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CONFORMED COPY

LOAN NUMBER 7774-HR

Loan Agreement

(Export Finance Intermediation Loan Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated September 2, 2009

LOAN NUMBER 7774-HR

LOAN AGREEMENT

Agreement dated September 2, 2009, between THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and THE CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Borrower”). The Bank and the Borrower 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 one hundred million Euro (EUR100,000,000), 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. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (d) 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 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 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; 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.
- 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 Act or the Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under the this Agreement.

4.02. The Additional Events of Acceleration consists of the following, namely, the event specified in Section 4.01 of this Agreement shall occur.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) Two Subsidiary Loan Agreements have been executed on behalf of the Borrower and two PBs.
 - (b) The Borrower has adopted the Operational Manual in form and substance satisfactory to the Bank.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Loan Agreements referred to in paragraph (a) of Section 5.01 of this Agreement have been duly authorized by the Borrower and the respective Participating Bank and are legally binding upon the Borrower and the PB in accordance with their terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the Executive Director of the Borrower's Fund Managing Division.
- 6.02. The Borrower's Address is:

Croatian Bank for
Reconstruction and Development
Strossmayerov trg 9
10000 Zagreb
Republic of Croatia

Facsimile:

(385-1) 4597-882

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 Zagreb, Republic of Croatia, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andras Horvai

Authorized Representative

CROATIAN BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Anton Kovacev

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the preservation and growth of exports by providing medium- and long-term working capital and investment finance to exporters and foreign exchange earning enterprises.

The Project consists of the following: the establishment and operation of a credit facility within the Borrower for the financing of Sub-loans from PB to Beneficiary Enterprises for the purposes of the carrying out of Sub-projects.

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

1. Except as the Bank shall otherwise agree, the Borrower shall maintain, until the completion of the Project, the PIU, and ensure that the PIU functions at all times in a manner and with staffing and budgetary resources satisfactory to the Bank and suitable to enable it to implement the Project, including compliance under the Project with all of the Bank's fiduciary and safeguard requirements.

2. The Borrower shall: (i) maintain the Operational Manual in form and content satisfactory to the Bank; (ii) duly perform all its obligations under the Operational Manual; and (iii) not assign, amend, abrogate or waive the Operational Manual or any provision thereof without obtaining the prior approval of the Bank.

3. Beginning with Fiscal Year 2009 and for the duration of Project implementation, the Borrower shall submit, not later than August 15 and June 30, respectively, a compliance certificate confirming ongoing compliance with the laws and regulations of the Guarantor applicable to the Borrower and providing information on agreed-upon prudential ratios, as certified by the Borrower's management on a semi-annual basis as of June 30 and December 31 of each Fiscal Year.

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

(a) select PB pursuant to the criteria set forth in paragraph B.1 of this Section;

(b) relend to each PB the equivalent of the proceeds of the Loan allocated to Category (1) set forth in Section IV.A of this Schedule under a Subsidiary Loan Agreement 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 paragraphs B.2, B.3, B.4 and B.5 of this Section;

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

(d) 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;

(e) take or cause to be taken all action 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

(f) 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.

5. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines issued by the Bank on October 15, 2006, which are applicable to all IBRD loans and IDA credits and grants.

B. Criteria, Terms and Conditions of On-lending to PBs

The criteria and principal terms and conditions set forth in this Section I.B shall apply for the purposes of paragraph 4 of Section I.A of this Schedule.

Eligibility Criteria

1. A Subsidiary Loan Agreement may be entered into with a Participating Bank, 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 Participating Bank, during the duration of its Subsidiary Loan Agreement, and except as the Bank shall otherwise agree:

- (i) is in compliance with applicable banking laws and prudential regulations of the Guarantor as confirmed in the semi-annual financial reports submitted by the Participating Bank's management and duly certified by the Participating Bank's auditors at the end of each Fiscal Year of the PB;
- (ii) 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;
- (iii) has agreed to submit to the Borrower not later than six (6) months after the end of each Fiscal Year, beginning with Fiscal Year 2009, an audit report which, unless the Bank shall otherwise agree: (A) covers two (2) full years of its operations; (B) is prepared by an independent audit firm in accordance with

International Auditing Standards, the International Financial Reporting Standards, or other statutory requirements for banks operating in the Guarantor's territory; and (C) contains an unqualified audit opinion;

- (iv) has adequate organization, management, staff and other resources necessary for its efficient operation, including an acceptable level of loan collection; and
- (v) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Sub-projects.

Terms

2. The principal amount to be relented out of the proceeds of the Loan to a PB under a Subsidiary Loan Agreement shall be: (a) denominated in Euro, Kuna, or Kuna indexed to Euro; and (b) the equivalent in Euro or Kuna (determined as of the date or respective dates of repayment of the principal amount of the Loan specified in Schedule 3 to this Agreement) on account of the cost of goods, works and services (other than consultants' services) to be financed under the Subsidiary Loan out of the proceeds of the Loan allocated from time to time to Category (1).

3. Each Subsidiary Loan shall: (a) be charged on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal at a minimum to the interest rate of the cost of the Loan to the Borrower plus an on-lending margin reflecting the Borrower's administrative costs; and (b) be repaid in accordance with an amortization schedule, as set forth in the Subsidiary Loan Agreement, calculated to have a maturity of not less than five (5) years and not exceeding the maturity of the Loan.

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

Conditions

5. Each Subsidiary Loan Agreement shall contain provisions pursuant to which each 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, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients

of Loan proceeds other than the Borrower, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in the Operational Manual, 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 Operational Manual, including, without limitation, the terms and conditions set forth in Section I.C of this Schedule;
- (ii) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans made provided to any one Beneficiary Enterprise, or group of connected Beneficiary Enterprises, shall not exceed the equivalent of Euro 10,000,000;
- (iii) exercise its rights in relation to each such Sub-loan 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 Operational Manual;
- (vi) screen proposed Sub-projects, ensure that each Beneficiary Enterprise carry out an appropriate environmental assessment for each Sub-project, and verify (through its own staff, outside experts, or existing environmental institutions) before approving a Sub-project that the Sub-project meets the environmental requirements of appropriate national and local authorities and is consistent with the Bank's applicable environmental assessment and safeguard policies and complies with the environmental review procedures set forth in the Operational Manual;
- (vii) require each Beneficiary Enterprise applying for a Sub-loan to furnish evidence satisfactory to the Bank showing that the Sub-project in respect of which the application has been prepared is in compliance with the environmental review procedures set forth in the Operational Manual;

- (viii) ensure that for 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
 - (ix) ensure that: (aa) goods, services (other than consultants' services), and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of this Schedule; and (bb) such goods, services (other than consultants' services) and works shall be used exclusively in the carrying out of the 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 semi-annual 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 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; 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 Subsidiary Loan Agreement, exclusively to finance additional development projects to further the development of the Guarantor's export sector and quasi export sector; and

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

C. Terms and Conditions of Sub-loans

The provisions of this Section I.C shall be for the purposes of paragraph 5 (b) of Section I.B of this Schedule.

1. The principal amount of each Sub-loan shall be denominated in Euro, Kuna or Kuna indexed to Euro and 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 Participating Bank's investment and lending policies and practices; provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal at least the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement and to the Subsidiary Loan pursuant to the provisions of paragraph (3) of Section B of this Schedule plus an appropriate credit risk margin acceptable to the Bank and that the foreign exchange risk, if any, shall be borne by the PB.

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

- (a) the first two Sub-loans by the said PB for such Sub-Project shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred 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; or

- (b) the Sub-loan for such Sub-project shall have been, respectively, a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred eighty (180) days prior to the date on which the Borrower shall have received the request and information required under paragraph 3 (a) of this Section in respect of such free-limit Sub-loan. For the purposes of this Agreement, a "free-limit Sub-loan" shall be a Sub-loan, other than the first two Sub-loans by each PB, and other than any Sub-loan to a Beneficiary Enterprise in an amount exceeding the sum of Euro 5,000,000 equivalent (when added to all other free-limit Sub-loans 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.

(c) Applications and requests made pursuant to the provisions of subparagraphs 2 (a) and (b) shall be presented to the Bank on or before March 1, 2013.

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

- (i) an appraisal of the Beneficiary Enterprise and of the 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) evidence of compliance with the Operational Manual and specifically with the environmental review procedures set forth in the Operational Manual; and
- (iv) such other information as the Bank shall reasonably request.

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

- (i) it is a Private Enterprise that is an Exporter or a Foreign Exchange Earning Enterprise;
- (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 Sub-project, including without limitation: (A) a maximum debt/equity ratio of 85:15 (after receipt and for the first three years for each Sub-loan > □1,000,000, after receipt and for the first year for each Sub-loan □□1,000,000), unless otherwise agreed with the bank; (B) after receipt of the sub-loan, it generates enough cash during the pay-back period of the Sub-loan to maintain a minimum debt service coverage ratio of at least 1.1:1 (after receipt and for the first three years for each Sub-loan > □1,000,000, after receipt and for the first year for each Sub-loan □□1,000,000), unless otherwise agreed with the bank

(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) an enterprise shall be considered to be an “Exporter” when it is a business entity that generates foreign exchange export revenues;
- (iii) an enterprise shall be considered to be a Foreign Exchange Earning Enterprise when it is a quasi-exporter, such as tourism and logistics firms, and the business entity can demonstrate that a predefined share of its income comes from sales of goods and services to non-resident companies or individuals;
- (iv) the term “debt/equity ratio” means the proportion of total liabilities and equity the enterprise uses to finance its assets; and
- (v) “debt service coverage ratio” means the coverage of interest expense with earnings before interest and taxes (EBIT/interest expense).

5. The Sub-loans shall be made for 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 Operational Manual:

(a) to be technically feasible and economically, financially and commercially viable; and

(b) (i) to be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and the environmental review procedures of the Bank as set forth in the Operational Manual; and (ii) not to trigger any of the Bank’s environmental and/or social safeguard policies and procedures on “Involuntary Resettlement”, “Safety of Dams”, or “Project on International Waterways”, as the same may be amended from time to time.

6. Sub-loans shall be made on terms whereby the PB 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 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 Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operational Manual;

(c) for 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 (other than consultants' services) to be financed out of the proceeds of the Sub-loans shall be procured in accordance with the provisions of Section III of this Schedule; and (ii) that such goods, works and services (other than consultants' services) shall be used exclusively in the carrying out of the 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 Sub-project, the operation thereof, and any relevant records and documents;

(f) require that, in the case of a Sub-loan made to finance investment capital: (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 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 Sub-project; and

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

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 Monitoring and Evaluation Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two (2) months 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 February 28, 2014.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system, including records and accounts, and prepare Financial Statements, all in accordance with the provisions of Section 5.09 of the General Conditions, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its records, accounts and Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of its records, accounts and the Financial Statements shall cover the period of one Fiscal Year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

C. Mid-Term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, 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 or about September 1, 2011, a report integrating the results of the monitoring and evaluation activities 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, on or about November 1, 2011, or such later date as the Bank shall request, the report referred to in the preceding paragraph (b), 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 matter.

Section III. Procurement

A. General

1. **Goods, Services (Other than Consultants' Services) and Works.** All goods, services (other than consultants' services) 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. **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.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, services (other than consultants' services) and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Procurement in Loans to Financial Intermediaries.** Contracts for goods, services (other than consultants' services) or works estimated to cost the equivalent of Euro 10,000,000 or less per contract may be awarded in accordance with the established private sector or commercial practices which have been found acceptable to the Bank.

C. 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) each contract for goods, services (other than consultants' services) or works procured on the basis of International Competitive Bidding; and (ii) the first contract to be financed under each of the first two (2) Sub-loans made by each PB. 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 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 category of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category.

Category	Amount of the Loan Allocated (Expressed in EUR)	Percentage of Expenditures to be Financed
(1) Sub-loans	100,000,000	100%
TOTAL AMOUNT	<u>100,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

(b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed EUR 20,000,000 may be made for payments made prior to this date but on or after September 30, 2008, for Eligible Expenditures under Category (1); or

(c) under Category (1), unless the Sub-loan has been made in accordance with the criteria and procedures set forth in the Operational Manual and on the terms and conditions referred to in paragraph B of Section I of this Schedule 2.

2. The Closing Date is August 31, 2013.

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, 2016 through April 15, 2037	2.33%
On October 15, 2037	2.14%

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**Section I. Definitions**

1. “Act” means, collectively, the Guarantor’s “Act on the Croatian Bank for Reconstruction and Development” published in the Guarantor’s Official Gazette No. 138/06, pursuant to which the Borrower has been established and is operating as a development and export banking institution, and such other laws, decrees, licenses, charter or regulations governing the operations of the Borrower as may be adopted or enacted from time to time.
2. “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.
3. “Beneficiary Enterprise” means an enterprise satisfying the appropriate criteria as set forth in paragraph 4 of Section C of Schedule 2 to this Agreement to which a PB (as hereinafter defined) proposes to make or has made a Sub-Loan.
4. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008), with the modifications set forth in Section II of this Appendix.
6. “Fiscal Year” means the twelve (12) month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.
7. “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 Section I.C.2 (b) of Schedule 2 to this Agreement, for a Sub-project (as hereinafter defined) which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph.
8. “International Auditing Standards” means the professional standards for the performance of the financial audit of financial information issued by the International Auditing and Assurance Standards Board.
9. “International Financial Reporting Standards” means the accounting standards issued or endorsed by the International Accounting Standards Board.
10. “Kuna” means the legal currency of the Guarantor.
11. “Monitoring and Evaluation Indicators” means the agreed monitoring and evaluation indicators set forth in a letter of even date herewith to be utilized by the Borrower to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved.

12. “Operational Manual” means the manual to be adopted by the Borrower setting forth the operational and administrative procedures to be followed and applied by the Participating Banks (as hereinafter defined) in the preparation, approval, processing, financing, implementation and supervision of Sub-loans and Sub-projects.
13. “Participating Bank” or “PB” means a private commercial bank registered according to the applicable laws and regulations of the Guarantor and selected by the Borrower to participate in the Project pursuant to criteria set forth in paragraph 1 of Section I.B of Schedule 2 to this Agreement.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
15. “Statement of Policy” means the By-Laws of the Borrower dated March 2007 (restated) as amended to the date of this Agreement.
16. “Sub-loan” means a loan made or proposed to be made by a Participating Bank, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in Section IV.A of Schedule 2 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods, services (other than consultants’ services) and works under a Sub-Project.
17. “Sub-Project” means a specific development project, selected in accordance with paragraph 5 of Section I.C. of 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.
18. “Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PB pursuant to Section I.A.4 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.
19. “Subsidiary Loan” means a loan made or proposed to be made by the Borrower to a PB out of the proceeds of the Loan for the purposes of carrying out the Project.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (1) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The following term and definition set forth in the Appendix is modified or deleted as follows, and the following new term and definition is added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”