words: ten) business days from the entry into force of the above-mentioned law.
4. The date of the performance of the Guarantor's obligation shall be the date of a transfer of relevant funds to the account held by the National Depository for Securities.
5. Each amount of Benefits paid by the Issuer and each amount paid by the Guarantor under the Guarantee shall reduce the Guarantee Amount accordingly.

§ 4.

1. The obligations under the Guarantee constitute direct, non-transferable and unsecured obligations of the Guarantor and shall be of equal rank with any other existing, unsecured and non-subordinated obligations of the Guarantor, present or future.
2. The Guarantor warrants that the Guarantor was duly authorised to grant the Guarantee and to submit this Declaration and the provisions thereof constitute valid, binding and enforceable obligation of the Guarantor.
3. Obligations of the Guarantor and rights of Bondholders under the Guarantee shall remain in effect also in the case of:
 - (a) liquidation of the Issuer, discontinuation or suspension of the activities carried out by the Issuer;
 - (b) a change in the legal form of the Issuer, demerger or merger of the Issuer with another entity, as well as changes in the Issuer's capital structure;
 - (c) declaration of invalidity or unenforceability of the Issuer's obligations under the Bonds or the impossibility of enforcing those obligations;

and none of the events described in items (a) - (c) shall affect the extent of the Guarantor's obligations under the Guarantee, in particular if the Issuer is released from the debt under the Bonds as a result of any proceedings or the issuance of a legal act constituting a generally applicable source of law, the liability of the Guarantor under the Guarantee shall be the same as if such a release was not made.

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4. If at any time any provision of this Guarantee is or becomes ineffective, invalid or unenforceable for any reason under the law, the effectiveness, validity or enforceability of such a provision shall in no way affect the validity and enforceability of the remaining provisions of the Guarantee, in accordance with the wording of Article 58 § 3 of the Civil Code.

§ 5.

1. The Guarantee is valid until 25 April 2025.
2. This Declaration, its terms, provisions, validity and execution shall be governed by the law of the Republic of Poland.

§ 6.

Any amendments to this Declaration shall be null and void unless made in writing.

§ 7.

Any disputes arising out of the performance of the Guarantee shall be resolved by the common court with the jurisdiction over the registered office of the Guarantor.

§ 8.

The Declaration on granting a guarantee by the State Treasury of the Republic of Poland issued on in connection with the bonds of the Issuer with the abbreviated name of IDS1024, issued pursuant to the Letter of Issue No. 1/2014 of 2014 on the issuance of bonds of Bank Gospodarstwa Krajowego on behalf of the National Road Fund with the maturity date of 25 October 2024 is repealed*.

On behalf of the Guarantor:

Warsaw,

* The provisions of §8 will be included in the content of Declarations on granting guarantees by the State Treasury of the Republic of Poland for bonds sold in the subsequent sales auctions.