

CONFORMED COPY

LOAN NUMBER 7072 SK

Loan Agreement

(Enterprise and Financial Sector Adjustment Loan)

between

SLOVAK REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 25, 2001

LOAN NUMBER 7072 SK

LOAN AGREEMENT

AGREEMENT, dated September 25, 2001, between SLOVAK REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower a letter dated June 28, 2001, describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's enterprise and financial sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) on the basis, inter alia, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed Spread Loans" of the Bank, dated September 1, 1999, with the modifications thereto set forth below (the General Conditions) constitute an integral

part of this Agreement:

- (a) Section 2.01, paragraph 41, is modified to read:

"'Project' means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.";

- (b) Section 3.08 is modified to read:

"Each withdrawal of an amount from the Loan Account shall be made in the Loan Currency of such amount. The Bank, at the request and acting as an agent of the Borrower, shall purchase with the Loan Currency withdrawn from the Loan Account the currency or currencies of the deposit account specified in Section 2.02 of the Loan Agreement.";

- (c) Section 5.01 is modified to read:

"The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions";

- (d) The last sentence of Section 5.03 is deleted;

- (e) Section 9.07 (c) shall be modified to read:

"(c) Not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(b) "DIF" means the Deposit Insurance Fund of the Borrower established under the provisions of the Deposit Insurance Act No. 118/1996 Coll., dated 1996;

(c) "Inter-Agency Commission" means the commission established by the Borrower to oversee the implementation of bankruptcy legislative reforms;

(d) "IRB" means the Investment Bank of the Borrower established under the provisions of the Banking Act No. 21/1992, Coll., and Commercial Code No. 513/1991 Coll., dated 1992;

(e) "KOB" means the Consolidation Bank of the Borrower established under provisions of the Banking Act No. 21/1992 Coll., dated 1993;

(f) "NBS" means the National Bank of Slovakia;

(g) "SDP" means the Supervisory Development Plan prepared by the Borrower for banking supervision;

(h) "SKA" means the Slovak Consolidation Agency established by the Borrower under the provisions of Act No. 513/1991 Coll., as amended, dated 1999; and

(i) "VUB" means the Commercial Bank of the Borrower established under the provisions of the Banking Act No. 21/1992 Coll., and Commercial Code No. 513/1991 Coll., dated 1992.

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to two hundred million Euro (EUR 200,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d), of this Section, the Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain in its central bank, a deposit account in Euro on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the Deposit Account an amount equal to the amount of said payment; or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

(d) (I) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account shall have reached sixty million Euro (EUR 60,000,000), including two million Euro (EUR 2,000,000) for the payment of the fee referred to in Section 2.04 of this Agreement, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank:

- (A) with the progress achieved by the Borrower in the carrying out of Program;
- (B) that the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank; and
- (C) that the actions described in Schedule 3 to this Agreement have been taken.

If, after said exchange of views, the Bank is not so satisfied, the Bank may give notice to the Borrower to that effect and, if within 90 days after such notice, the Borrower shall not have taken steps satisfactory to the Bank, in respect of (A), (B) and (C) above, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof; and

(II) after the aggregate of the proceeds of the Loan withdrawn from the Loan Account shall have reached one hundred thirty million Euro (EUR 130,000,000) unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank:

- (A) with the progress achieved by the Borrower in the carrying out of the Program;
- (B) that the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank; and
- (C) that the actions described in Schedule 3 to this Agreement have been taken.

If after said exchange of views, the Bank is not so satisfied, the Bank may give notice to the Borrower to that effect and, if within 90 days after such notice, the Borrower shall not have taken steps satisfactory to the Bank, in respect of (A), (B) and (C) above, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

Section 2.03. The Closing Date shall be June 30, 2004, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan (EUR 2,000,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of the said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest, commitment and other charges shall be payable semiannually in arrears on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.09. (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 from a Variable Rate to a Fixed Rate, or vice versa; 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 said 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 Section 2.01(7) of 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

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

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

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning the Deposit Account and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Stefanovicova ul.5
810 05 Bratislava
Slovak Republic

Telex: Facsimile:
121868 (421-7)5249-3531

For the Bank:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the city of Bratislava, Slovak Republic, as of the day and year first above written.

SLOVAK REPUBLIC

By /s/ Brigita Schmognerova

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Roger Grawe

Authorized Representative

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);
6. expenditures: (i) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (ii) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
7. expenditures under a contract in respect of which the Bank determines that

corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 2

Amortization Schedule

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 shall 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) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as a %)
February 1, 2007	4.06%
August 1, 2007	4.21%
February 1, 2008	4.36%
August 1, 2008	4.51%
February 1, 2009	4.67%
August 1, 2009	4.84%
February 1, 2010	5.01%
August 1, 2010	5.19%
February 1, 2011	5.37%
August 1, 2011	5.56%
February 1, 2012	5.76%
August 1, 2012	5.96%
February 1, 2013	6.18%
August 1, 2013	6.39%
February 1, 2014	6.62%
August 1, 2014	6.86%
February 1, 2015	7.10%
August 1, 2015	7.35%

2. If the proceeds of the Loan shall not 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 as follows:

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

(b) Any withdrawal made 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 shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts 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) Withdrawals made 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 3, if at any time the Bank shall adopt 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 principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be 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 said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Section I. Actions Referred to in Section 2.02 (d) (I) this Agreement

1. Sale of not less than 67% of IRB's shares to strategic investor or investors, or initiation of alternative resolution procedures, satisfactory to the Bank.
2. Divestiture of state equity holdings in VUB, including sale of at least 67% of VUB's shares to private strategic investors.
3. Full compliance of all banks with NBS's prudential regulations and initiation of conservatorship or liquidation for non-compliant banks.
4. Enactment of a Banking Law, in substance satisfactory to the Bank.
5. Enactment of NBS decree, satisfactory to the Bank, directing the banks to mark to market the value of their securities in their quarterly statements whenever the market value falls below the book value.
6. Completion of draft amendments to the Accounting Law and other relevant legislation, satisfactory to the Bank, introducing non-accrual of interest on assets past due 90 days or more.
7. Completion of draft amendments to the Auditing Law, satisfactory to the Bank.
8. Enactment of decrees and regulations, satisfactory to the Bank, for the implementation of the Banking Law.
9. Adoption by the DIF of a satisfactory financing plan.
10. Submission to the Borrower's Parliament of amendments to the Deposit Insurance Act, satisfactory to the Bank.
11. Adoption by the NBS Board of guidelines for conservatorship, satisfactory to the Bank.
12. Adoption by the NBS Board of a SDP, satisfactory to the Bank.
13. Satisfactory progress in designing policies and procedures for a proactive approach to bank supervision.
14. Removal of KOB's banking license and transfer of KOB's distressed assets to SKA.
15. Sale to the private sector or outsourcing to the private sector, through open tenders, or writing-off of assets after satisfactory due diligence of not less than 30 percent of the nominal value of SKA assets.
16. Submission to the Borrower's Parliament of a law, satisfactory to the Bank, providing for: (a) changes in the tax rules allowing proper tax treatment of debt write-offs and debt/equity swaps; and (b) resolution of tax and public fund arrears and including provisions allowing forgiveness, compromise, third party management of claims, and sale at a discount.
17. Elaboration by the Inter-Agency Commission of an assessment of the effectiveness of recent amendments to the Bankruptcy Law.

18. (a) Completion of an insolvency report by the Inter-Agency Commission, satisfactory to the Bank, including identification of core principles for modernizing the insolvency law and for strengthening institutional capacity; and (b) establishment of a drafting team for preparation of insolvency legislation.

19. Enactment of decree introducing improvements to the regulation of liquidators and trustees, satisfactory to the Bank.

20. Completion of draft amendments to the laws regulating collateral, satisfactory to the Bank.

21. Submission to the Borrower's Parliament of a securities law, satisfactory to the Bank.

22. Submission to the Borrower's Parliament of amendments to the Commercial Code, satisfactory to the Bank.

Section II. Actions Referred to in Section 2.02(d) (II) of this Agreement

1. Sale of at least 67% of Banka Slovakia's shares to private strategic investors.

2. Full compliance of all banks with NBS's prudential regulations.

3. Enactment of amendments to the Accounting Law, in substance satisfactory to the Bank.

4. Enactment of amendments to the Auditing Law, in substance satisfactory to the Bank.

5. Satisfactory progress in implementing the DIF financing plan.

6. Enactment of amendments to the Deposit Insurance Act, satisfactory to the Bank.

7. Completion of a study for structural reform of the DIF, satisfactory to the Bank.

8. Satisfactory implementation of the SDP.

9. (a) Sale to the private sector or outsourcing to the private sector, through open tenders or writing-off of assets after satisfactory due diligence of not less than 50 percent of the nominal value of SKA assets; (b) satisfactory progress in preparing transactions to dispose of a further 20 percent of the nominal value of SKA assets by December 31, 2002.

10. Enactment of a law, in substance satisfactory to the Bank, providing for: (a) changes in the tax rules allowing proper tax treatment of debt write-offs and debt/equity swaps; and (b) resolution of tax and public fund arrears and including provisions allowing forgiveness, compromise, third party management of claims, and sale at a discount.

11. Completion of initial draft of insolvency legislation, satisfactory to the Bank.

12. Adoption by the Borrower of a concept of a regulatory framework for an effective insolvency system, satisfactory to the Bank.

13. Enactment of satisfactory amendments to the laws regulating collateral.

14. Enactment of a Securities Law, in substance satisfactory to the Bank.

15. Enactment of amendments to the Commercial Code, in substance satisfactory to the Bank.

16. Enactment of a law, in substance satisfactory to the Bank, strengthening the legal, budgetary and operational autonomy of the securities and insurance market regulator.



