



LOAN NUMBER 8553-KZ

Loan Agreement

**(First Macroeconomic Management and Competitiveness
Development Policy Loan)**

between

REPUBLIC OF KAZAKHSTAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated February 17, 2016

LOAN AGREEMENT

Agreement dated February 17, 2016, entered into between REPUBLIC OF KAZAKHSTAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore 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 billion Dollars (\$1,000,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 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 days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any

amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are March 1 and September 1 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.
- 2.08. (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: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding 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 or the Reference 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 or the Reference 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.
- 2.09. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 5 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (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; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
11 Pobedy Avenue
Astana 010000
Republic of Kazakhstan

Telex: Facsimile:

265126 (FILIN) (7) (7172) 717785

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

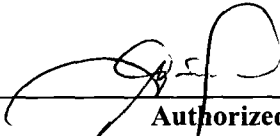
Telex: Facsimile:

248423(MCI) or 1-202-477-6391
64145(MCI)

AGREED at Astana, Republic of Kazakhstan, as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN


By



Authorized Representative
Name: Bakhyt SULTANOV
Title: MINISTER OF FINANCE

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative
Name: FRANCIS ATO BROWN
Title: COUNTRY MANAGER

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

1. The Borrower made the following fiscal adjustments:
 - (a) the Borrower revised its 2015 Republican Budget expenditures and gross lending downwards by close to eight percent, as evidenced by Law No. 290-V, dated March 11, 2015, titled “On Amendments and Additions to the Law of the Republic of Kazakhstan ‘On Republican Budget for 2015-2017 years’”, to avoid an excessive widening of the non-oil deficit; and
 - (b) the Borrower amended the Order of the Minister of National Economy No. 9, dated January 8, 2015, and titled “On Approval of Rules and Timing of the Development of Socio-Economic Development Forecast” (also referred as Guidelines for the Preparation of the Medium-Term Macroeconomic and Fiscal Framework), as evidenced by the Order of the Minister of National Economy No. 557, dated July 21, 2015, so that the definition for the term “non-oil deficit”: (i) comprehensively covers the consolidated budget (comprising the Republican Budget, regional budgets, and the NFRK); and (ii) properly includes customs duty on oil exports as an oil revenue item.
2. The Borrower submitted to Parliament, for approval thereof, a draft law titled “On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Tax and Customs Administration”, as evidenced by the Government Resolution No. 710, dated August 29, 2015, to increase non-oil revenues by reducing the VAT registration threshold for VAT payers from an annual turnover of approximately 30,000 Monthly Calculation Index (MCI) equivalent to 3,234 MCI equivalent.
3. The National Bank of Kazakhstan (NBK) undertook the following actions in accordance with the “Monetary Policy of the Republic of Kazakhstan to 2020”:
 - (a) adopted a free-floating exchange rate regime, as evidenced by the “Joint Statement of the Government of Kazakhstan and the National Bank of Kazakhstan”, dated August 20, 2015, and the NBK Press Release No. 38, dated August 21, 2015;

- (b) adopted a new policy interest rate in the process of transitioning to inflation targeting, as evidenced by the NBK Press Release No. 43, dated September 2, 2015; and
 - (c) submitted to Parliament, for approval thereof, a draft law titled “On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on Non-Performing Loans and Assets of Second-Tier Banks, Financial Services and Activities of Financial Institutions, and the National Bank of the Republic of Kazakhstan”, as evidenced by the Government Resolution No. 391, dated May 29, 2015, which regulates the adoption of the rules on conducting open market operations for effective monetary policy management.
4. The Borrower enacted the following legislation to establish the legal framework for corporate insolvency:
- (a) Law No. 269-V, dated December 29, 2014, and titled “On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on the Radical Improvement of Business Environment in the Republic of Kazakhstan”, which establishes a corporate insolvency legal framework; and
 - (b) Sub-laws that enable the implementation of the corporate insolvency framework mentioned in subsection 4 (a) above, namely:
 - (i) the Order of the Minister of Finance No. 92, dated February 16, 2015, which provides for reimbursement of taxes owed by insolvent corporations and costs of bankruptcy administration;
 - (ii) the Order of the Minister of Finance No. 131, dated February 26, 2015, which establishes the rights of bankruptcy administrators in the context of cameral control over the administrators’ activities in rehabilitation and bankruptcy procedures;
 - (iii) the Order of the Minister of Finance No. 132, dated February 26, 2015, which establishes the basis for a bankruptcy administrator’s accountability for violations and sanctions;
 - (iv) the Order of the Minister of Finance No. 183, dated March 18, 2015, which establishes the minimum basic fee for a bankruptcy administrator;
 - (v) the Order of the Minister of Finance No. 130, dated February 26, 2015, which sets up the registration of bankruptcy administrators; and

- (vi) the Order of the Minister of Finance No. 178, dated March 17, 2015, which establishes the rights and procedures for carrying out electronic auction of seized assets.
- 5. The NBK issued revised prudential norms and accounting requirements that improve the risk management of banks, as evidenced by:
 - (a) the amendment of the Financial Supervision Agency Board Regulation No. 358, as evidenced by the NBK Board Regulation No. 97, dated May 27, 2014, and which took effect on January 1, 2015: to (i) revise risk weights toward alignment with Basel III; (ii) increase authorized capital of banks; and (iii) require banks to form conservation capital buffers; and
 - (b) the issuance of the NBK Board Regulation No. 256, dated December 24, 2014, to require banks to align with IFRS 13 for market-based, fair value disclosure, and to call for more consistent, frequent, and electronically documented valuations of collateral.
- 6. In line with the Borrower's WTO commitments to the norms and rules of the Agreement on Trade Related Investment Measures, the Borrower submitted to Parliament a draft law titled "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan in Connection with the Accession to the World Trade Organization", as evidenced by the Government Resolution No. 775, dated September 11, 2015, to amend national legislations in order to limit the amount of local content in works and services.
- 7. The MNE introduced mechanisms to assess the impact of regulations governing businesses through its:
 - (a) adoption of rules on conducting regulatory impact analysis, as evidenced by the Order of the Minister of National Economy No. 32, dated January 21, 2015; and
 - (b) establishment of a regulatory oversight unit located in the Ministry of National Economy, with allocated positions reflecting adequate staffing, as evidenced by the Order of the Executive Secretary of the Ministry of National Economy No. 44, dated September 3, 2015.
- 8. The Borrower strengthened its competition policy framework, as evidenced by its:
 - (a) amendments to the existing anti-cartel enforcement provisions in: (i) the Competition Law No. 112-IV, dated December 25, 2008; and (ii) the Code on Administrative Offenses No. 235-V, dated July 5, 2014, as amended for both by Law No. 312-V, dated May 5, 2015; and

- (b) adoption of market definition techniques that include relevant market criteria, as evidenced by the Order of the Minister of National Economy No. 303, dated April 2, 2015.
- 9. The Borrower approved “Corporate Governance Code of Sovereign Wealth Fund “Samruk-Kazyna” JSC”, as evidenced by the Government Resolution No. 239, dated April 15, 2015.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

| <u>Allocations</u> | <u>Amount of the Loan Allocated (expressed in Dollars)</u> |
|---------------------------|--|
| Single Withdrawal Tranche | 1,000,000,000 |
| TOTAL AMOUNT | 1,000,000,000 |

- C. **Payment of Front-end Fee.** No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.
- D. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.
- E. **Deposits of Loan Amounts.** Except as the Bank may otherwise agree:
 - 1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
 - 2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.
- F. **Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded

Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date is December 31, 2016.

SCHEDULE 2

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 March 1 and September 1 Beginning September 1, 2018 through March 1, 2035 | 2.86% |
| On September 1, 2035 | 2.76% |

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.
5. If the Withdrawn Loan Balance is 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.

APPENDIX

Section I. Definitions

1. "2015 Republican Budget" means the Borrower's republican budget for the period of January 1, 2015, through December 31, 2015.
2. "Agreement on Trade-Related Investment Measures" means the agreement, concluded in 1994 by the members of the General Agreement on Trade and Tariffs (the predecessor of the WTO), setting forth rules that apply to the domestic regulations a country applies to foreign investors.
3. "Basel III" means the reform measures developed by the Basel Committee on Banking Supervision to strengthen the regulation, supervision and risk management of the banking sector.
4. "Excluded Expenditure" means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
 - (b) for goods included in the following groups or sub-groups 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 | Sub-group | Description of Item |
|-------|-----------|---|
| 112 | | Alcoholic beverages |
| 121 | | Tobacco, un-manufactured, 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) |

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous 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;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
5. "Financial Supervision Agency" means the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations reorganized pursuant to Presidential Decree No. 25, dated April 12, 2011.
6. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
7. "GDP" means the Borrower's gross domestic product.
8. "IFRS" means International Financial Reporting Standards developed by the International Accounting Standards Board, which is the standard setting body of the IFRS Foundation.
9. "IFRS 13" means the "IFRS 13, *Fair Value Measurement*", a reporting standard issued, and with effect, on January 1, 2013.
10. "Ministry of National Economy" or "MNE" means the Borrower's Ministry of National Economy, or any legal successor thereto.
11. "MoF" means the Borrower's Ministry of Finance, or any legal successor thereto.

12. “Monetary Policy of the Republic of Kazakhstan to 2020” means the medium-term monetary policy framework, approved by the NBK on April 24, 2015, which lays out a plan to switch from exchange rate targeting to inflation rate targeting.
13. “Monthly Calculation Index” or “MCI” means an index used in Kazakhstan for calculating pensions, allowances and other social payments and also for incrementing fines and calculating taxes and other payments.
14. “National Bank of Kazakhstan” or “NBK” means the central bank of the Borrower.
15. “NBK Board” means the highest administrative authority within the NBK.
16. “NFRK” means the National Fund of the Republic of Kazakhstan, created in August 2000 as a stabilization fund.
17. “Parliament” means the legislature of the Borrower.
18. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated October 9, 2015, from the Borrower to the Bank, declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.
19. “Republican Budget” means the Borrower’s republican budget.
20. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
21. “SOE” means a state-owned enterprise of the Borrower.
22. “Sovereign Wealth Fund “Samruk-Kazyna” JSC” means the joint stock company founded by Presidential Decree No. 669, on October 13, 2008.
23. “State Revenue Committee” means the committee of the MoF established pursuant to Government Decree No. 933, dated August 14, 2014.
24. “Sub-law” means the Borrower’s non-legislative normative acts issued pursuant to, and/or for the further implementation of, legislative and other superior acts in the hierarchy of the Borrower’s normative acts.
25. “VAT” means value-added tax.
26. “WTO” means World Trade Organization, an international organization dealing with the rules of trade between nations.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
3. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
4. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

5. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the subsequent Sections in Article V are renumbered accordingly.
6. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 5 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
7. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 5 above) is modified to read as follows:

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

8. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 5 above) is modified to read as follows:

“Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.”

9. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

10. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the remaining paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

11. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Eligible Expenditure”) is modified to read as follows:

“37. “Eligible Expenditure” means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

12. Renumbered paragraph 44 (originally paragraph 43) of the Appendix (“Financial Statements”) is deleted in its entirety.

13. In paragraph 48 of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

14. In paragraph 67 of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“67. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable

upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

15. In paragraph 72 of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.
16. The defined term “Project” in paragraph 75 of the Appendix is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“75. “Program” means the program referred to in the Loan Agreement in support of which the Loan is made.”