
LOAN NUMBER 3271-UZB

PROJECT AGREEMENT

(Housing for Integrated Rural Development Investment Program – Project 3)

between

ASIAN DEVELOPMENT BANK

and

JOINT STOCK COMMERCIAL BANK "QISHLOQ QURLISH BANK"

DATED 21 AUGUST 2015

UZB 44318

PROJECT AGREEMENT

PROJECT AGREEMENT dated 21 AUGUST 2015 between ASIAN DEVELOPMENT BANK ("ADB") and JOINT STOCK COMMERCIAL BANK "QISHLOQ QURLISH BANK" ("QQB").

WHEREAS

(A) by a Loan Agreement of even date herewith between the Republic of Uzbekistan ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of one hundred million Dollars (\$100,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that a portion of the proceeds of the Loan (\$64,000,000), in Sum equivalent, be made available to QQB and that QQB agrees to undertake certain obligations towards ADB as set forth herein; and

(B) QQB, in consideration of ADB entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

ARTICLE II

Subloans

Section 2.01. (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 expenditures required to carry out such Qualified Subprojects.

(b) In the carrying out of the Project, QQB shall ensure that the eligibility criteria with respect to Qualified Subborrowers, Qualified Subprojects and Subloans as set forth in the Schedule to this Project Agreement are satisfied.

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

Section 2.02. (a) Each Subloan shall carry interest at an appropriate rate as described in subparagraphs 4(a) and (b) of the Schedule to this Project Agreement and shall be made on terms whereby QQB shall obtain, by a written agreement with the Qualified Subborrower in form acceptable to ADB, rights adequate to protect the interests of the Borrower, QQB and ADB.

(b) Except as ADB may otherwise agree, the amortization schedule applicable to each Subloan shall not extend beyond 15 years, including a grace period not exceeding 3 years, from the date when such Subloan is approved or authorized for withdrawal.

Section 2.03. Without limiting the generality of the foregoing provisions of Section 2.02(a) of this Project Agreement and in addition to any other provisions which a prudent lender would request, each Subloan agreement shall include provisions to the effect that:

- (a) the proceeds of the Loan shall be used only for procurement in member countries of ADB, in accordance with procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works which are supplied from, such countries;
- (b) the expenditures to be financed out of the proceeds of the Loan shall be used exclusively in the carrying out of the Qualified Subproject;
- (c) ADB and QQB shall each have the right to inspect such Goods and Works, the Qualified Subborrower, the Qualified Subproject and any relevant records and documents;
- (d) QQB shall cause contractors to take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practice;
- (e) ADB and QQB shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods, Works, the Qualified Subproject, the Qualified Subborrower and other related matters; and
- (f) QQB shall be entitled to suspend or terminate further access by the Qualified Subborrower to the use of the proceeds of the Loan upon failure by the Qualified Subborrower to perform its obligations under its agreement with QQB.

Section 2.04. QQB shall promptly and effectively exercise its rights in relation to each Qualified Subproject in accordance with the standards of a prudent lender and in such manner as to protect the interests of the Borrower, QQB and ADB.

ARTICLE III

Particular Covenants

Section 3.01. (a) QQB shall carry out the Project with due diligence and efficiency and in conformity with sound applicable banking, financial and business practices.

(b) In the carrying out of the Project and in the conduct of its business, QQB shall perform all the obligations set forth in the Loan Agreement and in the Schedule to this Project Agreement.

Section 3.02. QQB shall not make a Subloan to any Qualified Subborrower unless such Qualified Subborrower has at its disposal, or has made appropriate arrangements to obtain as and when required, all local currency funds and other resources which are required by such Qualified Subborrower for the carrying out of its Qualified Subproject in respect of which the Subloan is to be made.

Section 3.03. QQB shall maintain records and accounts adequate to record the progress of the Project and of each Qualified Subproject (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of QQB.

Section 3.04. (a) ADB and QQB shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) QQB shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the QQB Subsidiary Loan Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and QQB shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, QQB and the Loan.

Section 3.05. (a) QQB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the Project; (iii) the Qualified Subborrowers, the Qualified Subprojects and the Subloans; (iv) the administration, operations and financial condition of QQB; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, QQB shall furnish to ADB periodic reports on the execution of the Project (including information on the Subproject cost and related progress payments) and on the operation and management of QQB. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after the Loan Closing Date, but in any event not later than 3 months after the said closing date or such later date as ADB may agree for this purpose, QQB shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the utilization of the Loan, the execution of the Qualified Subprojects, their costs, the performance by QQB of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 3.06. (a) QQB shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements for the Project audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of the Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, QQB shall (i) provide its annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) QQB shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and QQB and its financial affairs where they relate to the Project with the auditors appointed by QQB pursuant to subsections (a)(iii) and (c)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of QQB, unless QQB shall otherwise agree.

Section 3.07. QQB shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, the Goods and Works, and any relevant records and documents.

Section 3.08. (a) QQB shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to

acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) QQB shall at all times conduct its business in accordance with sound banking, financial and business practices, and under the supervision of competent and experienced management and personnel.

(c) Except as ADB may otherwise agree, QQB shall not sell, lease, transfer or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 3.09. Except as ADB may otherwise agree, QQB shall duly perform all its obligations under the QQB Subsidiary Loan Agreement and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the QQB Subsidiary Loan Agreement.

Section 3.10. QQB shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project. QQB shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

ARTICLE IV

Effective Date; Termination

Section 4.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify QQB of such date.

Section 4.02. (a) This Project Agreement and all obligations of the parties hereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Loan Agreement shall terminate in accordance with its terms; or
- (ii) a date 5 years after the date of this Project Agreement.

(b) If the Loan Agreement terminates in accordance with its terms before the date specified in subsection (a)(ii) hereinabove, ADB shall promptly notify QQB of this event.

Section 4.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE V**Miscellaneous**

Section 5.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2424.

For QQB

18A, Alisher Navoiy Street
Tashkent, 100011
Uzbekistan

Facsimile Number:

(998 71) 241-55-02.

Section 5.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 6.01 of the Loan Agreement by or on behalf of QQB may be taken or executed by its Chairman or by such other person or persons as he shall so designate in writing notified to ADB.

(b) QQB shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 5.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default,

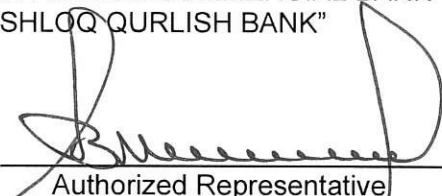
or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.

ASIAN DEVELOPMENT BANK

By 
Authorized Representative
TAKEO KONISHI

JOINT STOCK COMMERCIAL BANK
"QISHLOQ QURLISH BANK"

By 
Authorized Representative
BOKHODIRBEK NULLAKHANOV

SCHEDULE

Execution of Project; Financial Matters

Implementation Arrangements

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

Qualified Subborrower

2. QQB shall ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria:

- (a) he/she is a citizen, and resident of a rural area, of the Borrower;
- (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject and he/she is only entitled to 1 Qualified Subproject for the purposes of the Investment Program;
- (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage); and
- (d) he/she agrees to occupy, and not to sell or transfer ownership of, the house purchased under his/her Qualified Subproject for at least 5 years from the date he/she receives the legal title to the house.

Qualified Subproject

3. QQB shall ensure that each Qualified Subproject meets the following eligibility criteria:

- (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme of the Borrower; and
- (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 9 to 15 of this Schedule.

Subloan

4. QQB shall ensure that:

- (a) each Subloan made by QQB in 2015 shall: (i) have a term of 15 years, including a grace period of 3 years; and (ii) charge interest at the rate of 7% per annum for the first 5 years and equal to the market rate

(wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years; and

- (b) each Subloan shall not exceed \$50,000 equivalent.

5. QQB shall ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQI activities under the Rural Housing Scheme.) Each such Subloan approved by QQB, for which a loan agreement is entered into between QQB and a Qualified Subborrower shall comprise 25% of its amount from QQB's funds and 75% of the amount from the proceeds of the Loan relented by the Borrower to QQB.

6. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.

Financial Covenants

7. QQB shall remain financially sound throughout the Project implementation period. Specifically, QQB shall:

- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;
- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage;
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio; and
- (d) provide ADB quarterly reports on the implementation of the action plan agreed with ADB.

Screening, Categorization, and Environmental and Social Assessment and Planning

8. QQB shall ensure in coordination with relevant departments and agencies that before any Qualified Subproject is approved for financing:

- (a) the ESMS is used to screen the Qualified Subproject from the environmental, ethnic minority/indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject and ensure that all Qualified Subprojects shall not involve any environmental, ethnic minority/indigenous peoples or involuntary resettlement impact which can be categorized as Category A or B within the meaning of the SPS;
- (b) the environmental clearance from the Nature Protection Committee of the Borrower for the rural housing site for the Qualified Subproject has been obtained; and
- (c) the rural housing site for the Qualified Subproject has been classified under the local government reserve land for non-agricultural activities since 31 December 2012 for 2015 houses, and there is no claim from any third party on this rural housing site.

Environment

9. QQB shall ensure that the preparation, design and construction of each Qualified Subproject comply with all applicable laws and regulations of the Borrower relating to environment, health and safety and the SPS. Without limiting the generality of the foregoing, no environmental impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, QQB shall ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Land Acquisition and Involuntary Resettlement

10. QQB shall ensure that all land used for each Qualified Subproject comply with paragraph 8(c) of this Schedule, all applicable laws and regulations of the Borrower and the SPS. Without limiting the generality of the foregoing, no land acquisition or resettlement impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, QQB shall ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Ethnic Minority/Indigenous Peoples

11. No ethnic minority/indigenous peoples impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, QQB shall ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.

Human and Financial Resources to Implement Safeguards Requirements

12. QQB shall ensure that necessary budgetary and human resources are made available to fully implement the ESMS.

Safeguards Monitoring and Reporting

13. QQB shall 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.

Prohibited List of Investments

14. QQB shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS and as set forth in the ESMS.

Gender and Development

15. QQB shall ensure that: (a) the gender action plan prepared under the Investment Program is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of this plan; and (c) key gender outcome and output targets in this plan are monitored regularly and achieved.

Labor Standards

16. QQB shall ensure that a specific provision is included in the bidding documents and civil works contracts to require that contractors: (a) comply with core labor standards, applicable laws and regulations of the Borrower and incorporate workplace occupational safety norms; (b) do not differentiate pay between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate employment discrimination; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local people for project construction purposes provided that the requirements for job and efficiency are adequately met. QQB shall include in the semiannual progress reports for the Project the implementation status of such matters.

17. QQB shall ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the Project and to members of the local communities surrounding the Project, particularly females.

Counterpart Support

18. QQB shall make provision for the financing of Subloans in 2015.

Sector Development

19. QQB shall ensure that the standard contracts to be used under the Rural Housing Scheme (i.e. the mortgage agreements with the individual purchasers, the collateral agreements with the individual purchasers, the QQI pre-purchase agreements with the individual purchasers, the QQI purchase agreements with the individual purchasers and the QQI contracts with the contractors) comply with the laws and regulations of the Borrower and are satisfactory to ADB.

Governance and Anticorruption

20. QQB 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.

21. QQB shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

22. QQB shall:

- (a) comply 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) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove;
- (c) promptly inform the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs QQB of its concern that there has been such an alleged violation, QQB 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 their periodic reports to ADB on any change in their management or shareholders

23. QQB shall comply with the requirements of United Nations Security Council Resolutions 1737, 1747, 1803 and 1929 (and any additional related resolution of the United Nations Security Council), which are mandatory requirements for the Borrower, to ensure that QQB does not have any direct or indirect dealing with entities or persons identified in these resolutions.