Loan Agreement

(Financial Institutions Development Project)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated JUNE 22, 1994
LOAN AGREEMENT

AGREEMENT, dated JUNE 22, 1994, between RUSSIAN FEDERATION (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from other sources of finance (the Cofinanciers) grants (the Cofinance) in an aggregate amount equivalent to $73,400,000 to assist in financing the Project on the terms and conditions set forth in agreements (the Cofinancing Grant Agreements) to be entered into between the Borrower and the Cofinanciers;

(C) the Borrower intends to contract from the European Bank for Reconstruction and Development (EBRD) a loan (the EBRD Loan) in an amount of $100,000,000 to assist in financing Part A of the Project on the terms and conditions set forth in an agreement (the EBRD Loan Agreement) to be entered into between the Borrower and EBRD;

(D) EBRD and the Bank intend to enter into an agreement (the Co-Lenders Agreement) providing for arrangements whereby EBRD and the Bank would process jointly applications for withdrawal relating to certain expenditures under the Project and the Bank would make available certain portions of the proceeds of the Loan, together with similar proceeds of the EBRD Loan to be made available by EBRD, for the financing of such expenditures on a pari passu basis, and regulating certain other matters of common interest in connection with such financing; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Subsidiary Loan Agreement" means any agreement which shall have been entered into by the Borrower, pursuant to Section 3.02 (c) of this Agreement with a Participating Bank, in respect of an Institutional Development Sub-project involving such Participating Bank, as the same agreement may be amended from time to time, and such term includes all schedules to such Subsidiary Loan Agreement.

(b) "Subsidiary Loan" means any loan provided to a Participating Bank for an Institutional Development Sub-project pursuant to Section 3.02 of this Agreement.

(c) "Participating Bank" means any banking institution in the territory of the Borrower duly accredited in accordance with the criteria set forth in Schedule 6 to this Agreement, which shall have been accepted for participation in accordance with Section 3.02 (a) of this Agreement.
(d) "Institutional Development Sub-project" means a specific program of institutional development of a Participating Bank intended to be carried out by such Participating Bank utilizing the proceeds of a Subsidiary Loan.

(e) "CBR" means the Central Bank of the Borrower, established and operating pursuant to the Borrower’s Law on the Russian Federation Central Bank (Bank of Russia) dated December 2, 1990, as the same may be amended from time to time.

(f) "MOF" means the Borrower’s Ministry of Finance.

(g) "Bank Review Unit" means the unit referred to in Section 3.04 (b) of this Agreement.

(h) "PIU" means the unit referred to in Section 3.04 (a) of this Agreement.

(i) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated September 30, 1993, and October 13, 1993 between the Borrower and the Bank.

(j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of two hundred million dollars ($200,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.
(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwritten balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1998 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay 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 Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this
Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.
Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part C of the Project through MOF, and shall carry out Part B of the Project through the CBR under arrangements satisfactory to the Bank, all with due diligence and efficiency and in conformity with appropriate financial, economic and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

Section 3.02. Without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall, for purposes of carrying out Part A of the Project, and unless the Bank shall otherwise agree:

(a) solicit and approve proposals from candidate banks in accordance with the eligibility criteria and procedures for approval of Institutional Development Sub-projects set forth or referred to in Schedule 5 to this Agreement;

(b) cause the Participating Banks to carry out their respective Institutional Development Sub-projects in accordance with the same eligibility criteria and the terms of the respective Subsidiary Loan Agreements, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out by such Participating Banks of their respective activities under the Institutional Development Sub-projects;

(c) make available to each such Participating Bank the amount of financing required for such Institutional Development Sub-project, including the applicable portions of the proceeds of the Loan as referred to in Schedule 5 to this Agreement, under one or more subsidiary loan agreements to be entered into between the Borrower and such Participating Bank, under terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Section III of Schedule 5 to this Agreement; and
(d) exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any such Subsidiary Loan Agreement or any provision thereof.

Section 3.03. For purposes of the efficient carrying out of the Project and ensuring the effective supervision of the execution of the Institutional Development Sub-projects, and without limitation on the provisions of Sections 3.01 and 3.02 of this Agreement, the Borrower shall cause to an agreement to be entered into between MOF and CBR concerning the carrying out by MOF of responsibilities connected with supervision of the performance of the Participating Banks in respect of their adherence to accreditation standards applicable under the Project, as set forth or referred to in Schedule 6 to this Agreement, in any areas which might be concerned with banking supervision requirements generally applicable to such banks under the laws and regulations of the Borrower, and other matters satisfactory to the Bank.

Section 3.04. In order to facilitate the efficient carrying out of the Project, the Borrower shall establish and thereafter maintain with membership, staff and other resources and under terms of reference satisfactory to the Bank:

(a) a Project Implementation Unit (PIU) to be responsible for the daily coordination of the execution of the Project; and

(b) a Bank Review Unit, reporting to the MOF and CBR, and advising on such matters, as shall have been defined by the Borrower acceptable to the Bank, which may be concerned with monitoring of Participating Banks' performance and developing of administrative or corrective measures for Participating Banks carrying out the Institutional Development Sub-projects under Part A of the Project.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.06. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance
and land acquisition, respectively) in respect of Part A of the Project shall be carried out by the Participating Banks.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B and C of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account for Parts B and C were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Borrower shall cause the Participating Banks to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of the Participating Banks.

(b) The Borrower shall cause Participating Banks to:

(i) have their records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of their financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
(iii) furnish to the Bank such other information concerning such records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account for Part A of the Project were made on the basis of statements of expenditure, the Borrower shall cause Participating Banks to:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.
ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) the agreement referred to in Section 3.03 of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower, the Participating Banks, MOF, the PIU, or the Bank Review Unit to carry out the Project or to perform any of their obligations under this Agreement or the Subsidiary loan Agreements.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section.
ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) all conditions precedent to the effectiveness of EBRD Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement;

(b) Subsidiary Loan Agreements for institutional strengthening have been concluded with at least three Participating Banks;

(c) the agreement referred to in Section 3.03 of this Agreement has been concluded;

(d) two senior bankers have been appointed to the Bank Review Unit; and

(e) a consultants’ contract for technical services relating to project implementation for assistance to the PIU in the carrying out the activities referred to in Section 3.04 (a) of this Agreement, has been concluded acceptable to the Bank.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Loan Agreements referred to in Section 6.01 (b) of this Agreement have been duly authorized or ratified by the Borrower and the respective Participating Banks and are legally binding upon the Borrower and the respective Participating Banks in accordance with the terms thereof.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance or the Deputy Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
103097 Moscow
Ilyinka Street 9
Russian Federation

Telex:

112008

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

RUSSIAN FEDERATION

By /s/ Aleksandr N. Shokhin
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Wilfried Thalwirtz
Regional Vice President
Europe and Central Asia
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Part A of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Goods</td>
<td>139,400,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(ii) Consultants' services for institutional strengthening programs under Part A(i) of the Project</td>
<td>35,500,000</td>
<td>67%</td>
</tr>
<tr>
<td>(iii) Consultants' services for systems modernization under Part A(ii) of the Project</td>
<td>11,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(iv) Training and study tours</td>
<td>8,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Part B of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Consultants' services</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(ii) Equipment</td>
<td>100,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Part C of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Goods</td>
<td>100,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(ii) Consultants' services</td>
<td>1,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(iii) Study tours</td>
<td>500,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
Amount of the Loan Allocated (Expressed in Dollar Equivalent) | % of Expenditures to be Financed
--- | ---
(4) Consultants’ services and goods for Part D of the Project | 0 | 100%
(5) Refunding of Project Preparation Advance | 1,500,000 |
TOTAL | 200,000,000 |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures".

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments for expenditures under Category (1) of this Schedule to finance an Institutional Development Sub-project under any Subsidiary Loan, until the Bank shall have communicated its acceptance to the Borrower of evidence that a Subsidiary Loan
Agreement has been duly executed on behalf of, and is legally binding upon, the Borrower and the Participating Bank concerned in respect of such Subsidiary Loan; and

(c) expenditures under Category (2) of this Schedule until the arrangements with the CBR referred to in Section 3.01 of this Agreement have been concluded in accordance with the provisions of said Section.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and training not exceeding $50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objectives of the Project are to increase the quantity and improve the quality of banking services, promote banking stability, and contribute to a more efficient allocation of bank credit by modernizing the regulatory framework and strengthening the institutional capabilities of the Borrower's financial system.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:

The financing, through the provision of loans, including Subsidiary Loans, of specific Institutional Development Sub-projects consisting of: (i) institutional development programs for strengthening the organization, management and operations of the Participating Banks, including the provision of staff training; and (ii) systems modernization, including the acquisition and installation of computer hardware and software in connection with the implementation of said institutional strengthening programs.

Part B:

The carrying out by CBR of programs to develop further the financial system, including the provision of training and technical assistance for: (i) the development of on-site bank inspectors; (ii) the preparation of documents relating to on-site inspection; (iii) the reform of bank accounting practices; and (iv) development of the legal and regulatory environment for the banking sector.

Part C:

The carrying out by the Borrower of programs to develop the accounting and auditing practices including the provision of training and technical assistance for: (i) the reform of enterprise accounting practice; and (ii) the establishment of a Chamber of Auditors and the development of the auditing profession.
Part D:

Provision of technical assistance for the operations of the PIU to support: (i) the establishment, maintenance and updating of project accounting, procurement, and reporting systems; (ii) the initial stages of its operations; and (iii) training of staff.

***

The Project is expected to be completed by June 30, 1998.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15 beginning September 15, 1999 through September 15, 2010</td>
<td>8,335,000</td>
</tr>
<tr>
<td>On March 15, 2011</td>
<td>8,295,000</td>
</tr>
</tbody>
</table>

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.
Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>0.18</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>0.35</td>
</tr>
<tr>
<td>More than six years but not more than 11 years before maturity</td>
<td>0.65</td>
</tr>
<tr>
<td>More than 11 years but not more than 15 years before maturity</td>
<td>0.88</td>
</tr>
<tr>
<td>More than 15 years before maturity</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

   (a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

   (b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other international recognized standards forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Russian Federation may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Limited-source mainframe computer/network equipment, and special software, up to an aggregate amount equivalent to $8,500,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and
comparison of bids invited from a list of at least three qualified
suppliers eligible under the Guidelines and in accordance with the
procedures set forth in Sections I and II of the Guidelines
(excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof);

2. Items or groups of items for goods estimated to cost the
equivalent of $300,000 or less per contract, up to an aggregate
amount equivalent to $15,000,000, may be procured under contracts
awarded on the basis of comparison of price quotations obtained from
at least three suppliers from at least three different countries
eligible under the Guidelines, in accordance with procedures
acceptable to the Bank.

3. Contracts for equipment and spare parts of a proprietary
nature, or which are required to ensure standardization and
compatibility with existing equipment and facilities, may be
procured by direct contracting with the suppliers thereof. Such
contracts shall require prior approval by the Bank and shall not
exceed an aggregate amount of $22,000,000.

4. Items or groups of items for goods estimated to cost the
equivalent of $50,000 or less per contract, up to an aggregate
amount equivalent to $5,000,000, may be procured under contracts
awarded on the basis of comparison of price quotations obtained from
at least three suppliers eligible under the Guidelines, in
accordance with procedures acceptable to the Bank.

5. Items or groups of items for goods estimated to cost the
equivalent of $300,000 or less per contract, up to an aggregate
amount equivalent to $2,500,000, may be procured under contracts
awarded on the basis of competitive bidding, advertised locally in
accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final
contracts:

(a) With respect to each contract for goods estimated to
cost the equivalent of $300,000 or more, the procedures set forth in
paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.
Where payments for such contract are to be made out of the Special
Account, such procedures shall be modified to ensure that the two
conformed copies of the contract required to be furnished to the
Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank
prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 7 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall or shall cause to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than $100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than $50,000 equivalent each. However, said exceptions to prior Bank
review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to $100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to $50,000 equivalent or above.

3. Notwithstanding the provisions of paragraph 1 of this Section, consultants to be employed by the Borrower or by a Participating Bank to assist in the carrying out of institutional strengthening programs (twinning) may be selected in accordance with procedures acceptable to the Bank.
SCHEDULE 5

Eligibility, Approval Procedures
and Principal Terms and Conditions of
Subsidiary Loan Agreements

Section I. Eligibility of Participating Banks

A Subsidiary Loan Agreement shall be entered into only with a banking institution duly established and operating under the laws of the Borrower, which shall have:

(a) established and maintained its creditworthiness,
(b) established and satisfactorily demonstrated its compliance with the accreditation criteria set forth or referred to in Schedule 6 to this Agreement,
(c) developed specific plans for institutional development and automation proposed to be carried out as an Institutional Development Sub-project under Part A of the Project, and
(d) submitted to the PIU monthly financial returns and quarterly progress reports,

all to the satisfaction of the Borrower and the Bank, on the basis of guidelines acceptable to the Bank.

Section II. Approval Procedures

1. The candidate bank shall adopt and submit for approval by the PIU: (i) an institutional development plan and time-table acceptable to the Bank; (ii) an automation plan and timetable acceptable to the Bank; and (iii) forecast financial statements for three fiscal years prepared according to the same principles as the quarterly statements referred to in Section I of this Schedule.

2. Prior to approving a Subsidiary Loan, the PIU shall verify: undergoing by the candidate bank of audit conducted by an international auditing firm in accordance with international accounting and auditing principles and a satisfactory report of such auditors.
Section III. Terms and Conditions of Subsidiary Loans

A. Terms:

1. The principal amount of each Subsidiary Loan shall be denominated in Dollars in an amount determined by the Borrower to be the amount actually required to be made available to the Participating Bank, to enable the Participating Bank to carry out the Institutional Development Sub-project, calculated as the percentage of the estimated total sub-project costs, up to a maximum of 100% of such estimated sub-project costs.

2. Amounts made available to a Participating Bank under a Subsidiary Loan shall be eligible for financing out of the Loan where, pursuant to the Co-Lenders' Agreement, the proceeds of the Loan, combined with proceeds of the EBRD Loan which are available for financing such amount in accordance with the EBRD Loan Agreement, may be blended at a 2:1 ratio.

3. Financing of an institutional strengthening program for a Participating Bank shall be achieved through the blending of the combined proceeds of the Loan and EBRD Loan with grant funds available under the Cofinance in such a manner as to effect more favorable terms, up to maximum ratio of grant funds to loan funds of 1:1.

4. (a) During each six-month period commencing on January 1 and July 1 of each calendar year, each Subsidiary Loan shall be charged on the principal amount thereof, withdrawn and outstanding from time to time, interest at a floating rate equivalent to two and one-half percent above the weighted average rate of the six-month LIBOR as one-third of said rate and the interest rate determined in accordance with Section 2.05 of this Agreement as two-thirds of said rate; and

(b) for the purposes of this paragraph, "six-month LIBOR" is the London Inter-Bank Offered Rate of major banks for deposits in Dollars, designated as page 3750 on the Telerate Service (or such other page as may replace the Telerate Page 3750) for the purpose of displaying such LIBOR rates for deposits in Dollars.

5. Each Subsidiary Loan for system modernization shall have a maturity of not more than 12 years, inclusive of a grace period of 4 years. Each Subsidiary Loan for institutional strengthening shall
have a maturity of not more than 8 years, inclusive of a grace period of 3 years.

B. Conditions:

1. The right of each Participating Bank to the use of the proceeds of its respective Subsidiary Loan, shall be subject to: (a) suspension upon failure by such party to perform any of its obligations under its respective Subsidiary Loan Agreement; and (b) cancellation if the right of the Participating Bank to make withdrawals under the Subsidiary Loan shall have been suspended pursuant to sub-paragraph (a) hereof for a continuous period of 60 days.

2. Each Subsidiary Loan Agreement shall contain provisions pursuant to which the Participating Bank shall undertake to:

   (a) carry out the Institutional Development Sub-project with due diligence and efficiency and conduct its operations and affairs in accordance with sound administrative, technical and financial standards and appropriate practices, with qualified management and staff, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

   (b) (i) employ consultants with qualifications, experience and terms of reference satisfactory to the Bank, to assist it in the carrying out of such Institutional Development Sub-project; and

   (ii) procure the goods and consultants' services to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Agreement, and use such goods and services exclusively in the carrying out of such Institutional Development Sub-project;

   (c) exchange views with, and furnish all such information to, the Borrower or the Bank, as may be reasonably requested by the Borrower or the Bank, with regard to the progress of the Institutional Development Sub-project, the performance of its obligations under any Subsidiary Loan Agreements, and other matters relating to the purposes of said Institutional Development Sub-project;
(d) promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the progress of its activities under the Institutional Development Sub-project or the performance of its obligations under the respective Subsidiary Loan Agreement; and

(e) (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (iii) furnish to the Borrower and the Bank, as soon as available, but in any case not later than six months after the end of each such year certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Borrower or the Bank shall have reasonably requested; and (iv) furnish to the Borrower or the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Borrower or the Bank shall from time to time reasonably request.
SCHEDULE 6

Accreditation Criteria

Participating Banks shall be accredited for participation in the Institutional Development Program if they are able to meet, and maintain conformity with, all applicable prudential standards established by the CBR, and the following additional criteria, based on internationally recognized norms for evaluating commercial banks:

A. Capital Adequacy

1. Maintaining a total capital to risk-adjusted assets ratio of 4 percent in 1994 and reaching a total capital to risk-adjusted assets ratio of 8 percent by 1998, applying risk-weightings satisfactory to the Bank.

2. Maintaining minimum equity capital of $5 million equivalent.

3. Realistically provisioning for possible loan losses in accordance with CBR instructions and international standards.

B. Profitability

Demonstrating financial solvency and profitability as measured by net income (adjusted for inflation and loan loss provisions in accordance with international accounting standards) providing a positive return on assets during the previous two years.

C. Quality of Lending Process and Loan Portfolio

1. Limiting maximum exposure to a single borrower and its connected parties to 50 percent of equity capital in 1994; and then to 35 percent in 1995 and 25 percent in 1996.

2. Limiting maximum aggregate large exposures (defined as any credit and off-balance sheet exposures to a single party exceeding 10 percent of bank's equity capital) to 12 times equity capital in 1994; and subsequently to 10 times in 1995 and 8 times in 1996.

3. Maintaining single loans to shareholders/directors at less than 30 percent of capital and the aggregate total of such loans at 100 percent of capital in 1994; these percentages would subsequently decrease to 10 percent and 20 percent by 1998.
4. Maintaining a loan portfolio of which (i) no more than 20 percent has been rescheduled (excluding working capital financing of up to 90 days of sales), and (ii) less than 5 percent has been rescheduled more than once.

5. Actively engaging in lending.

6. Maintaining a total collection rate (total amount of current and overdue principal and interest collected as a percentage of current and overdue amounts due in the year, calculated before loan reschedulings) greater than 85 percent.

7. Limiting the remaining principal value of loans in arrears to 8 percent of the total portfolio and the remaining principal value of loans in arrears for a period exceeding 12 months to 2 percent of the total portfolio.

8. Maintaining a minimum 1:1 ratio between loan loss provisions and the sum of doubtful and loss assets, where "doubtful assets" are those where collection or liquidation in full is highly improbable and "loss assets" are those considered uncollectible.

9. Maintaining an interest rate structure reflecting a satisfactory assessment and monitoring of risk and return.

10. Demonstrating a satisfactory set of policies and practices for assessing the environmental effects of projects it finances.

D. Resource Mobilization and Liquidity

1. Sourcing no more than 10 percent of loan funds from directed credits (credit allocated according to Government's special decision).

2. Maintaining a non-inter-bank loans to non-inter-bank deposits ratio of less than 80 percent.

E. Managerial Autonomy

Demonstrating substantial managerial autonomy to the satisfaction of the World Bank, EBRD, MOF, and the CBR through: (a) sources of funds, (b) legal and ownership structure, (c) composition of and locus of authority for appointment of Board of Directors, (d) management and staff selection and promotion policies and practices, and (e) loan approval procedures (equal treatment of shareholders
and non-shareholders and the absence of shareholders on the credit committee).

F. Management Effectiveness

Demonstrating adequate policies, procedures, and performance in the following functional areas: (a) market strategy, (b) organizational structure, (c) credit, (d) financial management (ALM, foreign exchange, accounting), (e) planning and budgeting, (f) internal audit, (g) management information systems, and (h) training.

G. Private Sector Orientation

1. Demonstrating a significant level of lending to the private sector.

2. Demonstrating significant share ownership by private sector.

H. Exemptions for Banks in Special Circumstances

Banks not meeting one or several of the above criteria may still be accredited for participation in the Project provided that they agree with MOF on a plan of action for addressing their deficiencies and an explicit set of targets for monitoring their progress in meeting the accreditation standards.
SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means Categories 1 (i), 1 (iii), (2), (3), and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term "Authorized Allocation" means an amount equivalent to $1,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

   (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

   (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the
documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date
of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.
INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of
the original in the archives of the International Bank
for Reconstruction and Development.

S. X. C. 27
FOR SECRETARY