

CONFORMED COPY

LOAN NUMBER 3191 HU

BB Project Agreement

(Financial System Modernization Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BUDAPEST BANK LTD.

Dated June 1, 1990

LOAN NUMBER 3191 MU

BB PROJECT AGREEMENT

AGREEMENT, dated June 1, 1990, between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(the Bank) and BUDAPEST BANK LTD. (the Participating
Bank).

WHEREAS (A) by the Loan Agreement of even date
herewith between National Bank of Hungary (the Borrower)
and the Bank, the Bank has agreed to make available to
the Borrower an amount in various currencies equivalent
to sixty-six million dollars (\$66,000,000), on the terms
and conditions set forth in the Loan Agreement, but only
on condition that the Participating Bank agree to
undertake such obligations toward the Bank as are set
forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and the Participating Bank (the Subsidiary Loan Agreement), part of the proceeds of the loan provided for under the Loan Agreement will be made available to the Participating Bank on the terms and conditions set forth in the Subsidiary Loan Agreement; and

WHEREAS the Participating Bank, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has 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 the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Participating Bank's Activities under Part C of the Project

Section 2.01. (a) The 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, shall carry out its activities under Part C of the Project with due diligence and efficiency and in conformity with appropriate technical, administrative, financial and economic practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the Participating Bank shall otherwise agree, the Participating Bank shall carry out its activities under Part C of the Project in accordance with the implementation program set forth in the Schedule to this Agreement.

Section 2.02. (a) In order to assist the Participating Bank in carrying out its activities under Part C of the Project, the Participating Bank shall employ consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

(b) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the carrying out by the Participating Bank of its activities under Part C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 2.03. The Participating Bank shall carry out

the obligations set forth in Sections 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, and maintenance, respectively) in respect of this Agreement and its activities under Part C of the Project.

Section 2.04. The Participating Bank shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, the Participating Bank shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) The Participating Bank shall, at the request of the Bank, exchange views with the Bank With regard to progress of its activities under Part C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of Part C of the Project.

(b) The Participating Bank shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its activities under Part C of the Project, the accomplishment of the purposes of Loan, or the performance by the Participating Bank of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Participating Bank shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Participating Bank shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, commencing with its fiscal year ending December 31, 1989, audited, under terms of reference satisfactory to the Bank and 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 five 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.

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 and Guarantee Agreements become effective.

Section 4.02. This Agreement and all obligations of the Bank and of the Participating Bank thereunder shall terminate on the date on which the Loan and Guarantee Agreements shall terminate in accordance with their respective terms, and the Bank shall promptly notify the Participating Bank 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 radio gram 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 address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

For the Participating Bank:

Budapest Bank
Budapest V
Deak Ferenc Utca 5
H-1852 Budapest
Republic of Hungary

Telex:

223013

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the Participating Bank, may be taken or executed by its chief executive officer or such other person or persons as the Participating Bank shall designate in writing, and the Participating Bank 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/ Eugenio F. Lari
Acting Regional Vice President
Europe, Middle East and North Africa

BUDAPEST BANK LTD.

By /s/ Mikloé Pulai
Authorized Representative

SCHEDULE

Implementation Program

1. The Participating Bank shall: (a) carry out its activities under Part C of the Project to strengthen its organization, management and operations in accordance with an action program satisfactory to the Bank; and (b) maintain at all times a task force satisfactory to the Bank, to coordinate and monitor the carrying out of said action program.

2. In order to strengthen its financial structure under Part C of the Project, the Participating Bank shall:

(a) develop, on the basis of guidelines satisfactory to the Bank, and adopt, not later than December 31, 1990, an action plan to progress towards restoring a sound financial structure in accordance with prudent loan classification and provisioning criteria;

and

(b) carry out such action plan with due diligence and efficiency.

