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LOAN NUMBER 3405-UZB

LOAN AGREEMENT  
(Ordinary Operations)  
(Small Business Finance Project)

between

REPUBLIC OF UZBEKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 3 March 2017

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UZB 42007

**LOAN AGREEMENT  
(Ordinary Operations)**

LOAN AGREEMENT dated 3 March 2017 between REPUBLIC OF UZBEKISTAN ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) the Project will be carried out by the participating financial institutions ("PFIs") and for this purpose the Borrower will make available to the PFIs the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreements between ADB and the PFIs;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means each Project Agreement between ADB and a PFI.

(b) The term "Project Executing Agency" appearing in Sections 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "PFI".

(c) Section 3.03 is deleted and the following is substituted therefor:

**Commitment Charge; Credit.** (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of

the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(d) Section 3.06 is deleted and the following is substituted therefor:

**Rebate.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum); by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum); by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(e) Section 3.07 is deleted and the following is substituted therefor:

**Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum); by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods

commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum); by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "CBU" means the Central Bank of the Republic of Uzbekistan or any successor thereto;

(b) "Davr Bank" means the Private Joint Stock Commercial Bank which is established under the laws and regulations of the Borrower and has its registered address at Block A, Navoi-Zarqaynar Street, Tashkent City, 100011, Republic of Uzbekistan;

(c) "Davr Bank Subsidiary Loan Agreement" means the subsidiary loan agreement between the Borrower and Davr Bank;

(d) "Environmental Exclusion Checklist" means the checklist attached with each ESMS;

(e) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(f) "ESMS" means an environmental and social management system, including an update thereto, established by each PFI and cleared by ADB;

(g) "GAP" means the gender action plan for the Project, including any update thereto, prepared by the Borrower and cleared by ADB;

(h) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(i) "Hamkorbank" means the Joint-Stock Commercial Bank with Foreign Capital Hamkorbank which is established under the laws and regulations of the Borrower and has its registered address at 85 Babur Avenue, Andijan City, 170119, Republic of Uzbekistan;

(j) "Hamkorbank Subsidiary Loan Agreement" means the subsidiary loan agreement between the Borrower and Hamkorbank;

(k) "Ipak Yuli Bank" means the Joint-Stock Innovation Commercial Bank "Ipak Yuli" which is established under the laws and regulations of the Borrower and has its registered address at 2 Abdulla Qodirly Street, Tashkent City, 100017, Republic of Uzbekistan;

(l) "Ipak Yuli Bank Subsidiary Loan Agreement" means the subsidiary loan agreement between the Borrower and Ipak Yuli Bank;

(m) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(n) "PAM" means the project administration manual for the Project dated 30 May 2016 and agreed between the Borrower, the PFIs and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower, the PFIs and ADB;

(o) "PFI" means a participating financial institution under the Project; and "PFIs" means all of them;

(p) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Ministry of Finance of the Borrower or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(r) "Project Implementing Agency" means each PFI or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(s) "Qualified Subborrower" means a subborrower, which satisfies the eligibility criteria set out in paragraph 3 of Schedule 4 to this Loan Agreement;

(t) "Qualified Subproject" means a specific subproject, which satisfies the eligibility criteria set out in paragraph 4 of Schedule 4 to this Loan Agreement, to be carried out by a Qualified Subborrower;

(u) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(v) "Safeguards Monitoring Report" means an environmental and social performance report prepared and submitted by each PFI to ADB on its performance with regard to the ESMS, including any corrective and preventive actions;

(w) "Subloan" means a loan made, or proposed to be made, by a PFI out of the proceeds of the Loan to a Qualified Subborrower for a Qualified Subproject;

(x) "Subsidiary Loan Agreement" means the agreement between the Borrower and a PFI referred to in Section 3.03 of this Loan Agreement;

(y) "Sum" means the currency of the Borrower;

(z) "UzbekLeasing International Company" or "ULC" means the Joint Stock International Leasing Company which is established under the laws and regulations of the Borrower and has its registered address at 1 Beshyogoch Street, Tashkent City, 100066, Republic of Uzbekistan;

(aa) "ULC Subsidiary Loan Agreement" means the subsidiary loan agreement between the Borrower and ULC; and

(bb) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## ARTICLE II

### The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 10 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

(a) LIBOR; and

(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding 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 Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### ARTICLE III

#### Description of Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is made is the financing by the PFIs of Qualified Subprojects by making Subloans to Qualified Subborrowers, in accordance with this Loan Agreement and the Project Agreements.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Borrower shall enter into a Subsidiary Loan Agreement with each PFI, providing, inter alia, for the relending of the proceeds of the Loan

to the PFI, the carrying out of the Project, and the rights of the Borrower and ADB with respect thereto. Such Subsidiary Loan Agreement shall be in form and substance and upon terms and conditions acceptable to ADB and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement.

Section 3.04. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to the cost of Goods and Works and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, all Goods and Works in accordance with the provisions of Schedule 3 to this Loan Agreement.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2022 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the PFIs to carry out the Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Qualified Subborrowers, the Qualified Subprojects and the Subloans; and (b) the administration, operations and financial condition of the PFIs.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, the Goods and Works, and any relevant records and documents maintained by the PFIs:

Section 4.04. The Borrower shall promptly take all actions, including the provision of funds, facilities, services and other resources, which shall be necessary on its part to enable the PFIs to perform their obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.



(b) No rights or obligations under any Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## ARTICLE V

### Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

- (a) the Hamkorbank Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and Hamkorbank and shall have become fully effective and legally binding on the parties thereto in accordance with its terms subject only to the effectiveness of this Loan Agreement;
- (b) the Ipak Yuli Bank Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and Ipak Yuli Bank and shall have become fully effective and legally binding on the parties thereto in accordance with its terms subject only to the effectiveness of this Loan Agreement;
- (c) the Davr Bank Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and Davr Bank and shall have become fully effective and legally binding on the parties thereto in accordance with its terms subject only to the effectiveness of this Loan Agreement; and
- (d) the ULC Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and UzbekLeasing International Company and shall have become fully effective and legally binding on the parties thereto in accordance with its terms subject only to the effectiveness of this Loan Agreement.

Section 5.02. The following are specified as additional matters, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the Hamkorbank Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and Hamkorbank in accordance with its terms, subject only to the effectiveness of this Loan Agreement;
- (b) the Ipak Yuli Bank Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and Ipak Yuli Bank in accordance

with its terms, subject only to the effectiveness of this Loan Agreement;

- (c) the Davr Bank Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and Davr Bank in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and
- (d) the ULC Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon the Borrower and ULC in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 5.03. A date 60 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VI**

### **Delegation of Authority**

Section 6.01. The Borrower hereby designates the PFIs as its agents in relation to the respective parts of the Project they are implementing for the purposes of taking any action or entering into any agreement required or permitted under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by a PFI pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on the PFIs under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance  
5, Mustaqilik Square  
Tashkent 100008  
Republic of Uzbekistan

Facsimile Numbers:

(998-71) 233-7073  
(998-71) 239-1259.

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(63-2) 636-2444  
(63-2) 636-2424.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF UZBEKISTAN

By   
BATIR KHODJAEV  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
TAKEHIKO NAKAO  
President

**SCHEDULE 1****Amortization Schedule****(Small Business Finance Project)**

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 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 ADB 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.

Date Payment Due	Installment Share (Expressed as a %)
15 November 2021	5.000000
15 May 2022	5.000000
15 November 2022	5.000000
15 May 2023	5.000000
15 November 2023	5.000000
15 May 2024	5.000000
15 November 2024	5.000000
15 May 2025	5.000000
15 November 2025	5.000000
15 May 2026	5.000000
15 November 2026	5.000000
15 May 2027	5.000000
15 November 2027	5.000000
15 May 2028	5.000000
15 November 2028	5.000000
15 May 2029	5.000000
15 November 2029	5.000000
15 May 2030	5.000000
15 November 2030	5.000000
15 May 2031	5.000000
Total	100.000000

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 ADB 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. 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.

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 ADB 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 ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB 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 2****Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Conditions for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for a PFI for the purposes of any Qualified Subproject until such PFI has:

- (a) established the ESMS in a manner satisfactory to ADB, which includes, without limitation, (i) third party monitoring mechanism for Subloans; (ii) guidelines for site visits of Qualified Subprojects; and (iii) a tracking system of Qualified Subprojects; and
- (b) appointed designated staff who is capable and adequately trained in fully implementing the ESMS, in particular implementing environmental Category B Qualified Subprojects including identifying and executing any corrective or preventive measures needed to ensure compliance of such Qualified Subprojects with the applicable laws and regulations of the Borrower and the SPS.

6. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for Hamkorbank for the purposes of any Qualified Subproject until the CBU has removed all restrictions on Hamkorbank's foreign exchange operations.

7. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account for Davr Bank and ULC for the purposes of any Qualified Subproject until each of Davr Bank and ULC have: (i) developed training curriculum and trained its staff in implementing the ESMS in accordance with the applicable laws and regulations of the Borrower and the SPS; and (ii) hired adequate number of qualified accountants with sufficient knowledge of international financial reporting standards to adequately administer its day-to-day financial management operations and to satisfactorily prepare its financial statements in accordance with such international financial reporting standards.



TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Small Business Finance Project)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$) Category</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Financing of Subloans- Hamkorbank <sup>a&amp;b</sup>	45,000,000	100% of total expenditure claimed
2	Financing of Subloans- Ipak Yuli Bank <sup>a</sup>	38,000,000	100% of total expenditure claimed
3	Financing of Subloans- Davv Bank <sup>a&amp;c</sup>	7,000,000	100% of total expenditure claimed
4	Financing of Subloans- UzbekLeasing International Company <sup>a&amp;c</sup>	10,000,000	100% of total expenditure claimed
	<b>TOTAL</b>	<b>100,000,000</b>	

<sup>a</sup> Subject to the condition for withdrawal described in paragraph 5 of Schedule 2.

<sup>b</sup> Subject to the condition for withdrawal described in paragraph 6 of Schedule 2.

<sup>c</sup> Subject to the condition for withdrawal described in paragraph 7 of Schedule 2.

**SCHEDULE 3**

## Procurement of Goods and Works

General

1. The procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines.

Procurement

3. The Borrower shall cause the PFIs to ensure that each Qualified Subborrower undertakes procurement of Goods and Works with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.

Industrial or Intellectual Property Rights

4. (a) The Borrower shall cause the PFIs to ensure that all Goods and Works procured by the Qualified Subborrower (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause the PFIs to ensure that all contracts entered into by the Qualified Subborrower for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.

**SCHEDULE 4****Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower and the PFIs shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, the PFIs and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Financial Covenants

2. The Borrower shall cause the PFIs to ensure that they remain financially sound throughout the Project implementation period. Specifically each PFI shall satisfy and maintain:

- (a) prudential ratios as required by the CBU for banks, as amended from time to time. In the case of ULC which is not subject to CBU's prudential ratios, a capital to asset ratio of not less than 25%;
- (b) a return on average assets ratio of not less than 1%. For the purpose of this subparagraph, return on assets ratio means the PFI's net income after tax divided by its average total assets in a financial year as reported in its management accounts in accordance with international financial reporting standards;
- (c) net non-performing loans ratio of not more than 5%. For the purpose of this subparagraph, net non-performing loans ratio means, in relation to any date, the percentage figure calculated as follows: (i) the aggregate amount of non-performing loans minus reserves; (ii) divided by gross loan portfolio; and (iii) multiplied by 100, with per cent added after such figure. For the purpose of this subparagraph, non-performing loan means any loan in respect of which any (principal or interest amount has been outstanding for a period of more than 90 days after the relevant due date provided for under the agreement(s) pursuant to which that loan was made; and
- (d) a maximum limit on an individual related party exposure of no more than 25%. For the purpose of this subparagraph, this limit is calculated as an individual exposure to a related party divided by the gross loan portfolio, expressed as a percentage.

Criteria for Qualified Subborrower

3. The Borrower shall cause the PFIs to ensure that each Qualified Subborrower:

- (a) is financially viable (as demonstrated by, for example, its capacity to repay the Subloan and having a proper track record);

- (b) is not a related party with respect to the PFI under the Borrower's law and regulations or the CBU's requirements; and
- (c) has, at any given time, maximum exposure not exceeding \$300,000 equivalent from the Loan proceeds.

Criteria for Qualified Subproject

4. The Borrower shall cause the PFIs to ensure that each Qualified Subproject shall be for activities that:

- (a) do not involve any involuntary resettlement or indigenous peoples impacts, all within the meaning of the SPS;
- (b) do not involve any environmental impacts, which can be categorized as Category A, all within the meaning of the SPS or class 1 or 2 of all applicable laws and regulations of the Borrower relating to environment;
- (c) are not included in the list of prohibited investment activities provided in Appendix 5 of the SPS;
- (d) are not included in the Environmental Exclusion Checklist; and
- (e) do not involve mining or genetically modified organisms.

Criteria for Subloans

5. The Borrower shall cause the PFIs to ensure that each Subloan:

- (a) carry interest at an appropriate rate that takes into account the cost of funds, administrative costs and credit and foreign exchange risks (i.e. have a market-based interest rate in accordance with the PFI's credit policy from time to time) and have a repayment period not exceeding 5 years;
- (b) subject to paragraph 3(c) above, does not exceed the maximum Subloan amount of \$300,000 equivalent; and
- (c) is denominated in Dollar or Sum and such denomination shall be determined at the time the Subloan is made. The Subloan may be withdrawn in any legal form.

6. The Borrower shall cause the PFIs to ensure that:

- (a) at least 20% of the aggregate number of all Subloans made by each PFI shall be for Qualified Subborrowers with a minimum of 50% women ownership; and

- (b) at least 60% of the aggregate number of all Subloans made by each PFI shall be for Qualified Subborrowers registered or located outside the City of Tashkent. For the avoidance of doubt, the Subloans to Qualified Subborrowers under subparagraph (a) hereinabove can also be counted as Subloans to Qualified Subborrowers under this subparagraph (b), if the Qualified Subborrowers under subparagraph (a) hereinabove are registered or located outside the City of Tashkent.

#### Screening, Categorization, and Environmental and Social Assessment and Planning

7. The Borrower shall cause each PFI to ensure that before any Qualified Subproject is approved for financing, the ESMS is used to screen and categorize the significance of potential environmental, involuntary resettlement or indigenous peoples impacts associated with such Qualified Subproject.

#### Environment

8. The Borrower shall cause each PFI to ensure that the preparation, design construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environment Safeguards; and (c) the ESMS, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

9. The Borrower shall cause each PFI to ensure that the Project does not have any involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall cause the PFI to take all steps required to ensure that the Project complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

#### Indigenous Peoples

10. The Borrower shall cause each PFI to ensure that the Project does not have any indigenous peoples impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall cause the PFI to take all steps required to ensure that the Project complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

#### Human and Financial Resources to Implement Safeguards Requirements

11. The Borrower shall cause each PFI to ensure that necessary budgetary and human resources are made available to fully implement the ESMS.

Safeguard Monitoring and Reporting

12. The Borrower shall cause each PFI to do the following:
- (a) submit annual Safeguards Monitoring Reports to ADB;
  - (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
  - (c) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS promptly after becoming aware of the breach.

Labor Standards and Safety

13. The Borrower shall cause the PFIs to ensure that the Qualified Subborrowers comply with the core labor standards and the Borrower's applicable laws and regulations during the Project implementation, including, but not limited to, the requirements relating to (a) workplace occupational safety norms; (b) no use of child labor; (c) no discrimination against workers in respect of employment and occupation; and (d) no use of forced labor. The Borrower shall cause the PFIs to ensure that the workers engaged by the Qualified Subborrowers for the Qualified Subprojects are not restricted from developing legally permissible means of expressing their grievances and protecting their rights regarding conditions and terms of employment.

14. The Borrower shall and shall cause the PFIs to strictly monitor compliance with the requirements set forth in paragraph 13 above and provide ADB with regular reports.

Gender and Development

15. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of the GAP; and (c) progress on implementation of the GAP, including progress towards achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Governance and Anticorruption

16. The Borrower and the PFIs shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

17. The Borrower and the PFIs shall ensure that all contracts in relation to the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

18. The Borrower shall ensure that each PFI:
- (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
  - (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove;
  - (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs PFI of its concern that there has been such an alleged violation, PFI shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request; and
  - (d) provide an update in its quarterly progress report to ADB on any change in its management and shareholders.