

CONFORMED COPY

LOAN NUMBER 3526 IND

(Financial Sector Development Project)

amongst

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

P.T. (PERSERO) BANK BUMI DAYA  
P.T. (PERSERO) BANK DAGANG NEGARA  
P.T. (PERSERO) BANK EKSPOR IMPOR INDONESIA  
P.T. (PERSERO) BANK NEGARA INDONESIA  
P.T. (PERSERO) BANK RAKYAT INDONESIA

Dated January 21, 1992

LOAN NUMBER 3526 IND

PARTICIPATING BANKS PROJECT AGREEMENT

AGREEMENT, dated January 21, 1993, amongst the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and P.T. (PERSERO) BANK BUMI DAYA, P.T. (PERSERO) BANK DAGANG NEGARA, P.T. (PERSERO) BANK EKSPOR IMPOR INDONESIA, P.T. (PERSERO) BANK NEGARA INDONESIA and P.T. (PERSERO) BANK RAKYAT INDONESIA (collectively the Participating Banks).

WHEREAS (A) by the Loan Agreement of even date herewith between the REPUBLIC OF INDONESIA (the Borrower) and the Bank, the Bank has agreed to lend to the Borrower an amount in various currencies equivalent to three hundred seven million dollars (\$307,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that each of the Participating Banks agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by subsidiary loan agreements to be entered into between the Borrower and each of the Participating Banks, part of the proceeds of the loan provided for under the Loan Agreement will be made available to such Participating Banks on terms and conditions set forth in the BBD Subsidiary Loan Agreement, the BDN Subsidiary Loan Agreement, BankExim Subsidiary Loan Agreement, BNI Subsidiary Loan Agreement and BRI Subsidiary Loan Agreement; and

WHEREAS the Participating Banks, in consideration of the Bank's entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project; Management and Operations of the Participating Banks

Section 2.01. Each Participating Bank declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, each shall carry out Parts B and C of the Project and conduct its operations and affairs, in accordance with sound administrative, financial, commercial bank, economic, managerial and environmental standards and practices, with qualified and experienced management and staffing in adequate number and qualifications, and in accordance with its Articles of Association, and each shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

Section 2.02. Each Participating Bank shall adopt and, thereafter, take all such action as shall be necessary to: (a) carry out its Plan of Actions, including implementing the remedial measures that BI may require it to undertake for such purposes; and (b) in accordance with internationally accepted guidelines satisfactory to the Bank, achieve a minimum 8% Capital Adequacy by December 31, 1994. For such purposes, each Participating Bank shall: (i) on March 31, 1993, March 31, 1994 and December 31, 1994 take all such actions as shall be necessary to include as Tier II Capital the amounts approved by BI of its Liquidity Credits withdrawn and outstanding on such dates; and (ii) on each Conversion Date, issue shares in the name of the Borrower representing the amount of the Tier I Capital Contributions provided for in Section 3.02 of the Loan Agreement.

Section 2.03. Each Participating Bank shall adopt by December 31, 1992, and, thereafter, implement performance criteria, satisfactory to the Bank, for providing annual bonus to the members of its Board of Directors.

Section 2.04. (a) Each Participating Bank undertakes that, unless the Bank shall otherwise agree, Sub-loans shall be made in accordance with the procedures and on the terms and conditions set forth or referred to in the Schedule to this Agreement.

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

Section 2.05. Each Participating Bank shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition) in respect of Part B of the Project.

Section 2.06. Each Participating Bank shall duly perform all its obligations under its Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, each Participating Bank shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving its Subsidiary Loan Agreement or any provision thereof.

Section 2.07. (a) Each Participating Bank shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Parts B and C of the Project, the performance of its obligations under this Agreement and under its Subsidiary Loan Agreement and other matters relating to the purposes of the Loan.

(b) Each Participating Bank shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditures of the proceeds of the Sub-loans made by such Participating Bank, the administration, operations and financial conditions of the Investment Enterprises beneficiaries of such Sub-loans, the Investment Projects being financed by such Sub-loans, and the administration, operations and financial condition of such Participating Bank, including the carrying out of its Action Plans and Financing Plans.

(c) Each Participating Bank shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Parts B and C of the Project, the accomplishment of the purposes of the Loan, or the performance by such Participating Bank of its obligations under this Agreement and under its Subsidiary Loan Agreement, as the case may be.

(d) Each Participating Bank undertakes to provide to BI all such information as shall be necessary to enable BI to comply with its obligations under the BI Project Agreement, and in particular with those obligations set forth in Section 2.07 of the BI Project Agreement relating to the reports to be provided by BI to the Borrower and the Bank on each Supervision Date.

Section 2.08. Except as the Bank shall otherwise agree, each of the Participating Banks shall: (a) not sell, lease, transfer or otherwise dispose of any of its property or assets, except in the ordinary course of business; and (b) take all action necessary to maintain its corporate existence and right to carry on its operations and to acquire, maintain and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

Section 2.09. During the period April 1, 1992 through December 31, 1994, each of BBD and BDN shall take all such actions as shall be necessary to limit the growth of its risk-weighted assets at an average annual growth rate not to exceed the level of its risk-weighted assets as of March 31, 1992.

Section 2.10. During the period April 1, 1992 through December 31, 1994, each of BankExim and BNI shall take all such actions as shall be necessary to limit the growth of its risk-weighted assets at an average annual growth rate not to exceed 15% of the level of its risk-weighted assets as of March 31, 1992.

Section 2.11. Except for BRI's risk-weighted assets related exclusively to small and medium enterprises, which risk-weighted assets may increase during the period April 1, 1992 through December 31, 1994, at an average annual growth rate not to exceed 15% of the level of such risk-weighted assets as of March 31, 1992, BRI shall, during the period April 1, 1992 through December 31, 1994, take all such actions as shall be necessary to limit the growth of its risk-weighted assets at an average annual growth rate not to exceed the level of its risk-weighted assets as of March 31, 1992.

Section 2.12. BRI shall, by March 31, 1993, prepare and furnish to the Bank for its approval, a plan for its institutional reorganization aimed at enhancing BRI's operational efficiency, and thereafter, implement such plan as so approved in accordance with a

time-table satisfactory to the Bank.

Section 2.13. Each of the Participating Banks shall amend the Subsidiary Loan Agreements referred to in paragraphs (b) and (c) of Section 3.04 of the Loan Agreement pursuant to the provisions thereof.

### Article III

#### Financial Covenants

Section 3.01. (a) Each of the Participating Banks shall maintain procedures and records adequate to monitor and record the progress of Parts B and C of the Project and of each Investment Project being financed by such Participating Bank (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of each of the Participating Banks.

(b) Each of the Participating Banks shall:

- (i) have its records, accounts and 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;
- (ii) furnish to the Bank, as soon as available but in any case not later than nine 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 said records, accounts and financial statements as well as 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 were made on the basis of statements of expenditure, each of the Participating Banks shall:

- (i) maintain, in accordance with paragraph (a) of this Section, separate 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 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 separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Loan withdrawn in respect of such expenditures were used for the purposes for which they were provided.

Section 3.02. Each of the Participating Banks shall take such actions 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 various currencies (including the Rupiah) used in its operations.

Section 3.03. Each Participating Bank shall annually retain and convert into its paid-in capital at least 80% of its after tax profits of its fiscal years 1993 and 1994.

#### ARTICLE IV

##### Effective Date; Termination Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of the Participating Banks thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the Participating Banks thereof.

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

#### ARTICLE V

##### Miscellaneous Provisions

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

For the Bank:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

For the Participating Banks:

P.T. (PERSERO) Bank Bumi Daya  
Jl. Iman Bonjol No. 61  
Jakarta 10011  
Indonesia

Cable Address:

BEDEPUSAT  
Jakarta, Indonesia

Telex:

61400 BDPST IA,  
61277 BDPST IA, or  
61876 BDPST IA

P.T. (PERSERO) Bank Dagang Negara  
Jl. M.H. Thamrin No. 5  
Jakarta 10240  
Indonesia

Cable Address:

STACOPUS  
Jakarta, Indonesia

Telex:

61212 BDNKP IA,  
45844 BDNUPK IA, or  
45845 BDNUPK IA

P.T. (PERSERO) Bank Ekspor Impor Indonesia  
Jl. Lapangan Stasiun No. 1  
Jakarta 11110  
Indonesia

Cable Address:

EXIMINDONESIA  
Jakarta, Indonesia

Telex:

42030  
42087  
43032

P.T. (PERSERO) Bank Negara Indonesia  
Jl. Jenderal Sudirman Kav. No. 1  
Jakarta  
Indonesia

Cable Address:

KANTORBESAR  
Jakarta, Indonesia

Telex:

45524 KBBNI-IA  
45539 KBBNI-IA

P.T. (PERSERO) Bank Rakyat Indonesia  
Jl. Jenderal Sudirman Kav. 44-46  
Jakarta  
Indonesia

Cable Address:

KANPUSBRI  
Jakarta, Indonesia

Telex:

65301 KP BRI IA  
63293 KP BRI IA

Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of each of the Participating Banks, or by any of the Participating Banks on behalf of the Borrower under the Loan Agreement, may be taken or executed by their respective President Director, or by such other person or persons as each of the Participating Banks shall designate in writing, and each of the Participating Banks shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ Gautam Kaji

Regional Vice President  
East Asia and Pacific

P.T. (PERSERO) BANK BUMI DAYA  
P.T. (PERSERO) BANK DAGANG NEGARA  
P.T. (PERSERO) BANK EKSPOR IMPOR INDONESIA  
P.T. (PERSERO) BANK NEGARA INDONESIA  
P.T. (PERSERO) BANK RAKYAT INDONESIA

By /s/ Abdul Rachman Ramly  
Authorized Representative

#### SCHEDULE

##### Terms and Conditions of Sub-loans

1. Sub-loans shall have a maximum repayment period of 12 years, including a maximum grace period of 3 years, and interest rate at the prevailing market rate in Indonesia for similar loans for Investment Projects.
2. No expenditures for goods, civil works or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan:
  - (a) unless the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Schedule in respect of such Sub-loan; or
  - (b) except as otherwise provided in paragraph 3 (b) (ii) of Schedule 1 to the Loan Agreement, the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of the Loan Agreement and this Agreement, 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 \$3,000,000 equivalent when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan for such Investment Project.
3. Except as the Bank shall otherwise agree, to qualify for obtaining a Sub-loan, an Investment Enterprise shall:
  - (a) demonstrate that the Investment Project for which the Sub-loan is being requested shall:
    - (i) be for activities in the industry, agriculture or service sectors with an effective rate of protection not to exceed 40%;
    - (ii) have a financial internal rate of return of not less than the annual interest rate to be charged to the Investment Enterprise on the Sub-loan;
    - (iii) generate incremental value added through an annual stream of estimated sales revenues on a demonstrated sustainable basis; and
    - (iv) be in compliance with the Borrower's environmental guidelines and regulations.
  - (b) undertake to finance from its own resources at least 30% of its total cost, including land to be acquired for the purposes of the Investment Project.

4. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval each of the Participating Banks shall furnish to the Bank an application, in a form satisfactory to the Bank, together with: (i) 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; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; (iii) an environmental impact analysis of the Investment Project together with a survey to identify existing adverse environmental impact and proposed solutions to ameliorate such impact; and (iv) such other information as the Bank shall reasonably request.

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

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before September 30, 1994.

5. Sub-loans shall be made on terms whereby each of the Participating Banks 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 such Participating Bank, including, in the case of any Sub-loan the right to:

(a) require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records;

(b) require that: (i) the goods, civil works 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, in the case of goods, time of delivery, reliability and availability of maintenance facilities and spare parts therefor, and, in the case of civil works and services, of their quality and the competence of the parties rendering them; provided, however: (A) that contracts estimated to cost the equivalent of \$5,000,000 or more shall be procured in accordance with Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines); and (B) that with respect to all contracts estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply; and (ii) such goods, civil works and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods, works, plants and constructions and installations, as the case may be, included in the Investment Project the operation thereof, and any relevant records and documents;

(d) require that: (i) 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 (ii) without any limitation upon the foregoing, such insurance shall cover 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;

(e) obtain all such information as the Bank or such Participating Bank shall reasonably request relating to the foregoing and to the administration, operations and financial



conditions of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) 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 such Participating Bank.

