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LOAN NUMBER 8297-INO

LOAN AGREEMENT

(Electricity Grid Strengthening Sumatra Program – Results Based Lending)

between

PT PERUSAHAAN LISTRIK NEGARA (PERSERO)

and

ASIAN DEVELOPMENT BANK

DATED December 4, 2015

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INO 49080

## LOAN AGREEMENT

LOAN AGREEMENT dated Dec 4, 2015 between PT PERUSAHAAN LISTRIK NEGARA (PERSERO) ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("A Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources in an amount of five hundred seventy-five million Dollars (\$575,000,000) ("A Loan") for the purposes of the Program described in Schedule 1 to the A Loan Agreement ("Program");

(B) the Borrower has also applied to ADB for a loan ("Loan") for the purposes of the Program to be funded by ADB entirely from a participation in the Loan by ASEAN Infrastructure Fund Limited ("AIF");

(C) the Loan is to be guaranteed by the Republic of Indonesia ("Guarantor") under the terms of the Guarantee Agreement of even date herewith between the Guarantor and ADB;

(D) by a participation agreement [of even date herewith] between ADB and AIF ("Participation Agreement"), ADB has agreed to grant to AIF a participation in the Loan ("Participation") on the terms and conditions set forth therein; and

(E) ADB has agreed to make a Loan to the Borrower upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. All the provisions of the General Conditions Applicable to Loans made by ADB Funded Through Participations of ASEAN Infrastructure Fund Limited, dated 13 September 2013 ("General Conditions"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the General Conditions and in the A Loan Agreement have the respective meanings therein set forth.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to make to the Borrower the Loan in an amount of twenty-five million Dollars (\$25,000,000), with funds to be obtained entirely through the Participation in the Loan by AIF.

(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB 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 sum of:

(a) LIBOR; and

(b) 1.40% as provided by Section 3.02 of the General Conditions.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Loan Agreement.

## **ARTICLE III**

### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Borrower shall ensure that no Loan proceeds are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Section 3.04. The Borrower shall ensure that the amount of Eligible Expenditures is at least equal to or exceeds the proceeds of the Loan withdrawn by the Borrower under the Program.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the General Conditions shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. (a) The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Program and operation of the Program facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the A Loan Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Program, the goods and works, and any relevant records and documents

Section 4.04. (a) The Borrower shall (i) prepare its annual financial statements in accordance with national accrual-based financial reporting standards acceptable to ADB; (ii) have such financial statements audited annually by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB in accordance with International Standards on Auditing or the national equivalent acceptable to ADB; (iii) as part of such audit, have the auditors prepare a report (which includes the auditor's opinion on the financial statements, and the level of compliance on each financial covenant of this Loan Agreement); and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and audit report, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) In addition to the audited financial statements and audit report referred to in subsection (a), the Borrower shall furnish to ADB, no later than 6 months after the end of each related fiscal year: (i) a statement of Program expenditures incurred which covers the amount of the Program expenditures for the previous year(s), the current year and the

cumulative amount, (ii) the auditor's opinion on the statement of Program expenditures incurred, and (iii) a management letter (which sets out the deficiencies in the internal control of the Program that were identified in the course of the audit, if any), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(c) ADB shall disclose the statement of Program expenditures incurred and the auditor's opinion on the statement of Program expenditures incurred, within 30 days of the date of their receipt by posting them on ADB's website.

(d) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Borrower and its financial affairs where they relate to the Program with the auditors appointed by the Borrower pursuant to subsections (a)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.05. (a) As part of the reports and information referred to in Section 5.05 of the General Conditions, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

(b) Without limiting the generality of the foregoing or Section 5.05 of the General Conditions, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

Section 4.06. (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The Borrower shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Loan Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program or the Loan.

Section 4.07. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, and privileges which are necessary in the carrying out of the Program or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.08. Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

Section 4.09. ADB's obligation to disburse any amount from the Loan Account shall be subject to ADB's receipt of a corresponding amount from AIF in accordance with the terms of the Participation Agreement. In the event AIF does not pay any amount of the Participation in the Loan to ADB, ADB, by notice to the Borrower, shall cancel the corresponding amount of the Loan.

Section 4.10. (a) Except as ADB may otherwise agree, any cancellation by the Borrower of any unwithdrawn amount of the Loan under Section 8.03 of the General Conditions shall be made pro-rata with the cancellation of the A Loan: at 4.2% in respect of the Loan and 95.8% in respect of the A Loan.

(b) Except as ADB may otherwise agree, any prepayment by the Borrower of the Loan under Section 3.05(b) of the General Conditions shall be made pro-rata with the prepayment of the A Loan: at 4.2% in respect of the Loan and 95.8% in respect of the A Loan.

## ARTICLE V

### **Suspension; Cancellation; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(l) of the General Conditions: the A Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for cancellation of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.02(vi) of the General Conditions: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## ARTICLE VI

### Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the General Conditions: the A Loan Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the General Conditions, to be included in the opinion or opinions to be furnished to ADB: the A Loan Agreement has been duly authorized or approved by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the General Conditions.

## ARTICLE VII

### Miscellaneous

Section 7.01. The President Director of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 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

PT (Persero) Perusahaan Listrik Negara  
Jl. Trunojoyo Blok M 1/135  
Kebayoran Baru  
Jakarta 12160, Indonesia

Facsimile Number:

(62-21) 722-1330.

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines


Facsimile Numbers:

(632) 636-2444  
(632) 636-2336.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PT PERUSAHAAN LISTRIK NEGARA  
(PERSERO)

By

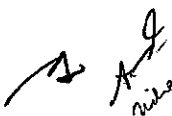
  
SOFYAN BASIR  
Direktur Utama

ASIAN DEVELOPMENT BANK

By



STEVEN TABOR  
Country Director  
Indonesia Resident Mission





**SCHEDULE 1****Amortization Schedule****(Electricity Grid Strengthening Sumatra Program – Results Based Lending)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 March 2021	3.333333
15 September 2021	3.333333
15 March 2022	3.333333
15 September 2022	3.333333
15 March 2023	3.333333
15 September 2023	3.333333
15 March 2024	3.333333
15 September 2024	3.333333
15 March 2025	3.333333
15 September 2025	3.333333
15 March 2026	3.333333
15 September 2026	3.333333
15 March 2027	3.333333
15 September 2027	3.333333
15 March 2028	3.333333
15 September 2028	3.333333
15 March 2029	3.333333
15 September 2029	3.333333
15 March 2030	3.333333
15 September 2030	3.333333
15 March 2031	3.333333
15 September 2031	3.333333
15 March 2032	3.333333
15 September 2032	3.333333
15 March 2033	3.333333
15 September 2033	3.333333
15 March 2034	3.333333
15 September 2034	3.333333
15 March 2035	3.333333
15 September 2035	3.333343
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

## SCHEDULE 2

### Allocation and Withdrawal of Loan Proceeds

#### General

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

#### Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate the Deposit Account at commercial bank acceptable to ADB into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be managed and liquidated in accordance with terms and conditions satisfactory to ADB.

3. The Borrower shall maintain separate accounts and records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

#### Basis for Withdrawal from the Loan Account

4. The Withdrawal Table sets out the Loan amount available for withdrawal upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. Except as otherwise specified in this Schedule 2 or otherwise agreed by ADB, the Withdrawal Table shall form the basis for withdrawal from the Loan Account

5. Except as otherwise agreed by ADB, the Borrower shall not make more than one application for withdrawal from the Loan Account on a semi-annual basis.

6. Except as provided in paragraph 11 of this Schedule 2, prior to submitting any application for withdrawal from the Loan Account for a DLI, the Borrower shall submit for ADB's approval, satisfactory evidence as required under the DLI Verification Protocol that such DLI has been fully achieved, or (for DLIs for which partial disbursement is allowed as specified in the DLI Matrix) partly achieved. After ADB's confirmation that the DLI has been achieved in full, or (for DLIs for which partial disbursement is allowed as specified in the DLI Matrix) in part, the Borrower may submit an application for withdrawal of the corresponding Loan proceeds for such DLI.

7. No withdrawal shall be made or permitted from the Loan Account for any DLI unless ADB is satisfied that the Borrower continues to comply with all DLIs that were previously met and for which Loan proceeds have been disbursed.

8. Throughout the implementation period of the Program, the Borrower shall submit any information on the Program that ADB may require from time to time to assess and calculate the value of Eligible Expenditures.

Application for Withdrawal from the Loan Account

9. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Prior to the submission of the first withdrawal application, the Borrower shall submit to ADB sufficient evidence of the authority of the person(s) who shall sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

Financing for Prior Results

10. Withdrawals from the Loan Account may be made, as set out in the Withdrawal Table, for DLI targets achieved prior to the Effective Date but not earlier than 12 months before the date of this Loan Agreement, provided that the aggregate of such withdrawals shall not, at any time, exceed 20% of the Loan amount

Advanced Financing

11. (a) Prior to the achievement of any DLIs, withdrawals from the Loan Account may be made for the purposes of meeting the Program's financing requirements and supporting the achievement of DLIs. Withdrawals for such advanced financing may be made from time to time during Program implementation; provided that (i) the outstanding advanced financing amount shall not, at any time, exceed 25% of the Loan amount; and (ii) the aggregate outstanding advanced financing amount and the Loan amount withdrawn for financing prior results as set out in the Attachment to Schedule 2 to this Loan Agreement shall not, at any time, exceed 30% of the Loan amount.

(b) ADB shall deduct the withdrawn advanced financing amounts from the Loan amounts allocated for subsequent DLIs once such DLIs have been achieved.

Reallocation

12. (a) The years indicated for disbursement in the table in the Attachment to this Schedule 2 are indicative only and shall not restrict disbursement on account of any DLI targets achieved ahead of the expected year. In the event the Borrower achieves a DLI target earlier than targeted, the Borrower shall be entitled to seek advancement of the disbursements due for such DLI, and ADB shall make disbursement for such DLI.

(b) Notwithstanding the allocation of Loan proceeds set forth in the Withdrawal Table, if the amount of Loan proceeds allocated to any DLI appears to be insufficient or excessive for any reason whatsoever, the Borrower and ADB may by agreement reallocate such shortfall or excess amount to any other DLI.

Disbursement Procedures

13. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook, subject to the following:

(a) the supporting documents specified in paragraph 6 of this Schedule 2 shall be submitted by the Borrower in lieu of the supporting documents required under the Loan Disbursement Handbook; and

(b) disbursements from the Loan shall be made pro-rata to disbursements from the A-Loan: at 4.2% in respect of the Loan and 95.8% in respect of the A Loan.

Reconciliation

14. If any DLIs have not been achieved by the Program Completion Date, the Borrower shall, within 6 months after the Program Completion Date, refund to ADB any outstanding advance financing amount or part thereof which corresponds to the Loan amount allocated under the Withdrawal Table for the DLIs or part of the DLIs which have not been achieved.

15. If the amount of Eligible Expenditures is less than the proceeds of the Loan withdrawn by the Borrower under the Program by the Program Completion Date, the Borrower shall, within 6 months after the Program Completion Date, refund ADB an amount equal to such shortfall.

