



Европейска инвестиционна банка  
Evropská investiční banka  
Den Europæiske Investeringsbank  
Europäische Investitionsbank  
Euroopa Investeerimispank  
Ευρωπαϊκή Τράπεζα Επενδύσεων  
European Investment Bank  
Banco Europeo de Inversiones  
Banque européenne d'investissement  
Banca europea per gli investimenti  
Eiropas Investīciju banka  
Europos investicijų bankas  
Európai Beruházási Bank  
Bank Ewropew tal-Investment  
Europese Investeringsbank  
Europejski Bank Inwestycyjny  
Banco Europeu de Investimento  
Banca Europeană de Investiții  
Európska investičná banka  
Evropska investicijska banka  
Euroopan investointipankki  
Europeiska investeringsbanken

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Ministerstvo financií Slovenskej republiky  
Sekcia európskych a medzinárodných záležitostí  
Štefanovičova 5  
SK – 817 82 Bratislava

**For the attention of Deputy Prime Minister Ivan Mikloš**

**Subject: Amendment to the Member States' Guarantee concerning loans to be made by the European Investment Bank ("the Bank") in favour of investment projects in the African, Caribbean and Pacific States and Overseas Countries and Territories (the "Cotonou II Guarantee").**

Dear Deputy Prime Minister,

By letter to the President of 24 September 2007 various Member States suggested to consider to *better share the risks of EIB own-resources lending between the Bank and its Member States while preserving adequate financing of ACP countries and to review the own-resources guarantee mechanism in this sense*. In view of the discussions on a possible increase of EIB risk sharing in its own-resources lending, it was decided during the negotiations of the Cotonou II Guarantee to establish an intermediary expiry date of the Guarantee (31 December 2010) awaiting the outcome of such discussions.

On 16 November 2010 the Board of Directors of the Bank approved the following:

- a) an increase of the current overall limit of public-sector exposure limit for own-resources lending under the Cotonou II Mandate from 60% (sixty per cent) to 80% (eighty per cent); and
- b) the assumption of the full commercial risk on each individual private sector operation from own-resources with a systematic carve-out of the political risk by the Member States' Guarantee.

In view of this decision, the Cotonou II Guarantee Agreement should be amended as follows (all together the "Amendment"):

**1. A new Recital 4 is added as follows:**

*"On 16 November 2010 the Board of Directors of the Bank decided to increase the current overall limit of public-sector exposure limit for own-resources lending under the Cotonou II Mandate from 60% to 80% and to assume the full commercial risk on each individual private sector operation from own-resources with a systematic carve-out of the political risk by the Member States' Guarantee."*

**2. The numbering of the Recitals shall be amended accordingly.**

**3. Recital 8 shall read as follows:**

*"The Guarantors and the Bank intend that, where the Guarantors are subrogated to the rights and remedies of the Bank in relation to any Loan, the Bank shall, if so requested by the Guarantors, administer and manage the Loan Agreement which has gone into default in accordance with the terms and conditions of the Cotonou II Arrears Administration Agreement of 31 March 2009 concluded between the Bank and the Guarantors governing the procedures for payment and reimbursements under the Member States guarantee in favour of the Bank (the "Cotonou II Arrears Administration Agreement")."*

**4. The definition of Adequately Secured Loan Agreement ("ASLA") shall read as follows:**

*"Adequately Secured Loan Agreement ("ASLA")" means any Loan Agreement concluded between the Bank and private sector Borrowers within the Cotonou Framework for which in the Bank's opinion there is an adequate security covering for credit risks. According to Article 2.03, ASLAs, shall only be covered by this Guarantee as regards Political Risks as defined in Annex 3."*

**5. The definition of Cotonou II Arrears Administration Agreement shall be deleted in section A of "Definitions"**

**6. The "Loan-loss Cover Account" or "LLCA" definition shall read as follows:**

*"Loan-loss Cover Account" or "LLCA" means the account in euros constituted by the Bank in the name of the Guarantors, which shall be funded from the income resulting from the application of risk-pricing on EIB Financing Operations, excluding ASLAs as defined above, and which shall be managed in accordance with the provisions of the Cotonou II Arrears Administration Agreement."*

**7. Section B of "Definitions" shall read as follows:**

<u>Term</u>	<u>Recital, Article or Annex</u>
Arbitral tribunal	Section 4 of Annex 3
Association Decision	Recital 1
binding	Section 4 of Annex 3
enforceable	Section 4 of Annex 3
Cotonou Framework	Recital 5
Cotonou Internal Agreement II	Recital 1
Cotonou II Arrears Administration Agreement	Recital 8
Cotonou Partnership Agreement II	Recital 1
Political Risks	Article 2.03
Project	Section 4 of Annex 3
Project Agreement	Section 4 of Annex 3
Relevant Party	Section 4 of Annex 3

**8. Article 1.04 shall read as follows:**

*"The obligations of the Guarantors under this Guarantee shall continue until payment is made in full of the Guaranteed Sums."*



**9. Article 2.03 shall read as follows:**

*"However, for ASLAs, this Guarantee may only be called upon whenever, because of the occurrence of one of the events defined in Annex 3 (hereafter a "Political Risk"):*

- (i) a Guaranteed Debtor is unable to pay, or the Bank is unable to receive, a Guaranteed Sum on its due date; or*
- (ii) a Third-Party Guarantor is prevented from collecting amounts which are due to it in respect of a Guaranteed Sum, provided that:*
  - (a) any demand for payment made by a Third-Party Guarantor on account of a payment that it has made on behalf of a Guaranteed Debtor must have been presented to the Bank at the latest 2 years from (xx) the specified contractual final repayment date under the relevant agreement or (yy) in case of early repayment, whether voluntary or obligatory, of the relevant Loan, the due date of that early repayment; and*
  - (b) this Guarantee is limited to the amount which the Bank or, as the case may be, the Third-Party Guarantor could have recovered but for the occurrence of a Political Risk."*

**10. Article 3.01 shall read as follows:**

*"The Guarantors shall pay to the Bank the amounts demanded by the Bank in euros. The amounts demanded by the Bank shall take into account any funds which are capable of being applied by the Bank from the LLCA in respect of unpaid Guaranteed Sums. The LLCA shall be managed in accordance with the provisions of the Cotonou II Arrears Administration Agreement and the terms and conditions laid down by the Bank's governing bodies from time to time."*

**11. Article 4.03 shall read as follows:**

*"The Bank shall provide to the Guarantors twice a year by 31 January and 31 July respectively:*

- (i) an information sheet, in the form of Annex 4, containing information, effective as of 31 December and 30 June on the Loan Agreements (including ASLAs) covered by the present Guarantee; and*
- (ii) the prudential limits, in the form of Annex 5, as defined in accordance with the principles and guidelines laid down by the Bank's governing bodies from time to time, as most recently approved on 16 November 2010."*

**12. Article 5.04 shall read as follows:**

*"The Guarantors and the Bank agree to apply the Cotonou II Arrears Administration Agreement to all recovery actions initiated by the Bank in respect of Loan Agreements covered by this Guarantee."*

**13. Article 6.02 shall read as follows:**

*"The Guarantors will indemnify the Bank for all taxes and expenses incurred by the Bank in seeking recovery of Guaranteed Sums, in accordance with the Cotonou II Arrears Administration Agreement."*

14. Annex 5 shall read as follows:

Annex 5

Semi-annual information sheet as of [31/12/YY] [30/06/YY] on Prudential Limits \*)

	Ceiling		Signed exposure		Disbursed exposure	
	%	EUR m	EUR m	% of ceiling	EUR m	% of ceiling
Sovereign operations as a percentage of the Cotonou Mandate	60%	1032				
	80%	1624				
Target ceiling to the expected loss on the portfolio of loans to sovereigns	8%					
	8%					
Debt outstanding from sovereign borrowers rated C as a percentage of the sovereign portfolio	25%	258				
	25%	406				
Sovereign exposure to any single country as a percentage of total exposure	20%	206				
	20%	325				

\*) The prudential limits under this Annex 5 shall be provided for reference only, they are not binding and shall be defined in accordance with the principles and guidelines laid down by the Bank's governing bodies from time to time.

Subject to the terms of this letter, the Cotonou II Guarantee shall remain in full force and effect.

This letter shall be governed by and construed in accordance with the general principles common to the laws of the Member States.

We would appreciate if you could formalise your agreement to this Amendment by counter-signing this letter in one original in each of the three authentic languages, being English, French and German and return them to the Bank, at which it shall be deposited.

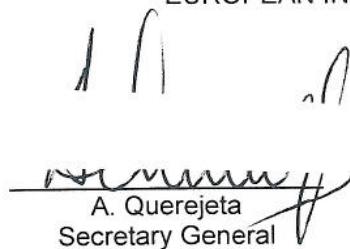
The Bank will send to you certified copies of the originals in the three authentic languages.

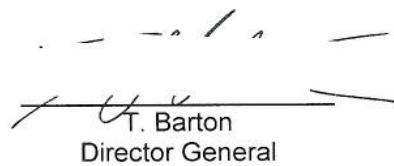
Please note that this Amendment will be binding in respect of each Guarantor immediately upon its valid signature or ratification of the Amendment.

A consolidated text showing the modifications to the Cotonou II Agreement arising from this letter is enclosed as Annex I for convenience.

Yours faithfully,

EUROPEAN INVESTMENT BANK

  
A. Querejeta  
Secretary General

  
T. Barton  
Director General

Countersigned for approval

Date: \_\_\_\_\_

For and on behalf of the Slovak Republic

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_