LOAN AGREEMENT

(Second Cyprus Development Bank Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

THE CYPRUS DEVELOPMENT BANK LIMITED

Dated June 3, 1976
AGREEMENT, dated June 3, 1976, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE CYPRUS DEVELOPMENT BANK LIMITED (hereinafter called the Borrower), a company established and operating under the laws of Cyprus.
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in the Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "sub-loan" means a loan or credit made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project and "free-limit sub-loan" means a sub-loan, as so defined, which qualifies as a free-limit sub-loan pursuant to the provisions of Section 2.03 (c) of this Agreement.

(b) "investment" means an investment other than a sub-loan made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project.
(c) "Investment Enterprise" means an enterprise to which the Borrower proposes to make or has made a sub-loan or in which it proposes to make or has made an investment.

(d) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a sub-loan or investment.

(e) "Small Scale Industry" means an enterprise in Cyprus to be defined in accordance with the provisions of paragraph 4 (a) of Schedule 4 to this Agreement.

(f) "SSI Scheme" means the scheme of assistance to Small Scale Industries in Cyprus undertaken by the Borrower with resources to be obtained from the Bank under Part B of the Project and from the Guarantor referred to in Section 2.02 (ii) of the Guarantee Agreement.

(g) "SSI loan" means a loan made or proposed to be made to a Small Scale Industry by the Borrower utilizing the proceeds of the Loan under the SSI Scheme;

(h) "SSI Project" means a specific project to be carried out by a Small Scale Industry utilizing the proceeds of the Loan under the SSI Scheme.

(i) "Cyprus Pound" and "Cf" mean the currency of the Guarantor.

(j) "foreign currency" means any currency other than the currency of the Guarantor.
(k) "Memorandum and Articles" mean the Memorandum and Articles of Association of the Borrower dated May 30, 1963, as amended to the date of this Agreement.

(l) "Statement of Policy" means the Statement of Policies and Procedures approved by the Board of Directors of the Borrower on February 26, 1976, as amended to the date of this Agreement.

(m) "Prior Loan Agreement" means the Loan Agreement dated June 19, 1972 (Loan No. 830-CY) between the Bank and the Borrower and "Prior Loan" means the loan provided for therein.

(n) "subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to six million dollars ($6,000,000).

Section 2.02. The Borrower may withdraw from the Loan Account:

(a) for Part A of the Project — up to the equivalent of five million two hundred fifty thousand dollars ($5,250,000) for amounts expended (or, if the Bank shall so agree, required to meet expenditures to be made) by the Borrower under a sub-loan or investment to finance the reasonable cost of goods and services required for the Investment Project, in respect of which the withdrawal is requested; and

(b) for Part B of the Project — up to the equivalent of seven hundred fifty thousand dollars ($750,000) for amounts expended (or, if the Bank shall so agree, required to meet expenditures to be made) by the Borrower under a sub-loan or investment to finance the reasonable cost of goods and services required for the Project, in respect of which the withdrawal is requested; and
request shall be communicated to the Borrower in writing within a reasonable time. The foregoing additional amount, if any, shall be made available from the amount initially allocated to Part A of the Project in accordance with the provisions of paragraph (a) above.

Section 2.03. (a) Notwithstanding the provisions of Section 2.02 (a) of this Agreement, no withdrawal shall be made in respect of a sub-loan or investment to an Investment Enterprise unless:

(i) the sub-loan or investment shall have been approved by the Bank; or

(ii) the sub-loan shall be a free-limit sub-loan for which the Bank shall have authorized withdrawals from the Loan Account.

(b) Withdrawals from the Loan Account may be made in respect of:

(i) the equivalent of one hundred per cent (100%) of expenditures for CIF cost of equipment (except equipment described in sub-paragraph (ii) of this paragraph (b)) produced outside Cyprus;

(ii) the equivalent of eighty per cent (80%) of expenditures for equipment produced outside Cyprus which are purchased from suppliers in Cyprus and invoiced and paid for in Cyprus Pounds; and
(iii) the equivalent of forty-five per cent (45%), or such other percentage as may be agreed upon between the Bank and the Borrower, of expenditures for civil works carried out by local contractors.

(c) A free-limit sub-loan shall be a sub-loan for an Investment Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of $200,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan or of the Prior Loan for such Investment Project, the foregoing amount being subject to change from time to time as determined by the Bank.

(d) Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by an Investment Enterprise in respect of a sub-loan subject to the Bank's approval, or in respect of an investment, if such expenditures shall have been made:

(i) before the date of this Agreement, except that withdrawals may be made on account of expenditures made after March 1, 1976, in an aggregate amount not exceeding the equivalent of $500,000; or

(ii) more than ninety days prior to the date on which the Bank shall have received in respect of such sub-loan or investment the application and information required by Section 2.04 (a) of this Agreement or, under a free-limit sub-loan, more than
ninety days prior to the date on which the Bank shall have received in respect of such free-limit sub-loan the request and information required by Section 2.04 (b).

Section 2.04. (a) When presenting a sub-loan (other than a free-limit sub-loan) or an investment to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with a description of the Investment Enterprise and an appraisal of the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) and the proposed terms and conditions of the sub-loan or investment, including the schedule of amortization of the sub-loan or of repayment to the Bank of the amount of the Loan to be used for the investment, and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit sub-loan shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) and the terms and conditions of such free-limit sub-loan, including the schedule of amortization therefor.

(c) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of Part B of the Project, which shall be submitted to the Bank every other month, shall accompany a statement specifying: (i) name of investor and sub-sector; (ii) type of project and total amount; (iii) summary
list of purchases; (iv) amount and terms and conditions of SSI loan; and (v) amount disbursed over the period covered and the total amount disbursed to date.

(d) Except as the Bank and the Borrower shall otherwise agree, applications and requests made pursuant to the provisions of paragraphs (a), (b) and (c) of this Section shall be presented to the Bank on or before December 31, 1978.

Section 2.05. (a) Notwithstanding the provisions of Section 2.02 (b) of this Agreement, no withdrawal shall be made for any purpose under Part B of the Project unless:

(i) the organization plan referred to in Schedule 4 to this Agreement shall have been received by the Bank, and the proposal jointly furnished by the Guarantor and the Borrower shall have been agreed upon by the Bank after review and modification if necessary; and

(ii) the Borrower and the Guarantor, as the case may be, shall have implemented the conclusions and recommendations of the organization plan.

(b) Subject to the provisions of Section 2.02 of this Agreement and paragraph (a) of this Section, withdrawals may be made under Part B of the Project for an amount equivalent to fifty percent (50%) of the amount disbursed for SSI loans over the period covered by the statement referred to in Section 2.04 (c) of this Agreement.
Section 2.06. The Closing Date shall be June 30, 1981 or such later date as shall be determined by the Bank.

Section 2.07. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.08. The Borrower shall pay interest at the rate of eight and one-half per cent (8-1/2%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.09. Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.10. (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time by the Bank to the extent required to: (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to sub-loans and the schedules of repayment to the Bank in respect of investments, which have been approved or authorized for withdrawals from the Loan Account under Section 2.02 (a) of this Agreement; and (ii) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section 2.11 of this Agreement; provided that repayments due hereunder shall be made on January 1 and July 1 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on prepayment, if necessary.
(b) The amortization schedule applicable to each sub-loan and the schedule of repayment to the Bank in respect of each investment shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date of approval by the Bank of such sub-loan or investment, or in the case of a free-limit sub-loan, of authorization by the Bank to make withdrawals from the Loan Account in respect thereof, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

(c) The Borrower shall transmit to the Bank, for its prior approval, any substantial changes proposed to be made by the Borrower in respect of the repayment provisions of any sub-loan.

Section 2.11. Unless the Bank and the Borrower shall otherwise agree:

(a) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a sub-loan or an investment or any part thereof shall be sold, transferred, assigned or otherwise disposed of for value by the Borrower, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.10 (a) of this Agreement, the amount withdrawn from the Loan Account in respect of such sub-loan or investment or part thereof and not theretofore repaid to the Bank.
(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows: (i) in the case of a sub-loan, to the maturity or maturities of the Loan in amounts corresponding to the outstanding amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of an investment, pro rata, to the maturity or maturities of the Loan reflecting amounts to be repaid on account of such investment.

(c) Paragraph (b) of Section 3.05 of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.
ARTICLE III
The Project; Management and Operations of the Borrower

Section 3.01. (a) The purpose of the Project is to assist the Borrower in financing such productive facilities and resources in Cyprus as will contribute to the economic and social development of the country. The Project consists of the following parts:

Part A. The financing of specific development projects (except exclusively mining projects) in the manufacturing, tourism or services sectors through loans to and investment in productive enterprises in Cyprus.

Part B. The financing of the Scheme of financial assistance to Small Scale Industries in Cyprus.

(b) The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the Memorandum and Articles and the Statement of Policy.

Section 3.02. For the purposes of Part A of the Project:

(a) The Borrower undertakes that, unless the Bank shall otherwise agree, any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to
protect the interests of the Bank and the Borrower, including, in
the case of any sub-loan and to the extent that it shall be appro-
priate in the case of any investment, the right of the Borrower
to: (i) require the Investment Enterprise to carry out and operate
the Investment Project with due diligence and efficiency and in
accordance with sound technical, financial and managerial standards
and to maintain adequate records; (ii) require that: (1) the goods
and services to be financed out of the proceeds of the Loan shall
be purchased at a reasonable price, account being taken also of
other relevant factors such as time of delivery and efficiency and
reliability of the goods and availability of maintenance facilities
and spare parts therefor, and, in the case of services, of their
quality and the competence of the parties rendering them; and (2)
such goods and services shall be used exclusively in the carrying
out of the Investment Project; (iii) inspect, by itself or jointly
with representatives of the Bank if the Bank shall so request, such
goods and the sites, works, plants and construction included in the
Investment Project, the operation thereof, and any relevant records
and documents; (iv) require that: (1) the Investment Enterprise
shall take out and maintain with responsible insurers such insurance,
against such risks and in such amounts, as shall be consistent with
sound business practice; and (2) without any limitation upon the
foregoing, such insurance shall cover marine, transit and other
hazards incident to the acquisition, transportation and delivery of
goods financed out of the proceeds of the Loan to the place of use
or installation, any indemnity thereunder to be made payable in a
currency freely usable by the Investment Enterprise to replace or
repair such goods; (v) obtain all such information as the Bank or
the Borrower shall reasonably request relating to the foregoing
and to the administration, operations and financial condition of
the Investment Enterprise; and (vi) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

(b) The Borrower shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower, (ii) comply with its obligations under this Agreement, and (iii) achieve the purposes of the Project.

Section 3.03. For the purposes of Part B of the Project, the Borrower shall take full responsibility for the promotion, financing, disbursement and collection of SSI loans, in accordance with the following modus operandi:

(a) the Borrower shall receive applications for SSI loans either directly or through the team of professionals referred to in paragraph 5 (a) of Schedule 4 to this Agreement;

(b) the Borrower shall appraise SSI Projects under a simplified procedure acceptable to the Bank and the Borrower;

(c) SSI loans shall be approved by a committee composed of two Directors of the Borrower (including the Chairman of the Board) and the General Manager (or an officer of the Borrower acting on his behalf); and
(d) disbursement of SSI loans shall normally be made by the Borrower directly to the approved supplier(s) of goods specified in the SSI loan agreement after certification to the satisfaction of the Borrower that the goods so purchased are in accordance with such agreement.

Section 3.04. The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Investment Enterprises, the Investment Projects, the sub-loans, investments, the Small Scale Industries, the SSI Projects and the SSI loans.

Section 3.05. The Borrower shall duly perform all its obligations under agreements under which funds have been lent or otherwise put at the disposal of the Borrower by the Guarantor or its agencies or others for relending, investment or management. The Borrower shall promptly inform the Bank of any action which would have the effect of assigning, or of amending, abrogating or waiving any material provision of, any such agreement.

Section 3.06. If the Borrower establishes or acquires any subsidiary, the Borrower shall cause such subsidiary to observe and perform the obligations of the Borrower hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon such subsidiary.

Section 3.07. (a) The Borrower shall take all such action as shall be necessary on its' part to implement the proposed Scheme of Arrangement of the Borrower, dated March 1976.
(b) Except as the Bank shall otherwise agree, the Borrower shall take all such action as shall be necessary on its part to reorganize its Board of Directors in accordance with the provisions of Schedule 3 to this Agreement.

Section 3.08. Except as the Bank shall otherwise agree, the Borrower shall:

(a) before committing itself to finance any project requiring the Borrower's financing of $200,000 equivalent or more, calculate the economic rate of return on such project by a method acceptable to the Bank; and

(b) charge interest at an annual rate of nine per cent (9%), or more if permissible under the laws of the Guarantor, on all its new loans.

Section 3.09. Without limitation or restriction upon any of its obligations under this Agreement, the Borrower undertakes to secure additional funds under an agreement in an amount of approximately four million dollars ($4,000,000) equivalent on terms and conditions acceptable to the Bank.
ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.02. (a) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound 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 three months after the end of each such year, (A) certified copies of its 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 the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

(b) For the purposes of Part B of the Project, the Borrower, shall: (i) maintain separate records on its SSI operations in such form and in such detail as the Bank shall reasonably request; (ii) have such records for each fiscal year audited; and (iii) furnish to the Bank at its request such records so audited.
Section 4.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt, except as provided by Section 17 of the Public Loans Law (Cap. 208), and the Borrower hereby covenants and agrees that, notwithstanding the provisions of the said Public Loans Law or any other law of the Guarantor or any law in effect in its territories, no debt of the Borrower shall have preference over the debt contracted by the Borrower to the Bank under this Agreement.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if any lien shall be created on any assets of the Borrower or any subsidiary as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and that in the creation of any such lien express provision will be made to that effect at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower or of any subsidiary as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.
Section 4.04. Except as the Bank shall otherwise agree, the Borrower shall: (i) conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, its debt/equity ratio within the limit provided in Section 4.06 of this Agreement; and (ii) if such ratio shall, for reasons beyond the Borrower's control, be exceeded, promptly take all such reasonable action as shall be necessary or advisable to bring such ratio within such limit.

Section 4.05. The Borrower shall not make any repayment in advance of maturity in respect of any of its outstanding debt which, in the judgment of the Bank, would materially affect the Borrower's ability to meet its financial obligations.

Section 4.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of the Borrower and all its subsidiaries then incurred and outstanding would be greater than five times the consolidated capital and surplus of the Borrower and all its subsidiaries. For the purposes of this Section and Sections 4.04 and 4.05 of this Agreement:

(a) "Debt" means any debt incurred by the Borrower or any subsidiary maturing more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement (including the Loan Agreement) on the date
and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan or agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.

(c) Whenever in connection with this Section it shall be necessary to value in terms of Cyprus Pound debt payable in foreign currency, such valuation shall be made at the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt.

(d) "Consolidated debt of the Borrower and all its subsidiaries" means the total amount of debt of the Borrower and subsidiaries, excluding any debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.

(e) "Consolidated capital and surplus of the Borrower and subsidiaries" means the aggregate of the unimpaired paid-up capital, surplus and free reserves of the Borrower and subsidiaries after excluding therefrom such amounts as shall represent equity interests of the Borrower in any subsidiary or of any subsidiary in the Borrower or any other subsidiary.

Section 4.07. The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between
the currencies (including Cyprus Pounds) used in its lending and borrowing operations.

Section 4.08. The Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the administration, operations and financial condition of the Borrower and its subsidiaries, and the Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the administration, operations and financial condition of the Borrower and subsidiaries.

Section 4.09. The Borrower shall enable the Bank's representatives to inspect the records referred to in Section 4.01 of this Agreement and any relevant documents.
ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified:

(a) any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable;

(b) a change shall have been made in the Memorandum and Articles or in the Statement of Policy without the Bank's consent which will materially and adversely affect the financial condition or operations of the Borrower;

(c) a resolution shall have been passed for the dissolution or liquidation of the Borrower;

(d) a subsidiary or any other entity shall have been created or acquired or taken over by the Borrower, if such creation, acquisition or taking over would adversely affect the conduct of the Borrower's business or the Borrower's financial situation or the efficiency of the Borrower's management and personnel or the carrying out of the Project;
(e) a default shall have occurred in the performance of any obligation on the part of the Borrower under the Prior Loan Agreement; and

(f) a default shall have occurred in the performance of any obligation on the part of the Guarantor under the Guarantee Agreement for the Prior Loan dated June 19, 1972 between the Guarantor and the Bank.

Section 5.02. For the purposes of Section 7.01 of the General Conditions the following additional events are specified:

(a) the event specified in paragraph (a) or paragraph (c) of Section 5.01 shall occur; and

(b) the event specified in paragraph (b) or paragraph (d) or paragraph (e) or paragraph (f) of Section 5.01 shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.
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 the new Directors of the Borrower shall have been appointed by the Guarantor in accordance with the provisions of Section 3.02 of the Guarantee Agreement;

(b) evidence satisfactory to the Bank that the District Court of Nicosia has sanctioned the proposed Scheme of Arrangement referred to in Section 3.07 (a) of this Agreement; and

(c) the execution and delivery of the agreement referred to in Section 3.09 of this Agreement shall have been duly authorized or ratified on behalf of all the parties thereto by all necessary corporate action.

Section 6.02. The date of September 1, 1976, is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VII

Addresses

Section 7.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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.

For the Borrower:

The Cyprus Development Bank Limited
2D10 Evagoras 1 Avenue
Nicosia, Cyprus

Cable address:

DEVBANK
Nicosia
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Martijn Paijmans
Acting Regional Vice President
Europe, Middle East and North Africa

THE CYPRUS DEVELOPMENT BANK LIMITED

By /s/ N. G. Dimitriou
Authorized Representative
SCHEDULE 1

Amortization Schedule*

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</table>

* The Amortization Schedule is subject to amendment pursuant to the provisions of Section 2.10 of the Loan Agreement.

** To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or to Section 2.11 (a) of the Loan Agreement:

<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>1-1/2%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2-3/4%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>5-3/4%</td>
</tr>
<tr>
<td>More than eleven years but not more than fourteen years before maturity</td>
<td>7%</td>
</tr>
<tr>
<td>More than fourteen years before maturity</td>
<td>8-1/2%</td>
</tr>
</tbody>
</table>
SCHEDULE 2

Modifications of the General Conditions

For the purposes of the Loan Agreement, the provisions of the General Conditions are modified as follows:

(1) The following subparagraph (d) is added to Section 3.05:

"(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment of the Loan and the application of such prepayment in addition to, or in substitution for, those set forth in paragraph (b) of Section 3.05."

(2) The words "Investment Projects or SSI Projects" are substituted for the words "the Project" at the end of Section 5.03.

(3) Section 6.03 is deleted and replaced by the following new Section:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) by the date specified in paragraph (d) of Section 2.04 of the Loan Agreement no applications or requests"
permitted under paragraph (a) or paragraph (b) or paragraph (c) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, or (d) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled."
SCHEDULE 3

New Composition and Procedures of the Board of Directors

The Board of Directors of the Borrower shall be reorganized in the following manner:

1. There shall be seven Directors, of which three shall be appointed from among members of the civil service and/or Government-controlled corporations and four shall be appointed from among qualified and experienced members of the business, industrial and professional communities in the private sector.

2. The Chairman of the Board of Directors shall be one of the four Directors from the private sector.

3. The quorum for any meeting of the Board of Directors shall consist of three Directors, of which two shall be Directors from the private sector and one shall be a Director from the civil service or a Government-controlled corporation.
1. For the purpose of Part B of the Project, the Guarantor and the Borrower intend to finalize a plan of organization (the Plan) which will be submitted to the Bank for review and approval before withdrawals may be made under Part B of the Project. The Borrower and the Guarantor will jointly submit to the Bank a proposal based on an analysis, detailed below in paragraph 2, of the data available from the Ministry of Labour and the Ministry of Commerce and Industry on the financial assistance required by small scale industries in Cyprus.

2. The analysis referred to above shall be based upon applications since mid-1974 for financing received by the Ministry of Labour and Ministry of Commerce and Industry. Such analysis should provide detailed statistics on such applications by:

   (i) purpose and sub-sector;

   (ii) investor (status);

   (iii) enterprise (size, employment);

   (iv) project (cost including import component); and

   (v) financing required, terms and conditions.
3. The Borrower and the Guarantor will include in their proposal to the Bank a detailed program to support the Borrower's financial assistance to Small Scale Industries.

4. The main points in the Plan should include, in light of the analysis referred to above, the following:

   (a) A definition of "Small Scale Industry" for the purpose of Part B of the Project;

   (b) A definition of the range and size of SSI loans taking account of: (i) the findings of the analysis referred to above in paragraph 1; (ii) the Borrower's staff capabilities to process such loans; and (iii) availability of funds under the SSI Scheme;

   (c) The Ministry of Labour will provide the Borrower with the assistance required to identify, screen and process applications for SSI loans; will provide technical assistance to Small Scale Industries financed by the Borrower; and will monitor in conjunction with the Borrower such SSI loans and any other programs of assistance needed to implement the Loan. The Borrower and the Guarantor will also provide in their proposal a schedule of implementation of its various components;

   (d) The staff arrangements to be provided internally by the Borrower to appraise and supervise SSI loans and to coordinate assistance from other sources; and

   (e) The Borrower and the Guarantor will agree to enable the Borrower to operate the SSI Scheme without incurring operational
losses. Specifically, the Guarantor will protect the Borrower against such loss by providing, if necessary, grants to allow the Borrower to cover its administrative and financial expenses and reasonable provisions on SSI bad debts, which are in excess of the Borrower's income on its SSI loans.

5. Initially, the Guarantor and the Borrower will jointly agree to make arrangements for and implement a minimum scheme of organization as follows:

(a) the Guarantor will cause its Ministry of Labour to assign at least four qualified civil servants employed by such Ministry to work full time as professionals for the SSI Scheme under terms of reference satisfactory to the Bank and the Borrower. Such professionals or their replacements will be selected on the basis of job descriptions satisfactory to the Bank and the Borrower, and will stay on the job under the supervision of the Borrower for at least the period of disbursement of SSI loans;

(b) the Borrower will employ for or assign to the SSI Scheme three qualified operations officers, one of whom will be experienced in the Borrower's operations; and

(c) the Guarantor will cause its Ministry of Labour to enter into an arrangement with the Cyprus Productivity Center to provide assistance to Small Scale Industries under terms of reference satisfactory to the Bank and the Borrower.