

CONFORMED COPY

LOAN NUMBER 3867 KZ

Project Agreement

(Financial and Enterprises Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

Dated July 31, 1995

LOAN NUMBER 3867 KZ

PROJECT AGREEMENT

AGREEMENT, dated July 31, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN (NBK).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Kazakhstan (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to sixty two million dollars (\$62,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that NBK agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and NBK, the proceeds of the loan provided for under the Loan Agreement will be relent to NBK on the terms

and conditions set forth in said NBK Subsidiary Loan Agreement;
and

WHEREAS NBK, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) NBK declares its commitment to the objectives of the Project as set forth in Schedule 1 to the Loan Agreement, and, to this end, shall carry out Parts B.2, B.3, B.4 and C(d) of the Project, and be responsible for the procurement and disbursement of consulting services, training and goods financed under Parts C(a), (b) and (c) of the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial, and banking practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts B.2, B.3, B.4 and C(d) of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and NBK shall otherwise agree, NBK shall carry out Part B.2 of the Project and to this end, shall lend Banking Development Sub-loans to the Qualified Banks, in accordance with the procedures, accreditation criteria, and terms and conditions set forth in Schedule 1 to this Project Agreement and exercise its rights under the Subsidiary Financing Agreements in such a manner as to protect the interests of the Bank and NBK and to accomplish the purposes of the Loan and shall not, except as the Bank shall otherwise agree, assign, amend, abrogate or waive the Subsidiary Financing Agreement or any provision thereof.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts B.2, B.3, B.4 and C(d) of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 of the Loan Agreement.

Section 2.03. (a) NBK shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Parts B.2, B.3, B.4 and C(d) of the Project.

(b) Without limitation upon the provisions of Article IX of the General Conditions, NBK shall:

- (i) prepare and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan, of such scope and in such detail as the Bank shall reasonably request, for the future operation of the Project;
- (ii) afford the Bank a reasonable opportunity to

exchange views with the Borrower on said plan;
and

- (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 2.04. NBK shall duly perform all its obligations under the NBK Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, NBK shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the NBK Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) NBK shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part(s) B.2, B.3, B.4 and C(d) of the Project, the performance of its obligations under this Agreement and under the NBK Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) NBK shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Parts B.2, B.3, B.4 and C(d) of the Project, the accomplishment of the purposes of the Loan, or the performance by NBK of its obligations under this Agreement and under the NBK Subsidiary Loan Agreement.

ARTICLE III

Operational and Financial Covenants

Section 3.01. NBK shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and banking practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.01. (a) NBK shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) NBK shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors satisfactory to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and

effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of NBK thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify NBK thereof.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For NBK:

National Bank of the Republic of Kazakhstan
21 Kocktem-3
Almaty 480070
Republic of Kazakhstan

Telex:

251216 NGBKS SU

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NBK, or by NBK on behalf of the Borrower under the Loan Agreement, may be taken or executed by the Chairman of NBK or such other person or persons as the Chairman of NBK shall designate in writing, and NBK shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang
Acting Regional Vice President
Europe and Central Asia

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

By /s/ Touleoutai Souleimenov
Authorized Representative

SCHEDULE 1

Procedures, Accreditation Criteria and
Terms and Conditions of Banking Development Projects

Part A: Procedures

1. No expenditures for goods, consultants' services and training required for a Banking Development Project shall be eligible for financing out of the proceeds of the Loan unless: (i) the Bank has reviewed and issued a no-objection with respect to the Banking Development Project before the Banking Development Project is approved by NBK; and (ii) expenditures under the Banking Development Sub-loan for such a Banking Development Project shall have been made not earlier than ninety (90) days prior to the date on which the Bank shall have received the information required under paragraph 2 of Part A of this Schedule in respect of such a Banking Development Project.

2. Qualified Banks shall be accredited by NBK on the basis of, inter alia, the accreditation criteria set forth in Part B of this Schedule and the results of the diagnostic studies performed by reputable international auditing firms and following the Bank's review of and no-objection of the proposed Qualified Bank and the basis for their selection.

3. Following the accreditation of the Qualified Banks by NBK, NBK shall execute a Subsidiary Financing Agreement with each Qualified Bank, giving NBK the legal rights adequate to protect the interests of the Bank and NBK and containing, inter alia, the terms and conditions set forth in Part C of this Schedule 1.

Part B: Accreditation Criteria

1. The Banking Development Sub-loans shall be made only to banking institutions selected, evaluated and accredited in accordance with criteria satisfactory to the Bank. The accreditation criteria shall include the following, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve the Project objectives:

(a) the banking institutions' capital to weighted assets ratio, liquidity, diversification of risk, foreign exchange exposure, classification of risk assets and level of provisions;

(b) the banking institutions' commitment and ability to implement an institutional and automation development plan and to undergo annual audits in accordance with generally accepted international accounting standards;

(c) the banking institutions' managerial autonomy and adherence to satisfactory accounting and reporting standards;

(d) the banking institutions' adherence to satisfactory financial, organizational and efficiency performance standards;

(e) the banking institutions' commitment and ability to implement sound banking practices and private sector orientation and to enter into a satisfactory twinning arrangement with qualified foreign banking institutions; and

(f) the minimum percentage of foreign ownership of the banking institutions.

Part C: Terms and Conditions

1. Each Subsidiary Financing Agreement shall require the Qualified Bank to, inter alia:

(a) carry out and operate the Banking Development Project with due diligence and efficiency under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with sound technical, financial, banking, commercial and managerial standards;

(b) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial conditions, including separate records and accounts adequate to reflect all resources and expenditures related to the Investment Project;

(c) have its records, accounts and financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors satisfactory to NBK, and furnish to NBK not later than six (6) months after the end of each such year certified copies of its financial statements for such year so audited and the report of such audit by the auditors of such scope and such detail as NBK shall have reasonably requested (which report shall include an analysis of the Qualified Bank's performance, as measured by the performance indicators satisfactory to NBK and the Bank, which shall include, inter alia, commercial, technical, operational, banking, administrative and financial indicators);

(d) procure the goods and services to be financed by the Banking Development Sub-loans in accordance with the provisions of Schedule 4 to the Loan Agreement and to use such goods and services exclusively in the carrying out of the Banking Development Project;

(e) allow NBK, by itself or jointly with representatives of the Bank, if the Bank shall so request, to inspect any relevant records and documents;

(f) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business and banking practice;

(g) assume the foreign exchange risk between the Dollar and the currency of the Borrower;

(h) prepare and promptly furnish to NBK, for forwarding to the Bank, if so requested by the Bank, all such information as the Borrower or the Bank shall reasonably request relating to the administration, operations and financial condition of the Qualified Bank and to the benefits to be derived from the Banking Development Project;

(i) give NBK the right to suspend or terminate the right of

the Qualified Bank to the use of the proceeds of the Banking Development Sub-loan upon failure by such Qualified Bank to perform its obligations under the Subsidiary Financing Agreement; and

(j) at the conclusion of the Banking Development Project, submit to NBK, in a manner and by date satisfactory to the NBK and the Bank, a Banking Development Project completion report.

2. Each Banking Development Sub-loan shall: (i) be denominated and be repayable semiannually (principal and interest) in Dollars; (ii) carry an interest rate of the 10-year U.S. Treasury Note, as reported by a generally recognized market information service satisfactory to the Bank on the first business day at the commencement of each of the specified periods, plus two percent (2%), adjusted semiannually; (iii) require the payment of a loan commitment charge on the principle amount of the Banking Development Sub-loan not withdrawn within sixty (60) days after the date of signing of the Subsidiary Financing Agreement, at the rate equal to the rate of the commitment charge payable by the Borrower to the Bank pursuant to Section 2.04 of the Loan Agreement; (iv) be issued for a maximum maturity period of ten (10) years, with up to four (4) years grace period for the repayment of the principal of the Banking Development Sub-loan; and (v) be equal to no more than \$3,000,000 or the capital of the Qualified Bank, whichever is lower.

