

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 8064-UA

Loan Agreement

(Energy Efficiency Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

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

Dated June 10, 2011

LOAN AGREEMENT

Agreement dated June 10, 2011, between the JOINT STOCK COMPANY “THE STATE EXPORT-IMPORT BANK OF UKRAINE” (UKREXIMBANK) (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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 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 two hundred million United States Dollars (US\$200,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 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 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 - EFFECTIVENESS

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

ARTICLE V - REMEDIES OF THE BANK

- 5.01. The Additional Events of Suspension consist of the following:

- (a) 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.
 - (b) That the Borrower is in breach of a provision of applicable lending and banking regulations of the Guarantor or NBU.
- 5.02. The Additional Event of Acceleration consists of the following, namely, that either of the events specified in Section 5.01 (a) or (b) 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 VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Head of the International Financial Institutions Department 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

Facsimile:

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 Udovychenko

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to contribute to improved energy efficiency by industrial and commercial companies, municipalities and municipal sector enterprises and energy service companies by facilitating sustainable financial intermediation for energy efficiency investments.

The Project consists of the following Part:

Part 1

Carrying out Energy Efficiency Sub-Projects within the following categories:

- (i) modernization of inefficient and obsolete equipment and facilities;
- (ii) installation of highly energy-efficient equipment and processes for new production capacities whose current energy use considerably exceeds current best practices;
- (iii) utilization of waste gas and heat and excess pressure;
- (iv) improvement of systems which involves a suite of measures to increase energy efficiency;
- (v) reduction of energy losses in municipal sector enterprises;
- (vi) preparation of energy efficiency related studies and technical assistance;
- (vii) reduction of energy losses in buildings; and
- (viii) implementation of other Energy Efficiency Sub-Projects satisfactory to the Bank.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall maintain the PIU until completion of the Project and shall 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 and shall at all times comply with the lending eligibility criteria for the Borrower as set forth in 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 at all times comply with all applicable lending and banking regulations of the Guarantor and the NBU.
4. For the purposes of carrying out the Project, the Borrower shall:
 - (a) select for direct on-lending Energy Efficiency Sub-Projects which meet the criteria set forth in the Operations Manual and which shall include, without limitation, those set forth in the Annex to this Schedule;
 - (b) select PBs pursuant to criteria set forth in paragraph A.1 of the Annex to this Schedule which PBs shall select for on-lending Energy Efficiency Sub-Projects which meet the criteria set forth in the Operations Manual;
 - (c) relend to PBs proceeds of the Loan under Subsidiary Loan Agreements to be entered into between the Borrower and each 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;
 - (d) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans provided to any one Beneficiary Enterprise shall not exceed the equivalent of \$30,000,000;
 - (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;
- (g) exercise its rights under each Subsidiary Loan Agreement 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; and
- (h) exercise its rights in respect of each Sub-loan 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 rights it may have in respect of such Sub-loan.

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 Assessment Framework and shall ensure that each Sub-Project shall comply with environmental review procedures set forth in the Environmental Assessment Framework and the Operations Manual and that any EIAs and any environmental reviews, as may be necessary in accordance with the provisions of the Environmental Assessment Framework and the Operations Manual, shall be carried out in a satisfactory and timely manner.

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 the Guarantor (to the extent allowed under prevailing Ukrainian banking laws and regulations) 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 after the Closing Date.

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 (“IFRs”) for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have 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 and Works

All goods and works 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 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 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 and Works

1. Methods of Procurement of Goods and Works by or for the Private Sector

1.1 Open Competitive Bidding

Except as otherwise provided in paragraph 2 below, contracts to privately-owned entities 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 advertizing 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 entered into by Beneficiary Enterprises with subsidiary or affiliated companies will not be eligible for financing out of the Loan.

1.2 Commercial Practices

Contracts for: goods and works estimated to cost the equivalent of less than \$10,000,000 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 entered into by Beneficiary Enterprises with subsidiary or affiliated companies will not be eligible for financing out of the Loan.

2. Methods of Procurement of Goods and Works by or for a Municipality

2.1 International Competitive Bidding. Except as otherwise provided in paragraph 2.2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2.2 The following table specifies the methods of procurement, other than International Competitive Bidding.

Procurement Method
(a) National Competitive Bidding, Contracts for works estimated to cost the equivalent of less than \$5,000,000 but more than \$100,000 per contract, and goods estimated to cost the equivalent of less than \$500,000 but more than \$100,000 per contract, may be awarded in accordance with national competitive

bidding procedures subject to the following:

Eligibility - Bidding shall not be restricted to domestic firms. Foreign firms shall not be excluded from the national competitive bidding process irrespective of the contract value.

Procedures - "Open tender procedures" shall be followed in all cases. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.

Pre-qualification - Prequalification, where used, shall be based on a "pass/fail" system. Minimum experience, technical, and financial requirements shall be explicitly stated in the pre-qualification documents.

Participation by Government-owned Enterprises - Government-owned enterprises in the Borrower's territory shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Government. Government-owned enterprises will be subject to the same bid and performance security requirements as other bidders.

Bidding Documents - Procuring entities shall use the appropriate Bank's sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or technical services (other than consultants' services), all acceptable to the Bank. Bidding documents shall be made available to all those companies that have paid the required fee.

Bid Opening and Bid Evaluation - Bids shall be opened in public, immediately after the deadline for submission of bids. Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents. No domestic preference shall be allowed in evaluating bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.

Rejection of Bids - No bid shall be rejected purely on the basis that the bid price is higher than the estimated budget for that procurement. All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.

Securities - Bid security shall not exceed two percent (2%) of the estimated cost of the contract. Performance security shall not exceed ten percent (10%) of the contract price. No advance payments shall be made to contractors without a

suitable advance payment security. The format of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.
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(b) Shopping. Contracts for works and goods estimated to cost the equivalent of less than \$100,000 per contract may be awarded in accordance with shopping procedures
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C. Particular Methods of 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 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.

2.2 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.

2.3 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.

2.4 Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, consultant 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 International Competitive Bidding; (ii) the first contract under each Sub-loan to the municipal sector procured under

Section B.2.2 (a) of this Section III of this Schedule and the first contract under the first three Sub-loans to the municipal sector procured under Section B.2.2 (b) of this Section III of this Schedule; (iii) all contracts procured under Sections C.1, C.2.2 and C.2.4 of this Section III of this Schedule; and (iv) the first contract procured under Sections C.2.1 and C.2.3 of this Section III 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	199,500,000	100%
(2) Front end Fee	500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	200,000,000	

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 except that withdrawals may be made for expenditures incurred after December 22, 2010 up to an aggregate amount not exceeding \$40,000,000 equivalent;
- (b) for a Sub-loan under Category 1 to be made by a PB unless the Borrower has provided evidence satisfactory to the Bank (i) that a Subsidiary Loan Agreement has been entered into between the Borrower and the respective PB, on terms and conditions satisfactory to the Bank, including without limitation those set forth in the Annex to this Schedule and in the Operations Manual, and (ii) in the form of a legal opinion, satisfactory to the Bank, which confirms that the Subsidiary Loan Agreement referred to in sub-paragraph (i) is legal, valid and binding on the Borrower and the PB in accordance with its terms;
- (c) for a Sub-loan under Category 1 unless the Borrower has provided all documentation necessary to evidence that the Sub-loan 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 this Schedule to this Agreement; and
- (d) for a Sub-loan under Category 1 in the event that the expenditures are for any of the Excluded Activities.

2. The Closing Date is March 31, 2016.

**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 (c) 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 the PB:

- (i) is a 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 corporate loans-to-total loans ratios during each of the last two fiscal years (for which data are available) exceeding a minimum of 20% 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 not exceeding 20% and short open currency position not exceeding 10%, calculated according to NBU regulations; liquidity quick ratio of a minimum of 20%, liquidity current ratio of a minimum of 40% and liquidity short-term ratio of a minimum of 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 such 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 Energy Efficiency Sub-Projects, including for the efficient evaluation and supervision of the energy savings, procurement and environmental elements of Energy Efficiency 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 be: (a) denominated in Dollars or any other currency acceptable to the Borrower; and (b) the equivalent of the aggregate amount of the principal of all Sub-loans 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 be charged interest at a rate equal to the rate payable under Section 2.04 of this Agreement on the principal amount thereof withdrawn and outstanding from time to time, plus the administrative costs of the Borrower and a credit

risk margin acceptable to the Bank, payable monthly; and each Subsidiary Loan shall be repaid in accordance with an amortization schedule calculated to have a maturity of not more than ten (10) years, including a grace period of not more than five (5) years or as otherwise agreed between the Borrower and the Bank.

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, the Environmental Assessment Framework and with the provisions of the 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 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 made to any one Beneficiary Enterprise shall not exceed the equivalent of \$30,000,000;
- (iii) exercise its rights in relation to each such Sub-loan and 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 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 and the Environmental Assessment Framework;
 - (vi) ensure that each Sub-Project shall comply with environmental review procedures set forth in the Operations Manual and the Environmental Assessment Framework. To that end, PBs shall require each Beneficiary Enterprise applying for a Sub-loan Financing to furnish evidence satisfactory to the Borrower and 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 Energy Efficiency Sub-Projects which require an environmental mitigation plan in accordance with the provisions of the Environmental Assessment Framework, 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; (bb) the applicable laws and regulations of the Guarantor relating to health, safety and environmental protection; and (cc) the provisions of the Environmental Assessment Framework and shall include adequate information on the carrying out of any EIA's and such environmental management plans in the progress reports referred to in subparagraph (c) (ii) of this paragraph;
 - (viii) ensure that Sub-projects do not include or support any Excluded Activities; and
 - (ix) 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 Energy Efficiency 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 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 application; 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, a separate account 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; and (ii) utilize all amounts so credited to said separate account, to the extent they are not yet required to meet such PB's payment or repayment obligations to the Borrower under its respective Subsidiary Loan Agreement, exclusively to finance additional development projects to further the development of energy efficiency; and
- (f) assume the credit risk of each Sub-loan.

**ATTACHMENT TO
ANNEX TO
SCHEDULE 2**

Terms and Conditions of Sub-loans

1. Each Sub-loan 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 and each PB's respective investment and lending policies and practices, as the case may be, provided, however, that in the case of a PB, the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall be equal to at least the rate of interest applicable from time to time to the Subsidiary Loan plus the administrative costs and an appropriate credit risk margin.

2. No expenditures for an Energy Efficiency Sub-Project by the Borrower or a PB shall be eligible for financing out of the proceeds of the Loan:

(a) unless such expenditures shall have been made not earlier than three hundred and sixty (360) 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;

(b) unless, in the case of all Sub-Projects which are classified as Category A Sub-Projects in accordance with the provisions of the Operations Manual the Borrower has submitted such Category A Sub-Projects for the Bank's prior approval; and

(c) in the event that the expenditures are for any of the Excluded Activities.

3. (a) The first 2 Sub-loans by the Borrower and each PB and each Sub-loan which is required to be presented to the Bank for prior approval in accordance with the requirements of the Operations Manual, shall be submitted to the Bank for its prior approval together with an application and the matters referred to in (b) below.

(b) When presenting a Sub-loan 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 Energy Efficiency 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, including the schedule of amortization of the Sub-loan;

- (iii) copies of any reports or assessments as may be required by the procedures set forth in the Operations Manual or the Environmental Assessment Framework and specifically with the calculation of energy savings and rate of return set forth in the Operations Manual and, in the case of any reports or assessments as may be required in accordance with the environmental review procedures set forth in the Environmental Assessment Framework, any required mitigation measures, EIAs or mitigation plans, as the case may be ; and
- (iv) such other information as the Bank shall reasonably request.

(c) Each Sub-loan 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 shall be made to Beneficiary Enterprises which each shall have established to the satisfaction of the Borrower that:

- (i) 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
- (ii) 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 Energy Efficiency Sub-Project.

(b) For purposes of this paragraph:

- (i) the term “debt” means any indebtedness of the Beneficiary Enterprise;
- (ii) debt shall be deemed to be incurred 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;
- (iii) 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

- (iv) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt.

5. A Sub-loan may be made for an Energy Efficiency Sub-Project which is determined on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank set forth in the Environmental Assessment Framework and the Operations Manual, to be:

- (a) technically feasible and economically and financially viable;
- (b) targeted towards generation of energy savings in accordance with the criteria set forth in the Operations Manual;
- (c) 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 Environmental Assessment Framework and the Operations Manual;
- (d) without prejudice to (c) above, if a Category A Sub-Project, to have followed all procedures relating to assessments and plans set forth in the Environmental Assessment Framework and the Operations Manual; and
- (e) a Sub-Project which does not support any of the Excluded Activities.

6. Sub-loans may finance working capital up to an aggregate amount not to exceed the equivalent of 10% of the Sub-loan, provided that such working capital is used solely for the purposes of Energy Efficiency Sub-Projects.

7. Sub-loans shall be made in accordance with a Sub-loan Agreement signed between the Borrower or the PB, as the case may be, and the Beneficiary Enterprise, which shall provide terms and adequate rights to protect interests of the Borrower and the PB, as the case may be, and those of the Bank and the Guarantor including the right to:

- (a) require the Beneficiary Enterprise to carry out and operate the facilities financed under the Energy Efficiency Sub-Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, the provisions of the 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 Energy Efficiency 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 and the Environmental Assessment Framework, if applicable;

- (c) for Energy Efficiency Sub-Projects which need an environmental mitigation plan, require the Beneficiary Enterprise to carry out such environmental mitigation plan in a timely manner and according to applicable legislation of the Guarantor and in conformity with the Operations Manual and the Environmental Assessment Framework;
- (d) require: (i) that the goods, works and services to be financed out of the proceeds of the Sub-loans and shall be procured in accordance with the provisions of Schedule 2 to this Agreement; and (ii) that such goods, works and services shall be used exclusively in the carrying out of the Energy Efficiency 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 Energy Efficiency 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 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 Energy Efficiency Sub-Project; and
- (h) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the Sub-loan and upon failure by such Beneficiary Enterprise to perform its obligations under its Sub-loan Agreement with the PB or the Borrower, as the case may be.

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 April 15 and October 15 Beginning October 15, 2017 through April 15, 2040	2.13 %
On October 15, 2040	2.02 %

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. “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 proposes to make or has made a Sub-loan.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Category A Sub-Projects” means Sub-Projects which require full environmental impact assessment pursuant to the provisions of the Operations Manual.
5. “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.
6. “Energy Efficiency 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 paragraph 2, 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, on-going day-to-day business transactions, and services under an Energy Efficiency Sub-Project.
7. “Energy Efficiency Sub-Project” or “Sub-Project” means a specific project, including lease financing, 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.
8. “Environmental Assessment Framework” means the environmental assessment framework prepared by the Borrower for use in the Project dated October 28, 2010, which describes the environmental, mitigation, monitoring and institutional policy, procedures and measures to be undertaken under the Project, including in particular procedures and policies in respect of Category A Sub-Projects, to ensure that all environmental concerns are adequately taken into account in the carrying out of the Project.

9. “Environmental Impact Assessments” or “EIAs” means each assessment to be carried out for Sub-Projects requiring such assessment in accordance with the requirements and provisions of the Environmental Assessment Framework and the Operations Manual.
10. “Excluded Activities” means, collectively:
 - (a) any of the activities listed, or activities that produce and/or use materials listed, in the Operations Manual and which are classified and referred to as part of the negative list in the Operations Manual;
 - (b) an investment that entails involuntary resettlement; and
 - (c) an investment that involves the use or potential pollution of international waterways (or detailed design and engineering studies of such investment).
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
12. “International Financial Reporting Standards” or “IFRS” means the accounting standards issued or endorsed by the International Accounting Standards Board.
13. “Municipality” means a municipality established and operating in the territory of the Guarantor in accordance with its laws.
14. “Municipal Sector Enterprise” means an enterprise which performs works or provides services in the municipal sector, including, but not limited to, water supply, heating, etc.
15. “National Bank of Ukraine” or “NBU” means the Guarantor’s central bank.
16. “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.
17. “PIU” means the project implementation unit of the Borrower established by the Borrower on March 9, 2010, pursuant to the Borrower’s Order No. 117, or any successor to such unit.
18. “Participating Bank” or “PB” means a commercial bank 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 of the Annex to Schedule 2 to this Agreement.

19. “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.
20. “Statutes” means the Decree No. 29 of the President of Ukraine, dated January 3, 1992 “On the Establishment of the State Export-Import Bank of Ukraine”; the Order No. 189/2000 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, as amended and supplemented; and such other laws, decrees, licenses, charters or regulations governing the operations of the Borrower as may be adopted or enacted from time to time.
21. “Sub-loan Agreement” means an agreement entered into or to be entered between the Borrower or a PB, as a case may be, and a Beneficiary Enterprise for purposes of carrying out an Energy Efficiency Sub-Project.
22. “Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PB pursuant 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 and under which a loan is made to a PB (a “Subsidiary Loan”).
23. “UAH” means Ukrainian Hryvnia, a unit of the currency of the Guarantor.