

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 8089-UA

Loan Agreement

(Additional Financing for the Second Export Development Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**JOINT STOCK COMPANY "THE STATE EXPORT-IMPORT
BANK OF UKRAINE"**

Dated October 4, 2011

LOAN AGREEMENT

Agreement dated October 4, 2011, between the JOINT STOCK COMPANY “THE STATE EXPORT-IMPORT BANK OF UKRAINE” (UKREXIMBANK) (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Borrower and the Bank 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 Original Loan Agreement 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 one hundred and fifty million United States Dollars (US\$150,000,000), 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”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 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.
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 15th and November 15th in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of the amortization schedule set forth in Schedule 3 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 effective 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 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 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 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.
- (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.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions and this Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that the Statutes of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, the event specified in Section 4.01 of this Agreement occurs and is continuing for a

period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V – EFFECTIVENESS

- 5.01 The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of signing of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower’s Representative is the Chairman of the Borrower.
6.02. The Borrower’s Address is:

Joint Stock Company “The State Export-Import
Bank of Ukraine”
127, Gorkogo Str.
Kyiv, 03150
Ukraine

Telex:	Facsimile:
131258 RICA	38044 247 8082

- 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 Kiev, Ukraine, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Martin Raiser

Authorized Representative

JOINT STOCK COMPANY "THE STATE EXPORT-
IMPORT BANK OF UKRAINE"

By /s/ Mykola Mykolayovych Udovychenko

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) provide medium and long term working capital and investment finance to private exporting enterprises to assist the Guarantor's private exporting sector; and (b) further improve the ability of the banking sector to provide financial resources to the enterprise sector through development of intermediation by expanding private financial institutions' lending products.

The Project consists of Part A of the Original Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall maintain, until completion of the Project, the PIU, and ensure that the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for Project implementation, and satisfactory to the Bank.

2. The Borrower shall implement the Project in accordance with the Operations Manual. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Operations Manual or any provision thereof without obtaining the prior approval of the Bank.

3. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Bank, the carrying out of the Project and the achievement of the objectives thereof.

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on a quarterly basis, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank and the Guarantor by not later than 45 days after the end of each calendar quarter throughout the implementation of the Project, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matters.

4. For the purposes of carrying out the Project, the Borrower shall:

(a) select PBs pursuant to criteria set forth in paragraph A.1 of the Annex to this Schedule;

(b) relend to PBs from the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 2 of Part A of Section IV of this Schedule under Subsidiary Loan Agreements to be entered into between the Borrower and each such PB, under terms and conditions which shall have been approved by the

Bank, and which shall include without limitation, those set forth in the Annex to this Schedule;

(c) lend directly to Beneficiary Enterprises under Sub-Loan Agreements to be entered into between the Borrower and each such Beneficiary Enterprise, under terms and conditions which shall have been approved by the Bank, including without limitation those set forth in the Attachment and Annex to this Schedule and set forth in the Operational Manual;

(d) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans and Lease Financing made provided to any one Beneficiary Enterprise, or group of connected Beneficiary Enterprises, from the Borrower and all PBs shall not exceed the equivalent of \$10,000,000;

(e) monitor the overall execution of the Project and the carrying out by the PBs of their obligations under their respective Subsidiary Loan Agreements in accordance with policies and procedures satisfactory to the Bank;

(f) take or cause to be taken all actions necessary or appropriate on its part to enable the PBs to perform in accordance with the provisions of their respective Subsidiary Loan Agreements all the obligations of the PBs therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and

(g) exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Bank and the Guarantor and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any such Agreement or any provision thereof.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

The Borrower shall carry out the Project in compliance with the environmental review procedures and shall ensure that each Sub-project shall comply with environmental review procedures set forth in the Operations Manual and shall ensure that all measures necessary for carrying out the environmental reviews, shall be taken in a timely manner.

D. Financial Requirements

1. Except as the Bank shall otherwise agree, the Borrower shall, during the implementation of the Project, take such steps satisfactory to the Bank as shall be necessary to maintain the following indicators of sound financial performance:

- (a) minimum risk-weighted capital (as defined by IFRS and NBU) adequacy ratio of at least 10%;
- (b) single-insider lending exposure not exceeding 5% of the Borrower's IFRS based regulatory capital; aggregate insider lending exposure not exceeding 30% of the Borrower's IFRS based regulatory capital; single exposure per single borrower not exceeding 25% of the Borrower's IFRS based regulatory capital; total large exposures not exceeding 8 times the Borrower's IFRS based regulatory capital; foreign currency position fully compliant with the applicable NBU requirements; liquidity ratios fully compliant with the applicable NBU requirements;
- (c) continues to operate on a profitable basis; and
- (d) is in compliance with applicable banking regulations and prudential regulations of the Guarantor as duly certified by the Borrower every six (6) months.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank and copied, with the exception of the information which is protected by law or which constitutes a bank secrecy under Ukrainian law, to the Ministry of Economic Development and Trade of Ukraine not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be: (a) furnished to the Bank not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank and which complies with prevailing Ukrainian banking laws and regulations.

Section III. Procurement

A. General

1. **Goods, Works and Services (other than Consultants' Services).** All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", dated May 2004, revised October 2006 & May 2010 (the Procurement Guidelines), and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", dated May 2004, revised October 2006 & May 2010 (the Consultant Guidelines), and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

1. **Open Competitive Bidding.** Except as otherwise provided in Part B.2 of this Section, contracts shall be awarded on the basis of open competitive bidding procedures acceptable to the Bank. Such procedures shall include but not be limited to international advertising and also in specialized national printed and electronic editions, clear and non-discriminatory bid evaluation criteria, sufficient time for bid preparation, public bid opening, fair and transparent bid evaluation, and a clear and effective complaints mechanism. Contracts placed by sub-borrowers on their subsidiary or affiliated companies will not be eligible for financing out of the Loan.
2. **Commercial Practices.** Contracts for: (a) goods estimated to cost the equivalent of less than \$5,000,000 per contract; and (b) works estimated to cost the

equivalent of less than \$5,000,000 per contract, may be awarded in accordance with the established commercial practices of the Beneficiary Enterprise, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts. Contracts placed by sub-borrowers on their subsidiary or affiliated companies will not be eligible for financing out of the Loan.

C. Particular Methods for Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in Part C.2 of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

2. **Other Procedures**

2.1 **Quality-based Selection.** Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2.2 **Selection Based on Consultants' Qualifications.** Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2.3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

2.4 **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

D. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (i) all contracts procured on the basis of open competitive bidding; and (ii) all contracts procured

under Section C of this Schedule. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 1, 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
1. Sub-loans and Lease Financing	149,625,000	100%
2. Front end Fee	375,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>150,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made from the Loan Account:
 - (a) for payments made prior to the date of this Agreement; and
 - (b) under Category 1 unless the Sub-loan or the Lease Financing has been made in accordance with criteria and procedures set forth in the Operations Manual and

on terms and conditions referred to in the Attachment to the Annex to Schedule 2 to this Agreement, and, in the case of a Sub-loan or Lease Financing to be made by a PB, that the Borrower has provided: (i) a copy of a Subsidiary Loan Agreement entered into between the Borrower and such PB; and (ii) a legal opinion, satisfactory to the Bank, that the Subsidiary Loan Agreement referred to in (i) of this sub-paragraph has been duly authorized or approved and is legally binding upon the Borrower and the PB in accordance with its terms.

2. The Closing Date is December 31, 2014.

Section V. Access to Information

The Bank may disclose the Legal Agreements and any information related to the Legal Agreements in accordance with its policy on access to information, in effect at the time of such disclosure.

**ANNEX
TO
SCHEDULE 2**

**Principal Terms and Conditions of the
Subsidiary Loan Agreements**

The principal terms and conditions set forth in this Annex shall apply for the purposes of paragraph 4 (a) of Schedule 2 to this Agreement.

A. Eligibility Criteria

1. A Subsidiary Loan Agreement may be entered into with a PB, duly established and operating in the territory of the Guarantor, in respect of which the Borrower shall have determined, and the Bank shall have agreed, that:

- (a) the PB:
 - (i) is a privately owned, domestically registered and licensed commercial bank and has been in operation for at least the three (3) previous uninterrupted consecutive years;
 - (ii) has minimum assets during each of the last two fiscal years exceeding UAH 500 million equivalent on average, has export loans-to-total loans ratios during each of the last two fiscal years (for which data are available) exceeding a minimum of 10% on average, and has minimum paid-in statutory capital of €10,000,000;
 - (iii) has its annual unqualified audit of its financial statements according to IFRS available for at least two previous years;
 - (iv) is in compliance with applicable banking regulations and prudential regulations of the Guarantor and eligibility criteria in paragraph (v) below as duly certified by the PBs' management every six (6) months and external auditors every twelve (12) months, including *inter alia*, NBU promulgated prudential regulations regarding capital adequacy, large exposures, related lending, and foreign currency exposures;
 - (v) has: risk weighted capital adequacy ratio (CAR) not less than 10% calculated according to IFRS and NBU regulations; single insider lending exposure not exceeding 5% of its IFRS based regulatory capital; aggregate insider lending not exceeding 30% of its IFRS based regulatory capital; single exposure per single borrower not exceeding 25% of its IFRS based regulatory

capital; total large exposure not exceeding 8 times its IFRS based regulatory capital; long open currency position and short open currency position, in compliance with NBU regulations; liquidity quick ratio not less than 20%, liquidity current ratio not less than 40%, liquidity short-term ratio not less than 60%, calculated according to NBU regulations;

- (vi) is operating pursuant to investment and lending policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;
- (vii) has agreed to submit to the Borrower, during the duration of its Subsidiary Loan Agreement with the Borrower, an audit report which: (i) covers two (2) previous years of its operations; (ii) is prepared by an independent and internationally recognized audit firm in accordance with International Auditing Standards and International Financial Reporting Standards; and (iii) except as the Bank shall otherwise agree, contains an unqualified audit opinion;
- (viii) has adequate organization, management, staff and other resources necessary for its efficient operation; and
- (ix) applies appropriate procedures for appraisal, supervision, and monitoring of Export Development Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Export Development Sub-projects.

B. Terms

2. The principal amount to be lent out of the proceeds of the Loan to a PB under its respective Subsidiary Loan Agreement shall: (a) be denominated in Dollars; and (b) be the equivalent of the aggregate amount of the principal of all Sub-loans and Lease Financing to be made out of the proceeds of the Loan pursuant to the Subsidiary Loan Agreement providing for such Subsidiary Loan.

3. Each Subsidiary Loan shall: (a) be charged semi-annually, on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to the rate payable under Section 2.04 of this Agreement plus the administrative costs of the Borrower and a credit risk margin acceptable to the Bank; (b) be charged a front-end fee of one quarter of one percent (0.25%) and such other fee that might be charged by the Guarantor to the Borrower and transaction costs agreed from time to time between the Borrower and the Bank; and (c) be repaid in accordance with an amortization schedule calculated to have a maturity of not more than six (6) years, including a grace period of not more than three (3) years.

4. The right of a PB to use the proceeds of its respective Subsidiary Loan shall be: (a) suspended upon failure of such PB to perform any of its obligations under its respective Subsidiary Loan Agreement or to continue to be in compliance with any of the eligibility criteria set forth in paragraph 1 of Section A of this Annex; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

C. Conditions

5. Each respective Subsidiary Loan Agreement shall contain provisions pursuant to which each respective PB shall undertake to:

(a) carry out activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in the Operations Manual and with the provisions of Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

- (b) (i) make Sub-loans and Lease Financing to Beneficiary Enterprises on the terms and conditions set forth in the Operations Manual, including, without limitation, the terms and conditions set forth in the Attachment to this Annex;
- (ii) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans and Lease Financing made to any one Beneficiary Enterprise, or group of connected Beneficiary Enterprises, shall not exceed the equivalent of \$10,000,000;
- (iii) exercise its rights in relation to each such Sub-loan and each such Lease Financing in such manner as to protect its interests and the interests of the Borrower, the Guarantor and the Bank, comply with its obligations under its respective Subsidiary Loan Agreement and achieve the purposes of the Project;
- (iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or Lease Financing, or any provision thereof, without the prior approval of the Borrower;
- (v) appraise Sub-projects and supervise, monitor and report on the carrying out by the Beneficiary Enterprises of Sub-projects, in accordance with the Operations Manual;

- (vi) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operations Manual. To that end, PBs shall require each Beneficiary Enterprise applying for a Sub-loan or Lease Financing to furnish evidence satisfactory to the Bank showing that the Sub-project in respect of which the application has been prepared in accordance with such procedures;
 - (vii) ensure that for Export Development Sub-projects which require an environmental mitigation plan, the Beneficiary Enterprise shall carry out such environmental mitigation plan in a timely manner, requiring such environmental mitigation plan to be in compliance with: (aa) environmental standards satisfactory to the Bank; and (bb) the applicable laws and regulations of the Guarantor relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such environmental management plans in the progress reports referred to in subparagraph (c) (ii) of this paragraph; and
 - (viii) ensure that: (aa) goods, works and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement; and (bb) such goods, works and services shall be used exclusively in the carrying out of the Export Development Sub-project;
- (c)
 - (i) exchange views with and furnish all such information to the Bank or the Borrower, as may be reasonably requested by the Bank and the Borrower, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of the Project;
 - (ii) prepare and submit to the Borrower quarterly reports on Sub-loan and Lease Financing disbursements and repayments, and annual reports on the progress made in achieving the objectives outlined in the business plans submitted with the Sub-loan and Lease Financing applications; and
 - (iii) promptly inform the Bank and the Borrower of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Loan Agreement;
 - (d)
 - (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; and

- (ii) furnish to the Bank such information concerning said records and accounts as the Bank shall from time to time reasonably request;

(e) except as the Bank and the Borrower may otherwise agree: (i) open and thereafter maintain on its books, in accordance with its normal financial practices and on conditions satisfactory to the Bank, separate accounts to which it shall credit, as the case may be, each payment of interest or other charges on, or repayment of principal payments under, any Sub-loan or Lease Financing; and (ii) utilize all amounts so credited to said separate accounts, to the extent they are not yet required to meet said PB's payment or repayment obligations to the Borrower under its respective Subsidiary Loan Agreement, preferably to finance additional development projects to further the development of the Guarantor's export sector; and

- (f) assume the credit risk of each Sub-loan and Lease Financing.

**ATTACHMENT TO
THE ANNEX TO
SCHEDULE 2**

**Terms and Conditions of Sub-loans
and Lease Financing**

The provisions of this Attachment shall be for the purposes of on-lending by the Borrower and on-lending by PB's.

1. Each Sub-loan and Lease Financing shall be made on terms and conditions, including those relating to the maturity, foreign currency denomination, interest rate and other charges determined in accordance with the Borrower's, or the respective PB's, investment and lending policies and practices referred to in Part A of the Annex to Schedule 2 to this Agreement, provided, however, that, in the case of PBs, the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal to at least to the rate of interest applicable from time to time to the Subsidiary Loan pursuant to the provisions of paragraph 3 of Section B of Annex to Schedule 2 to this Agreement plus the administrative costs and an appropriate credit risk margin.

2. No expenditures for an Export Development Sub-project by a PB shall be eligible for financing out of the proceeds of the Loan unless:

(a) the first two Sub-loans and two Lease Financings by the said PB for such Export Development Sub-projects shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred and eighty (180) days prior to the date on which the Borrower shall have received the application and information required under paragraph 3 (a) of this Section in respect of such Sub-loan and Lease Financing; or

(b) the Sub-loan and Lease Financing by the said PB for such Export Development Sub-project shall have been, respectively, a free-limit Sub-loan and a free-limit Lease Financing for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred and eighty (180) days prior to the date on which the Borrower shall have received the application and information required under paragraph 3 (a) of this Section in respect of such Sub-loan and Lease Financing. For the purposes of this Agreement: (i) a "free-limit Sub-loan" and "free-limit Lease Financing" shall be a Sub-loan and Lease Financing respectively, other than the first two Sub-loans or Lease Financing by each PB, and other than any Sub-loan and Lease Financing to a Beneficiary Enterprise in an amount exceeding the sum of \$5,000,000 equivalent (when added to all other free-limit Sub-loans and free-limit Lease Financing respectively financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary Enterprise), the foregoing amount being subject to change from time to time as determined by the Bank.

3. (a) When presenting a Sub-loan and Lease Financing (other than a free-limit Sub-loan and free-limit Lease Financing) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with:

- (i) a description of the Beneficiary Enterprise and an appraisal of the Export Development Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
- (ii) the proposed terms and conditions of the Sub-loan and Lease Financing, including the schedule of amortization of the Sub-loan and Lease Financing;
- (iii) evidence of compliance with the Operations Manual and specifically with the environmental review procedures set forth in the Operations Manual; and
- (iv) such other information as the Bank shall reasonably request.

(b) Each Sub-loan and Lease Financing shall be approved on the basis of evaluation guidelines adopted by the Borrower satisfactory to the Bank, as set forth in the Operations Manual.

4. (a) Sub-loans and Lease Financing shall be made to the Beneficiary Enterprises which each shall have established and maintained during the duration of its respective Sub-loan and Lease Financing to the satisfaction of the Borrower that:

- (i) it is a Private Enterprise;
- (ii) it is an exporter/prospective exporteer of goods and services originating in the territory of the Guarantor or a tourism- related enterprise providing services to non-residents and /or generating foreign exchange proceeds in the Guarantor's territory;
- (iii) except as the Bank and the Borrower shall otherwise agree, it will have a ratio of debt to equity (after receipt of the Sub-loan or Lease Financing) no greater than 80:20;
- (iv) except as the Bank and the Borrower shall otherwise agree, it will not incur any debt unless a forecast of its revenues and expenditures shows that its estimated cash flow for each fiscal year during the term of the debt to be incurred shall be at least 1.3:1 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred; and
- (v) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for

the efficient carrying out of its operations, including the carrying out of the Export Development Sub-project.

- (b) For purposes of this paragraph:
- (i) an enterprise shall be considered to be a “Private Enterprise” when more than fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Guarantor, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions;
 - (ii) the term “debt” means any indebtedness of the Beneficiary Enterprise;
 - (iii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
 - (iv) the term “equity” means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Beneficiary Enterprise not allocated to cover specific liabilities; and
 - (v) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.

5. The Sub-loans and Lease Financing shall be made for Export Development Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank set forth in the Operations Manual, to:

- (a) be technically feasible and economically, financially and commercially viable;
- (b) be targeted towards generation of exports consistent with the Beneficiary Enterprise’s export growth projections; and
- (c) be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and the environmental review procedures set forth in the Operations Manual.

6. Sub-loans and Lease Financing shall be made on terms whereby the Borrower or the PB, as the case may be, shall obtain, by written contract with the Beneficiary

Enterprise or by other appropriate legal means, rights adequate to protect its interests and those of the Bank, the Borrower, and the Guarantor, including the right to:

(a) require the Beneficiary Enterprise to carry out and operate the facilities financed under the Export Development Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, the provisions of Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and to maintain adequate records;

(b) without limitation to the generality of the provisions of the preceding paragraph (a), require the Beneficiary Enterprise to carry out and operate the Export Development Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual;

(c) for Export Development Sub-projects which need an environmental mitigation plan, require the Beneficiary Enterprise to carry out such environmental mitigation plan in a timely manner;

(d) require: (i) that the goods, works and services to be financed out of the proceeds of the Sub-loans and Lease Financing shall be procured in accordance with the provisions of Schedule 2, Section III to this Agreement; and (ii) that such goods, works and services shall be used exclusively in the carrying out of the Export Development Sub-project;

(e) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and the sites, works, plants and construction included in the Export Development Sub-project, the operation thereof, and any relevant records and documents;

(f) require that: (i) the Beneficiary Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan and Lease Financing to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary Enterprise to replace or repair such goods;

(g) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary Enterprise and to the benefits to be derived from the Export Development Sub-project; and

(h) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the Sub-loan and Lease Financing upon failure by such Beneficiary Enterprise to perform its obligations under its contract with the Borrower or the PB.

SCHEDULE 3

Amortization Schedule

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 15th and November 15th Beginning November 15, 2017 through November 15, 2040	2.08%
On May 15, 2041	2.24%

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.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Beneficiary Enterprise” means an enterprise satisfying the appropriate criteria as set forth in paragraph 4 of the Attachment to the Annex to Schedule 2 to this Agreement to which the Borrower or a PB proposes to make or has made a Sub-loan and/or Lease Financing (as defined hereinafter).
4. “Environmental Impact Assessments” or “EIAs” means the assessment to be carried out for Sub-projects (as defined) requiring such assessment in accordance with the requirements of the Operations Manual.
5. “Environmental Review” means the environmental review in the Operations Manual describing the environmental, mitigation, monitoring and institutional measures to be undertaken under the Project to ensure that all environmental concerns are adequately taken into account in the carrying out of the Project.
6. “Export Development Lease Financing” or “Lease Financing” means a financing provided or to be provided by the Borrower or a PB out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in Section IV of Schedule 2 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, works and services under an Export Development Sub-Project.
7. “Export Development Sub-loan” or “Sub-loan” means a loan made or proposed to be made by the Borrower or a PB out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in Section IV.A.2 of Schedule 2 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, works and services under an Export Development Sub-Project.
8. “Export Development Sub-Project” or “Sub-project” means a specific project, selected in accordance with paragraph 5 of the Attachment to the Annex to Schedule 2 to this Agreement, which is proposed to be carried out by a Beneficiary Enterprise, in whole or in part through the utilization of the proceeds of a Sub-loan or a Lease Financing.
9. “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section II.B of Schedule 2 to this Agreement.

10. “Free-limit Lease Financing” means a Lease Financing proposed to be provided in an amount less than the threshold specified for prior Bank review under paragraph 2 (b) of the Attachment to the Annex to Schedule 2 to this Agreement, for an Export Development Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph.

11. “Free-limit Sub-loan” means a Sub-loan proposed to be made in an amount less than the threshold specified for prior Bank review under paragraph 2 (b) of Attachment to the Annex to Schedule 2 to this Agreement, for an Export-Development Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph.

12. “International Financial Reporting Standards” or “IFRS” means the accounting standards issued or endorsed by the International Accounting Standards Board.

13. “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved.

14. “National Bank of Ukraine” or “NBU” means the Guarantor’s central bank.

15. “Operations Manual” means the manual developed and agreed by the Borrower and setting forth the detailed Project institutional, implementation, administrative and monitoring arrangements thereunder, including the operational and administrative procedures for the Borrower and PBs in respect of the preparation, approval, processing, financing, implementation and supervision of Sub-loans and Lease Financing, as updated from time to time.

16. “PIU” means the project implementation unit of the Borrower established on October 15, 1996 pursuant to the Borrower’s Order No. 255, or any successor to such unit.

17. “Participating Bank” or “PB” means a commercial bank which is at least fifty percent (50%) privately owned, registered and licensed according to the national legislation of the Guarantor and selected by the Borrower pursuant to criteria set forth in paragraph A.1 (a) of Annex to Schedule 2 to this Agreement.

18. “Statutes” means the Decree No. 29/92 of the President of Ukraine, dated January 3, 1992 “On the Establishment of the State Export-Import Bank of Ukraine”; the Order No. 189 of the President of Ukraine, dated April 27, 2000 “On the Transformation of the State Export-Import Bank of Ukraine into a Joint Stock Company”; the Charter of the Borrower approved by the Resolution No. 1250 of the Cabinet of Ministers of Ukraine, dated September 10, 2000; and such other laws, decrees, license, charters or regulations governing the operations of the Borrower as may be adopted or enacted from time to time.

19. “Subsidiary Loan” means any loan made pursuant to a Subsidiary Loan Agreement.
20. “Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PB pursuant to Section I.4 (b) of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement.
21. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
22. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
23. “Original Loan Agreement” means the Loan Agreement between the Borrower and the Bank dated September 26, 2006 for the Second Export Development Project, as amended to the date of this Agreement.
24. “Original Project” means the Project described in the Original Loan Agreement.
25. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.