

OFFICIAL DOCUMENTS

LOAN NUMBER 8630-TR

Loan Agreement

(Long Term Export Finance Project)

between

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 24, 2016

11.11.16
07.11.16

LOAN NUMBER 8630-TR

LOAN AGREEMENT

AGREEMENT dated October 24, 2016, between TÜRKİYE İHRACAT KREDİ BANKASI A.Ş. ("Borrower" or "Eximbank") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million Dollars (\$300,000,000), as such amounts may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable

- by the Borrower shall instead be calculated as provided in Section 3.02 (c) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, the Guarantor and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Borrower shall have adopted the Operational Manual satisfactory to the Bank; and
 - (b) at least two Subsidiary Financing Agreements, satisfactory to the Bank, shall have been entered into between the Borrower and PFIs in accordance with the provisions of paragraph 6(b) of Section I.A of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is any of the following: the General Manager, Deputy General Manager or Head of Finance Department of the Borrower.
- 5.02. The Borrower's Address is:
- Türkiye İhracat Kredi Bankası A.Ş.
Saray Mah. Ahmet Tevfik İleri Cad. No:19
34768 Ümraniye/İstanbul
Turkey
- Facsimile:
(90-216) 666-5599
- 5.03. The Bank's Address is:

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

Telex: 248423(MCI) or 64145(MCI)	Facsimile: 1-202-477-6391
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AGREED at Ankara, Republic of Turkey, as of the day and year first above written.

TÜRKİYE İHRACAT KREDİ
BANKASI A.Ş.

By 

İ. Teoman ŞENER
Head of Finance Department
Authorized Representative

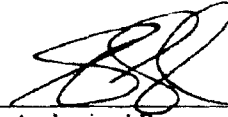


M. Ertan TANRIYAKUL
Assistant General Manager

Name: _____

Title: _____

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By 

Authorized Representative

Name: Johannes Zutt

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to improve access to longer term finance for export oriented small, medium and large enterprises.

The Project consists of the following parts:

Part A: **Eximbank On-lending through PFIs to SMEs and LEs**

The establishment and operation of a credit facility within Eximbank for the provision of financing (through Subsidiary Financing) for said PFIs to provide financing (through Sub-financing) to SMEs and LEs to finance the cost of carrying out Sub-projects.

Part B: **Eximbank Direct Lending to SMEs**

The establishment and operation of a credit facility within Eximbank for the provision of Sub-loans to SMEs to finance the cost of carrying out the Sub-projects.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. Except as the Bank shall otherwise agree, the Borrower shall, throughout the implementation of the Project, maintain its Project Implementation Unit and ensure that said Unit functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for implementation of the Project and satisfactory to the Bank.
2. The Borrower shall: (a) maintain the Operational Manual in form and content satisfactory to the Bank; (b) duly perform all its obligations under the Operational Manual; and (c) not assign, amend, abrogate or waive the Operational Manual, or any provision thereof, without obtaining the prior approval of the Bank.
3. The Borrower shall, throughout the implementation of the Project, comply with the applicable prudential regulations of the Guarantor.
4. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
5. For the purposes of carrying out the Project, the Borrower shall, except as the Bank shall otherwise agree, ensure that at least sixty percent (60%) of the Loan is utilized to finance Sub-financing to SMEs.
6. For the purposes of carrying out Part A of the Project, the Borrower shall:
 - (a) select Commercial Banks, Participation Banks, and Leasing Companies as PFIs pursuant to criteria set forth in paragraph 1 of Section I.B of this Schedule and the Operational Manual;
 - (b) (i) provide financing to the PFIs in an amount equivalent to the proceeds of the Loan allocated from time to time to Category (1) set forth in Section IV.A of this Schedule under Subsidiary Financing Agreements to be entered into between the Borrower and each such PFI, and which Subsidiary Financing Agreements shall have been approved by the Bank and shall include without limitation, the terms and conditions set forth in Section I.B of this Schedule, and provided that the PFI continues to satisfy the eligibility criteria set forth in paragraph 1 in Section I.B. of this Schedule;

- (ii) take or cause to be taken all action necessary or appropriate on its part to enable the PFIs to perform in accordance with the provisions of their respective Subsidiary Financing Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action that would prevent or interfere with such performance; and
 - (iii) exercise the Borrower's rights under the Subsidiary Financing Agreements in such manner as to protect the interests of the Bank and the Guarantor and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise give its prior approval, not assign, amend, abrogate or waive any such agreement or any provision thereof;
 - (c) ensure, except as the Bank shall otherwise agree, that: (i) the amount of each Sub-financing to any single SME shall not exceed the equivalent of \$3,500,000, and the amount of each Sub-financing to any single LE shall not exceed the equivalent of \$6,000,000; and (ii) the aggregate amount of outstanding Sub-financing to any single SME from all PFIs together with the aggregate amount of outstanding Sub-loans from Eximbank to the same SME shall not exceed the equivalent of \$5,000,000, and the aggregate amount of outstanding Sub-financing to any single LE from all PFIs shall not exceed the equivalent of \$10,000,000; and
 - (d) monitor the overall execution of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Financing Agreements in accordance with policies and procedures satisfactory to the Bank.
7. For the purposes of carrying out Part B of the Project, the Borrower shall:
- (a)
 - (i) Make Sub-loans to SMEs under Sub-loan Agreements to be entered into between the Borrower and an SME, on the terms and conditions set forth in the Operational Manual, including, without limitation, the terms and conditions set forth in Section I.C of this Schedule with the following modifications:
 - (A) all references to "PFT" shall be treated as references to "Eximbank";
 - (B) the term "Sub-financing" shall be replaced with "Sub-loan";

(C) all references to "LF" and provisions applicable solely to LEs shall be deleted as Eximbank will not make Sub-loans to LEs;

(D) Paragraph 3 shall be modified to read as follows:

"3. Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, markup, charges and/or fees, determined in accordance with Eximbank's investment and lending policies and practices, provided that:

(a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate applicable from time to time pursuant to paragraph 3(a) of Section I.B of this Schedule; and

(b) each Sub-loan by Eximbank to SMEs to finance an Sub-project shall have a minimum maturity period of: (i) six (6) years for an Investment Sub-project, and (ii) four (4) years for a Working Capital Sub-project.";

(ii) exercise its rights and carry out its obligations under each Sub-loan Agreement in a manner acceptable to the Bank, and to protect its interests, and the interests of the Guarantor and the Bank; and

(iii) not assign, amend, abrogate or waive any of its Sub-loan Agreements, or any provision thereof, without the prior approval of the Bank.

(b) Ensure that, except as the Bank shall otherwise agree: (i) the aggregate amount of outstanding Sub-loans to any single SME together with aggregate amount of outstanding Sub-financing from all PFIs to the same SME shall not exceed the equivalent of \$5,000,000; and (ii) at least ten percent (10%) of all Sub-loans shall be for new export oriented SMEs as defined in the Operational Manual.

- (c) Supervise, monitor and report on the carrying out of Sub-projects by SMEs, in accordance with the provisions of this Agreement and those of the Operational Manual.
- (d) Use its best efforts to utilize all repayments of Subsidiary Financing by PFIs under Part A of the Project and all repayments of Sub-loans by SMEs under Part B of the Project (to the extent repayments are not required to meet the Borrower's payment and repayment obligations to the Bank) to finance additional development projects to further the development of exporters.

B. Terms and Conditions of the Borrower's provision of Subsidiary Financing to PFIs

PFI Eligibility Criteria

- 1. For the purposes of carrying out the Project, except as the Bank shall otherwise agree, the Borrower shall select Commercial Banks, Participation Banks, and Leasing Companies as PFIs in accordance with the criteria and procedures set forth in the Operational Manual, including that:
 - (a) A Commercial Bank or a Participation Bank, may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Commercial Bank or Participation Bank, as the case may be:
 - (i) has total assets exceeding the equivalent of \$1,000,000,000 on average during the last two fiscal years of the Commercial Bank/Participation Bank preceding the signing of its Subsidiary Financing Agreement;
 - (ii) is in compliance with applicable banking regulations and prudential regulations of the Guarantor as: (A) confirmed in the semiannual financial reports submitted by the Commercial Bank's/Participating Bank's management; and (B) duly certified by the Commercial Bank's/Participating Bank's auditors at the end of each fiscal year of the Commercial Bank/Participating Bank provided that in the first year of the Subsidiary Financing if the auditor's certification is not available, a management letter confirming the Commercial Bank's/Participating Bank's compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor's certification;

- (iii) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower and the Guarantor and has undertaken to maintain said policies and procedures;
 - (iv) has adequate organization, management, staff and other resources necessary for its efficient operation; and
 - (v) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Sub-projects.
- (b) A Leasing Company may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor, and in respect of which the Borrower shall have determined, and the Bank shall have agreed with the determination, that the Leasing Company:
- (i) has total lease receivables exceeding the equivalent of \$50,000,000 on average and a new lease volume exceeding the equivalent of \$50,000,000 on average, during the last two fiscal years of the Leasing Company preceding the signing of its Subsidiary Financing Agreement;
 - (ii) is in compliance with applicable leasing regulations of the Guarantor as: (A) confirmed in the semiannual financial reports submitted by the Leasing Company's management; and (B) duly certified by the Leasing Company's auditors at the end of each fiscal year of the Leasing Company provided that in the first year of the Subsidiary Financing if the auditor's certification is not available, a management letter confirming the Leasing Company's compliance with applicable banking regulations and prudential regulations of the Guarantor will be accepted in lieu of the auditor's certification;
 - (iii) has been profitable for at least two (2) out of the last three (3) years of its operations;
 - (iv) is operating pursuant to investment and financing policies and procedures acceptable to the Bank, the Borrower and the Guarantor and has undertaken to maintain said policies and procedures;
 - (v) has adequate organization, management, staff and other resources necessary for its efficient operation; and

- (vi) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Sub-projects.

Terms of Subsidiary Financing to PFIs

2. The principal amount to be provided, out of the proceeds of the Loan, to a PFI under its respective Subsidiary Financing Agreement, shall be the equivalent of the aggregate amount of the principal of all Sub-financing to be made out of the proceeds of the Loan pursuant to the Subsidiary Financing Agreement providing for such Subsidiary Financing.
3.
 - (a) Each Subsidiary Financing shall be subject to interest, markup, charges and/or fees applied to the principal amount thereof withdrawn and outstanding from time to time and which interest, markup, charges and/or fees, in the aggregate, shall not be less than the rate payable under Section 2.05 of this Agreement plus: (i) any premium, charges and fees payable under this Agreement; (ii) the administrative costs of the Borrower; and (iii) a risk margin acceptable to the Bank ("Subsidiary Finance Rate");
 - (b) The Subsidiary Financing to each PFI shall be made available, on a first come first serve basis as detailed in the Operational Manual and up to an amount not exceeding the equivalent of \$60,000,000.
4. The right of a PFI to use the proceeds of its respective Subsidiary Financing shall be:
 - (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Financing Agreement, or to continue to satisfy the eligibility criteria set forth in paragraph 1(a) or 1(b) of Section I.B of this Schedule, as the case may be; and
 - (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

Conditions of Subsidiary Financing to PFIs

5. Each Subsidiary Financing Agreement shall contain provisions pursuant to which the PFI concerned undertakes to:
 - (a) Carry out activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, with qualified management and staff in adequate numbers, and in conformity

with the investment and lending or leasing policies and procedures referred to in the Operational Manual, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose:

- (b)
 - (i) Provide, except as the Bank shall otherwise agree, Sub-financing to SMEs or LEs on the terms and conditions set forth in the Operational Manual, including, without limitation, the terms and conditions set forth in Section I.C of this Schedule;
 - (ii) with respect to a Participation Bank PFI providing the Sub-financing, ensure that the Sub-financing is made available through Islamic finance instruments that satisfy the requirements set forth in the Operational Manual;
 - (iii) ensure that, except as the Bank shall otherwise agree: (A) the amount of each Sub-financing to any single SME shall not exceed the equivalent of \$3,500,000, and the amount of each Sub-financing to any single LE shall not exceed the equivalent of \$6,000,000; and (B) the aggregate amount of outstanding Sub-financing to any single SME from all PFIs together with the aggregate amount of outstanding Sub-loans from Eximbank to the same SME shall not exceed the equivalent of \$5,000,000, and the aggregate amount of outstanding Sub-financing to any single LE from all PFIs shall not exceed the equivalent of \$10,000,000;
 - (iv) exercise its rights in relation to each such Sub-financing in such a manner as to protect its interests and the interests of the Borrower, the Guarantor and the Bank, comply with its obligations under its respective Subsidiary Financing Agreement and achieve the purposes of the Project;
 - (v) not assign, amend, abrogate or waive any of its agreements providing for Sub-financing, or any provision thereof, without the prior approval of the Borrower;
 - (vi) select and appraise Sub-projects and supervise, monitor and report on the carrying out by the SMEs and LEs of Sub-projects, all in accordance with the Operational Manual and ensure that no Excluded Activities are included in any Sub-project;
 - (vii) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operational Manual, which includes the Environmental Assessment Framework. To that end, PFIs shall require each SME or LE applying for a Sub-financing to furnish evidence satisfactory to the Bank, showing that the Sub-

project, in respect of which the application has been prepared, is in accordance with such procedures;

- (viii) ensure that for Sub-projects which require an Environmental Management Plan, the SME or LE concerned shall carry out such plan in a timely manner, requiring such Environmental Management Plan to be in compliance with the Operational Manual and Environmental Assessment Framework, and shall include adequate information on the carrying out of such Environmental Management Plans in the progress reports referred to in sub-paragraph (c) (ii) of this paragraph; and
 - (ix) ensure that: (A) goods, works, non-consulting services and consultants' services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of this Schedule; and (B) such goods, works and services shall be used exclusively in the carrying out of the Sub-project;
- (c)
- (i) Exchange views with and furnish all such information to the Bank or the Borrower, as may be reasonably requested by the Bank and the Borrower, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Financing Agreement, and other matters relating to the purposes of the Project;
 - (ii) prepare and submit to the Borrower quarterly reports on Sub-financing disbursements and repayments, and annual reports on the progress made in achieving the objectives outlined in the business plans submitted with the Sub-financing applications;
 - (iii) promptly inform the Bank and the Borrower of any condition that interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Financing Agreement;
- (d)
- (i) Maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition;
 - (ii) furnish to the Bank such information concerning said records and accounts as the Bank shall from time to time reasonably request; and
- (e) Assume the risk of each Sub-financing.

C. Terms and Conditions of PFIs' provision of Sub-financing to SMEs and LEs

SME and LE Eligibility Criteria

1. Each Sub-financing shall be provided to a small, medium or large enterprise only if it has been established, to the satisfaction of the Borrower and PFI, that the following have been satisfied and shall be maintained during the duration of the respective Sub-financing:
 - (a) it is a SME or an LE;
 - (b) it is an export oriented enterprise, as determined in accordance with the criteria and procedure set out in the Operational Manual;
 - (c) it is a Private Enterprise. For purposes of this sub-paragraph 1 (c), a Private Enterprise is an enterprise where more than fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Guarantor, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions;
 - (d) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project; and
 - (e) it has a certificate from the relevant local or national authorities of the Guarantor about compliance with applicable environmental laws and regulations of the Guarantor.

Sub-project Eligibility Criteria

2. Unless otherwise agreed between the Bank and the Borrower, each Sub-financing shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:
 - (a) to be technically feasible and economically, financially and commercially viable;
 - (b) to be in compliance with all requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and with the Environmental Assessment Framework. To that end, the PFI shall require each SME or LE applying for Sub-financing to furnish evidence satisfactory to the PFI, the Borrower and the Bank, showing that the Sub-project in respect of which the application has been made, has been prepared in accordance with such procedures, such evidence to include, *inter alia*, an Environmental Management Plan prepared in accordance

with the requirements of the Environmental Assessment Framework for a Sub-project submitted for approval;

- (c) not to be supporting or include the purchase of land or used equipment; and
- (d) not to be supporting or include any of the Excluded Activities.

Terms of Sub-financing to SMEs and Les

2. Except as the Bank shall otherwise agree, each Sub-financing shall be provided on terms, including those relating to the maturity, interest rate, markup, charges and/or fees determined in accordance with the PFI's investment and lending policies and practices, provided that:
 - (a) the interest rate, markup, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate applicable from time to time pursuant to paragraph 3(a) of Section I.B of this Schedule plus the PFI's administrative costs and an appropriate risk margin; and
 - (b) each Sub-financing by PFIs to SMEs to finance an Investment Sub-project shall have a minimum maturity period of two (2) years, and each Sub-financing by PFIs to LEs to finance an Investment Sub-project shall have a minimum maturity period of three (3) years.
4. Sub-financing to SMEs shall be provided for Working Capital Sub-projects and Investment Sub-projects, and Sub-financing to LEs shall be provided for Investment Sub-projects only.
5. The amount of each Sub-financing to any single SME shall not exceed the equivalent of \$3,500,000, and the amount of each Sub-financing to any single LE shall not exceed the equivalent of \$6,000,000.
6. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless such expenditures shall have been made not earlier than one hundred eighty (180) days prior to the date on which the PFI shall have received the Sub-financing application and any information required under paragraph 5 of Section I.B of this Schedule in respect of such Sub-financing.

Conditions of Sub-financing to SMEs and LEs

7. Each Sub-financing shall be provided on further conditions whereby the PFI shall obtain, by written contract with the SME or LE or by other appropriate legal means

rights adequate to protect its interests and the interests of the Guarantor, the Bank and the Borrower, including the right to:

- (a) Require the SME or LE to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and to maintain adequate records.
- (b) Without limitation to the generality of the provisions of the preceding paragraph (a), require the SME or LE to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operational Manual.
- (c) For any Sub-project which needs an Environmental Management Plan, require the SME or LE to carry out such plan in a timely manner.
- (d) Require that: (i) the goods, works, non-consulting services and consultants' services to be financed out of the proceeds of the Sub-financing shall be procured in accordance with the provisions of Section III of this Schedule; and (ii) use such goods, works, and services exclusively in the carrying out of the Sub-project.
- (e) Inspect, by itself or jointly with representatives of the Bank, the Borrower or the Guarantor, if the Bank or the Guarantor shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents.
- (f) Require that the SME or LE 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 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 Sub-financing to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the SME or LE to replace or repair such goods.
- (g) 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 SME or LE and to the benefits to be derived from the Sub-project.

- (h) Require that, for any Sub-financing exceeding \$1,000,000 equivalent, the SME or LE concerned shall:
 - (i) Submit to the Borrower a cash flow statement in accordance with the Operational Manual.
 - (ii) Have a ratio of financial obligation to equity as set forth and defined in the Operational Manual.
 - (iii) Not incur any financial obligation unless a reasonable forecast of its revenues and expenditures shows that its net revenues for each fiscal year during the term of the financial obligation to be incurred shall be as set forth and defined in the Operational Manual.
- (i) Suspend and terminate the right of the SME or LE to the use of the proceeds of the Sub-financing upon failure by such SME or LE to perform its obligations under its contract with the PFI.

Approval Procedures for Sub-financing to SMEs and LEs

- 8. Each Sub-financing shall be approved by the PFI on the basis of:
 - (a) a description of the SME or LE and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
 - (b) the proposed terms and conditions of the Sub-financing, including the schedule of amortization or leasing payments of the Sub-financing;
 - (c) evidence of compliance with the Operational Manual and with the Environmental Policy Framework; and
 - (d) such other information as the Bank or the Borrower shall reasonably request.
- 9. Unless otherwise agreed with the Bank, the Borrower shall ensure that the following Sub-financing shall not be approved without the Bank's prior approval: the first Sub-financing by each PFI.
- 10. A prior approval by the Bank will be required for every Sub-financing to be provided to a SME in an amount exceeding the equivalent of \$2,500,000 and of every Sub-financing to an LE in an amount exceeding the equivalent of \$4,500,000.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

- I. (a) The Borrower shall monitor and evaluate the progress of the Project (including progress in implementation of the Environmental Policy Framework and plans prepared in accordance with said framework and accepted by the Bank) and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
- (b) Without limitation on the provisions of sub-paragraph (a) above, the Borrower shall list, in the Project Report, basic information relating to each Sub-project approved for financing under the Project, including the location and nature of the Sub-project, and the date on which Sub-project activities began and were completed. Additionally, the Borrower agrees that the Bank may disclose the foregoing information to the public.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have:
 - (a) the Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period; and
 - (b) its entity financial statements audited in accordance with standards set forth in Section 5.09(b) of the General Conditions. Each audit of such entity financial statements shall cover the period of one fiscal year of the

Borrower and be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works, Non-consulting Services and Consultants' Services

Well-established Private Sector Procurement Methods or Commercial Practices. Contracts for goods, works, non-consulting services and consultants' services under Sub-projects shall be awarded in accordance with the well-established private sector procurement methods or commercial practices which have been found acceptable to the Bank and described in the Operational Manual.

C. Review by the Bank of Procurement Decisions

All contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised

from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan, and the percentage of expenditures to be financed for Eligible Expenditures.

Category	Amount of the Loan Allocated (Expressed in Dollar)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Sub-financing under Part A	239,250,000	100% of amount of Sub-financing disbursed under a contract referred to in paragraph 7 of Section I.C of Schedule 2 to this Agreement
(2) Sub-loans under Part B	60,000,000	100% of amount of Sub-loans disbursed under a Sub-loan Agreement
(3) Front-end Fee	750,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL	<u>300,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$60,000,000 equivalent may be made for payments made prior to this date but on or after August 15, 2015, for Eligible Expenditures under Categories (1) and (2).
2. The Closing Date is January 31, 2021.

SCHEDULE 3

Amortization Schedule

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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each January 15 and July 15 Beginning January 15, 2024 through January 15, 2038	3.33%
On July 15, 2038	3.43%

2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn 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 the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn 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.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011, which are applicable to all IBRD loans and IDA credits and grants.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Category 'A' Sub-projects" means Sub-projects which are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented and require a full environmental impact assessment pursuant to the provisions of the Operational Manual and the Environmental Assessment Framework.
4. "Commercial Bank" means an institution registered and operating as a commercial bank under the Guarantor's Banking Law (Law No. 5411 published in the Official Gazette dated November 1, 2005, No. 25983, as amended) and other applicable laws and regulations of the Guarantor pertaining to banking.
5. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
6. "Displaced Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
7. "Environmental Assessment Framework" means Environmental Review Procedures disclosed by the Borrower on its website on April 24, 2014, and in the Bank's *Infoshop* on April 28, 2014, which set forth policies and procedures for environmental screening of Sub-projects, for conducting environmental assessments and specifying requirements for environmental mitigation measures to be included in environmental management plans; and such document constitutes an integral part of the Operational Manual.
8. "Environmental Management Plan" means any specific environmental management plan, satisfactory to the Bank, to be carried out by an SME or LE

under a Sub-project, as may be required pursuant to the due observance of the Environmental Assessment Framework by the Borrower, PFIs and SMEs and I Fs, and in accordance with the provisions of the respective Sub-financing contract, as referred to in paragraph 7(c) of Section I.C of Schedule 2 of this Agreement, wherein shall have been defined specific details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Sub-project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same such Environmental Management Plan may be amended and supplemented from time to time, satisfactory to the Bank.

9. "Excluded Activities" means, collectively:
 - (a) any of the activities listed, or activities that produce and/or use materials listed, in the Operational Manual and which are classified and referred to as part of the negative list in said manual;
 - (b) an investment that is classified as a Category "A" Sub-project in accordance with the provisions of the Operational Manual;
 - (c) an investment that entails land acquisition or involuntary resettlement or would give rise to Displaced Persons;
 - (d) an investment that involves the potential use of, or discharge into, international waterways (or detailed design and engineering studies of such investment), as such waterways shall have been described more specifically in the Operational Manual; and
 - (e) an investment that involves the construction of a new dam or will rely on the performance of an existing dam or a dam under construction.
10. "Eximbank" or "Turkiye Ihracat Kredi Bankasi A. S." means a joint-stock company established pursuant to Law No. 3332 dated March 31, 1987 (Official Gazette No. 19417), which is responsible for implementation of the Project.
11. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
12. "Guarantor" means the Republic of Turkey.
13. "Investment Sub-project" means any investment for productive purposes which has been selected and approved in accordance with the criteria and procedures set forth in this Agreement and further detailed in the Operational Manual.

14. "Leasing Company" means a company registered and operating in accordance with the applicable laws and regulations of the Guarantor pertaining to companies, while at the same time licensed to engage in transactions that include transactions qualifying as leasing in accordance with the applicable laws and regulations of the Guarantor pertaining to leasing.
15. "Large Enterprise" or "LE" means an enterprise that: (a) employs 250 or more employees but less than 1,500 employees; and (b) satisfies the appropriate criteria as set forth in paragraph 1 of Section I.C of Schedule 2 to this Agreement and the Operational Manual, and to which the PFI proposes to make or has made a Sub-financing.
16. "Operational Manual" means the manual to be adopted by the Borrower, setting out the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation, and supervision of Sub-projects, and the manual includes the Environmental Assessment Framework.
17. "Participating Financial Institution" or "PFI" means any or each Commercial Bank, Participation Bank or Leasing Company selected by the Borrower pursuant to the criteria set forth in paragraph 1 of Section I.B of Schedule 2 to this Agreement and the Operational Manual.
18. "Participation Bank" means an institution registered and operating as a participation bank under the Guarantor's Banking Law (Law No. 5411 published in the Official Gazette dated November 1, 2005, No. 25983, as amended) and other applicable laws and regulations of the Guarantor pertaining to banking.
19. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
20. "Project Implementation Unit" means the unit established within Eximbank and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.
21. "Small or Medium Enterprise" or "SME" means an enterprise that: (a) employs less than 250 employees; and (b) satisfies the appropriate criteria as set forth in paragraph 1 of Section I.C of Schedule 2 to this Agreement and the Operational Manual, and to which the PFI proposes to make or has made a Sub-financing.
22. "Sub-financing" means financing made or proposed to be made by a PFI (under Part A of the Project) to a SME or LE, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 2 of Section IV.A of Schedule 1 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a SME or LE for goods, works, non-consulting services and consultants' services under a Sub-Project.

23. "Sub-loan" means financing made or proposed to be made by Eximbank (under Part B of the Project) directly to a SME, out of the proceeds of the Loan allocated from time to time to Category (2) of the table set forth in paragraph 2 of Section IV.A of Schedule 2 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a SME for goods, works, non-consulting services and consultants' services under a Sub-project.
24. "Sub-loan Agreement" means an agreement entered or to be entered into between the Eximbank and a SME pursuant to paragraph 7(a) of Section I.A of Schedule 2 to this Agreement.
25. "Sub-project" means any Investment Sub-project or any Working Capital Subproject, as the case may be, selected in accordance with paragraph 2 of Section I.C of Schedule 2 to this Agreement, which is proposed to be carried out by a SME or an LE, in whole or in part through the utilization of the proceeds of any Sub-financing.
26. "Subsidiary Financing" means any financing provided by the Borrower to a PFI pursuant to a Subsidiary Financing Agreement.
27. "Subsidiary Financing Agreement" means an agreement entered or to be entered into between the Borrower and a PFI pursuant to paragraph 5 of Section I.B of Schedule 2 to this Agreement.
28. "Working Capital Sub-project" means any investment for working capital to increase the existing levels of production of a SME.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The

Commitment Charge shall be payable semi-annually in arrears on each Payment Date "

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".