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LOAN NUMBER 8384-PL

Loan Agreement

(First Resilience and Growth Development Policy Loan)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 28 **, 2014**

LOAN AGREEMENT

Agreement dated August 28, 2014 entered into between REPUBLIC OF POLAND ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of seven hundred million Euro (€700,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%), of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

2.08. Without limitation upon the provisions of Section 5.10 of the General Conditions on *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.10 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
ul. Swietokrzyska 12
00-916 Warszawa
Republic of Poland

Cable:	Facsimile:
MINF Poland	(48) 22 6943070

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Warsaw, Republic of Poland, as of the day and year first above written.

REPUBLIC OF POLAND

By _____

Authorized Representative

Name: Artur Radziwiłł

Title: Undersecretary of State

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By _____

Authorized Representative

Name: Mamta Murthi

Title: Country Director

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

1. The Borrower has enacted: (a) an amendment dated November 8, 2013 to the Public Finance Act to introduce a permanent fiscal rule limiting growth of public expenditures to trend GDP growth to foster compliance with its obligations deriving from the Treaty on the Functioning of the EU in the area of budgetary policy; and (b) the Budget Law for 2014 in line with the new permanent fiscal rule as set forth in the Public Finance Act..

2. The Borrower has enacted the amendments dated November 8, 2013 to the Law on Value Added Taxes (VAT) to defer the reduction in VAT rates in the period of 2014-16 to support fiscal consolidation.

3. The Borrower has enacted an amendment dated November 8, 2013 to the Public Finance Act implementing a fiscal rule for local governments to ensure debt sustainability at the local level and effective absorption of European Union funds.

4. The Borrower has enacted amendments dated July 12, 2013 to the Labor Code to increase the flexibility of the labor market by extending the calculation period for employees' working time.

5. The Borrower has: (a) implemented the first professions deregulation tranche through enactment of the Law Amending Laws on Access to Certain Professions thereby deregulating access to fifty one (51) professions; and (b) approved, through a Decision of its Council of Ministers, the draft Law on the Easing of Access to Certain Regulated Professions and the draft Law Amending Laws on Access Conditions to Certain Professions for the second and third professions deregulation tranches.

6. The Borrower has enacted amendments dated May 10, 2013 to the Law on Early Childcare to facilitate parents' re-joining labor force.

7. The Borrower, by way of resolution of its Council of Ministers, has approved Poland's Enterprise Development Program (EDevP) to create clearer institutional arrangements and increase support for early stage innovation and technological startups to enhance innovation through focused support programs in this area.

8. The Borrower, through a Decision of its Council of Ministers dated February 11, 2014, has approved a concept ("assumptions") of a new General Restructuring Law dealing with insolvency and restructuring in the corporate sector.

9. The Borrower, through the Ministry of Economy, has submitted to the Council of Ministers Standing Committee, a draft Law on Facilitating Access to Business Activity (alternatively referred to as "Fourth Deregulation Law') and through a Decision of the

Council of Ministers dated January 8, 2014, has approved draft amendments to the Law on the National Court Register aimed at improving business environment through streamlined procedures, including port clearance, business startups and enterprise transactions

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in Euro)
(1)Single Withdrawal Tranche	700,000,000
TOTAL AMOUNT	700,000,000

C. Payment of Front-end Fee. No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

D. Withdrawal Tranche Release Conditions. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

E. Deposits of Loan Amounts. Except as the Bank may otherwise agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

F. Excluded Expenditures. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2015.

SCHEDULE 2

Amortization

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	**Installment Share (Expressed as a Percentage)**
On each May 15 and November 15 Beginning May 15, 2022 Through November 15, 2041	2,44%
On May 15, 2042	2,40%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. "Budget Law" means the Borrower's law on budget for 2014 dated January 24, 2014 (Journal of Laws of the Republic of Poland of 2014, item 162).

2. "Council of Ministers" means the Borrower's council of ministers established pursuant to the Borrower's law on the council of ministers *"Ustawa o Radzie Ministrów"* dated August 8, 1996 (consolidated text Journal of Laws of the Republic of Poland of 2012, item 392) and subsequent amendments.

3. "Enterprise Development Program" means the Borrower's program adopted by way of resolution of the Council of Ministers dated April 8, 2014.

4. "Excluded Expenditure" means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and

		goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

5. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012 with the modifications set forth in Section II of this Appendix.

6. "General Restructuring Law" means the Borrower's law on insolvency and corporate restructuring to be adopted by the Borrower's Parliament.

7. "Labor Code" means the Borrower's law on labor dated June 26, 1974 (consolidated text - Journal of Laws of the Republic of Poland of 1998, number 21, item 94) and subsequent amendments.

8. "Law on Value Added Taxes" means the Borrower's law on value added taxes dated March 11, 2004 (Journal of Laws of the Republic of Poland of 2011, number 177, item 1054) and subsequent amendments.

9. "Law Amending Laws on Access to Certain Professions" means the Borrower's law deregulating access to certain professions dated June 13, 2013 (Journal of Laws of the Republic of Poland of 2013, item 829).

10. "Law on Early Childcare" means the Borrower's law on care for children under the age of three, dated February 4, 2011 (consolidated text - Journal of Laws of the Republic of Poland of 2013, item 1457) and subsequent amendments.

11. "Law on National Court Register" means the Borrower's law on the National Court Register dated August 20, 1997 (consolidated text - Journal of Laws of the Republic of Poland of 2013, item 1203) and subsequent amendments.

12. "Ministry of Finance" means the Borrower's ministry in charge of finance or any successor thereto.

13. "Program" means the program of actions, objectives and policies designed to: (i) enhance macroeconomic resilience; (ii) strengthen labor market flexibility and employment promotion; and (iii) improve private sector competitiveness and innovation, as such program is set forth or referred to in the letter dated April 8, 2014 from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

14. "Public Finance Act" means the Borrower's law on public finance "*Ustawa o finansach publicznych*" dated August 27, 2009 (consolidated text - Journal of Laws of the Republic of Poland of 2013, item 885) and subsequent amendments.

15. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

16. "Treaty on the Functioning of the EU" means the international treaty between the European Union member states which organizes the functioning of the European Union and determines the areas of, delimitation of, and arrangements for exercising its competences.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is not applicable to this Agreement.

2. Sections 2.02 (*Special Commitment by the Bank*), 2.04 (*Designated Accounts)* 2.05 (*Eligible Expenditures*), 2.06 (*Financing Taxes*), 2.07 (*Refinancing Preparation Advance; Capitalizing Front-end Fee*) and 2.08 (*Reallocation*) are not applicable to this Agreement.

3. Sections 5.01 (*Project Execution Generally*), 5.02 (*Performance under the Loan Agreement and Project Agreement*), 5.03 (*Provision of Funds and other Resources*), 5.04 (*Insurance*), 5.05 (*Land Acquisition*), paragraph (a) of Section 5.06 (*Use of Goods, Works and Services; Maintenance of Facilities*), 5.07 (*Plans, Documents, Records*), 5.09 (*Financial Management; Financial Statements; Audits*) and paragraph (b) of Section 5.11 (*Visits*) are not applicable to this Agreement.

4. Paragraph (b) of Section 5.08 is not applicable to this Agreement and paragraph (c) of Section 5.08 is modified to read as follows:

Section 5.08. *Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

5. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term "Eligible Expenditure" is modified to read as follows:

"'Eligible Expenditure' means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement."

(b) The term "Financial Statements" and its definition are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows (and all references to "Project" throughout these General Conditions are deemed to be references to "Program"):

"'Program' means the program referred to in the Loan Agreement in support of which the Loan is made."