Loan Agreement

(Small and Medium Enterprises Energy Efficiency Project)

between

TÜRKİYE VAKIFLAR BANKASI T.A.O.

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated  May 6, 2013
LOAN AGREEMENT

Agreement dated May 6, 2013, between TÜRKİYE VAKİFLAR BANKASI T.A.O. ("Borrower" or "Vakıfbank") 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 sixty-seven million Dollars ($67,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing its Respective Part of 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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(e) of the General Conditions.

2.05. The Payment Dates are March 1 and September 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
2.07.  (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; and (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.

(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.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out its Respective Part of 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 its Respective Part of 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.

(b) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

4.02. The Additional Legal Matter consists of the following, namely, the Co-financing Agreement has been duly authorized by the Borrower and is legally binding upon the Borrower in accordance with its terms.
4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Chief Executive Officer of the Borrower.

5.02. The Borrower’s Address is:

Türkiye Vakıflar Bankası T.A.O.
Sanayi Mahallesi
Eski Buyukdere Cad
Güler Sok. No. 51
Kagithane, İstanbul
Türkiye

Facsimile:

(90-212) 316 7126

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

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

TÜRKİYE VAKIFLAR BANKASI T.A.O.

By

Authorized Representative

Name: ______________________________
Title: CEO

By

Authorized Representative

Name: Numan Bek
Title: Deputy General Manager

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Martin Raiser
Title: Director
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of energy use in small and medium enterprises in the Republic of Turkey, by scaling-up commercial bank lending for energy efficiency investments.

The Project consists of the following parts:

Part A: Credit Line to Halkbank

1. The establishment and operation of a credit facility within Halkbank for the financing of Sub-projects through the provision of Sub-loans by Halkbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Halkbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.

3. Enhancement of the capacity of Halkbank to implement this Part A of the Project.

Part B: Credit Line to Vakifbank

1. The establishment and operation of a credit facility within Vakifbank for the financing of Sub-projects through the provision of Sub-loans by Vakifbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Vakifbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.

3. Enhancement of the capacity of Vakifbank to implement this Part B of the Project.

Part C: Credit Line to Ziraatbank

1. The establishment and operation of a credit facility within Ziraatbank for the financing of Sub-projects through the provision of Sub-loans by Ziraatbank to Sub-project Sponsors to finance the cost of carrying out Sub-projects.

2. The establishment of a loan loss reserve fund within Ziraatbank to assist in defraying risks associated with new energy efficiency loan products and in addressing SME collateral requirements.
3. Enhancement of the capacity of Ziraatbank to implement this Part C of the Project.

Part D: Energy Efficiency Policy and Project Management Support to MENR

1. Enhancement of the enabling environment for, and the fostering of, broader energy efficiency market development in the Republic of Turkey through, inter alia, the following activities to be carried out by MENR:

   (a) Market development and information dissemination, including:
   (i) raising awareness of, and providing training and disseminating information on, opportunities for energy efficiency and the success of schemes used in the credit lines established under the Project; (ii) carrying out market studies and assessments and developing options for future investment programs beyond the SME market; and (iii) establishing a dialogue with stakeholders.

   (b) Strengthening of the energy efficiency and regulatory regimes, including carrying out: (i) reviews of energy efficiency policies and developing recommendations for improvement especially in the SME sector; reviews of energy efficiency incentive and informational programs (including impact assessments) and developing recommendations to improve utilization and impact of those programs; and reviews of institutional arrangements to strengthen the energy efficiency policy and implementation function in all sectors; and (ii) staff training.

2. Support MENR’s management of activities under this Part D of the Project.
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.

(h) 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

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 4 to this Agreement.


4. "Co-financing" means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of $900,000 to be provided by the Co-financier to assist in financing the Respective Part of the Project.

5. "Co-financing Agreement" means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


7. "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.

8. "Energy Performance Contract" means a contract entered into between an ESCO and a client which guarantees the realization of energy savings and/or efficiency gain as a result of identified investments or measures and as more particularly defined in the Operational Manual.

9. "Environmental Policy Framework" means Environmental Review Procedures disclosed by the Borrower locally on October 16, 2012, which sets 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.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. Except as the Bank shall otherwise agree, the Borrower shall carry out the following to the satisfaction of the Bank: maintain until the completion of its Respective Part of the Project, the PIU and ensure that the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for implementation of its Respective Part of the Project.

2. The Borrower shall maintain the Operational Manual in form and content satisfactory to the Bank, shall duly perform all its obligations under the Operational Manual and shall not assign, amend, abrogate or waive the Operational Manual without obtaining the prior approval of the Bank.

3. The Borrower shall, throughout the implementation of its Respective Part of the Project, comply with the applicable prudential regulations of the Guarantor.

4. The Borrower shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

5. For the purposes of carrying out its Respective Part of the Project, the Borrower shall:

   (a) Make Sub-loans to Sub-project Sponsors on the terms and conditions set forth in the Operational Manual, including, without limitation, the terms and conditions set forth in Section I.B of this Schedule 2.

   (b) Exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Guarantor and the Bank.

   (c) Appraise Sub-projects and supervise, monitor and report on the carrying out by the Sub-project Sponsors of Sub-projects, in accordance with the Operational Manual.

   (d) Ensure that each Sub-project shall comply with environmental and social safeguard review set forth in the Operational Manual, as well as with the Environmental Policy Framework.
(e) Ensure that:

(i) not more than twenty percent (20%) of the Loan proceeds shall be made available, through Sub-loans to Sub-project Sponsors that are Mid-cap Companies; and

(ii) not more than twenty percent (20%) of the Loan proceeds shall be made available, through Sub-loans to Sub-project Sponsors that are Leasing Companies, which are Subsidiaries of the Borrower. For purposes of this sub-paragraph 5(e), “Subsidiary” means a company or entity in which the Borrower has equity or other interest as so defined under the Guarantor’s banking legislation; and “Subsidiaries” means the aggregate of all such Subsidiary.

(f) Upon Committing fifty percent (50%) of the Loan: (i) use its own fund (that is, other than Loan proceeds) to finance Sub-projects, which shall be appraised, selected and supervised in accordance with the Operational Manual; and (ii) ensure that by the Closing Date, the aggregate of such financing shall be equivalent to at least twenty-five percent (25%) of the Loan. For purposes of this sub-paragraph 5(f), “Committing” means the Borrower has entered into written contracts with Sub-project Sponsors in accordance with the provisions of paragraph 9 of Section 1.B of this Schedule.

(g) Until the Closing Date, utilize all payments made by a Sub-project Sponsor under a Sub-loan to finance additional Sub-projects on the same terms and conditions set out forth in Section 1.B of this Schedule.

B. Terms and Conditions of Sub-loans

Terms

1. Each Sub-loan shall be charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at such a rate as may be determined by the Borrower on the basis of its assessment of market conditions and risk management.

2. Each Sub-loan to: (a) a Sub-project Sponsor that is a SME shall not exceed $3,500,000; and (b) a Sub-project Sponsor that is a Mid-Cap Company, a Leasing Company or an ESCO shall not exceed $5,000,000.

3. Except as the Bank shall otherwise agree, the aggregate principal amount under multiple Sub-loans made by the Borrower to any of the following and its affiliates shall not exceed $10,000,000 equivalent: (a) a Sub-project Sponsor that
is a SME or Mid-cap Company; and (b) a beneficiary of a Sub-project Sponsor that is an ESCO or a Leasing Company.

4. 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 three hundred and sixty (360) days prior to the date on which the Borrower shall have received the application from any Sub-project Sponsor and any information required under paragraph 5 of Section 1.B of this Schedule in respect of such Sub-loan, but in any case not earlier than on or before April 16, 2012.

Approval procedures

5. Each Sub-loan shall be approved on the basis of:

(a) a description of the Sub-project Sponsor 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-loan, including the schedule of amortization of the Sub-loan;

(c) a business plan incorporating a development plan which shall be evaluated by the Borrower in accordance with established guidelines for sub-project and credit evaluation set forth in the Operational Manual;

(d) evidence of compliance with the Operational Manual and with the Environmental Policy Framework; and

(e) such other information as the Bank or the Borrower shall reasonably request.

6. Unless otherwise agreed with the Bank, the following Sub-loans shall not be approved without the Bank’s prior approval:

(a) first two (2) Sub-loans to Sub-project Sponsors that are SMEs and first two (2) Sub-loans to Sub-project Sponsors that are Mid-Cap Companies;

(b) each Sub-loan to a Sub-project Sponsor that is a Leasing Company or an ESCO; and

(c) each Sub-project that will be supported with proceeds from the Co-financing Agreement.
Sub-project Sponsor Eligibility

7. Each Sub-loan shall be made to a Sub-project Sponsor only if it has established, to the satisfaction of the Borrower, that the following have been satisfied and shall be maintained during the duration of the its respective Sub-loan:

(a) It is: (i) a SME; (ii) a Mid-Cap Company; (iii) a Leasing Company or (iv) an ESCO.

(b) It is a Private Enterprise. For purposes of this sub-paragraph 7(b), 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;

(c) 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.

(d) It promotes undertaking an investment, financing and/or consultancy aimed at increasing energy efficiency, or decreasing energy consumption, of operations.

(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

8. Unless otherwise agreed between the Bank and the Borrower, a Sub-loan shall be made 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 targeted to energy efficiency improvements that (i) reduce a technical system’s energy intensity (energy per unit of output) by at least twenty percent (20%), or (ii) generate at least fifty percent (50%) of financial benefits from energy cost savings;

(c) to generate a financial rate of return of at least eight percent (8%);

(d) to be in compliance with all requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and with
the Environmental Policy Framework. To that end, the Borrower shall require each Sub-project Sponsor applying for a Sub-loan to furnish evidence satisfactory to the Bank and the Borrower, 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 Policy Framework for a Sub-project submitted for approval;

(e) not to be supporting or include any of the Excluded Activities;

(f) to be located in any of the following river basins in the event that the Sub-project activity entails potential use of or discharge into waterways: Susurluk, North Aegean, Gediz, Kuçuk Menderes, Buyuk Menderes, Western Mediterranean, Antalya, Sakarya, Western Black Sea, Yesilirmak, Kizilirmak, Konya Kapali, Eastern Mediterranean, Seyhan, Ceyhan, Eastern Black Sea, Burdur, Afyon, Orta Anadolu and Van: and

(g) with respect to a Sub-project being proposed by a Sub-project Sponsor that is a Leasing Company or an ESCO, the beneficiary of the Sub-projects shall have satisfied the criteria set out in sub-paragraphs 7(b) through 7(e).

**Written Contract**

A Sub-loan shall be made on further conditions whereby the Borrower shall obtain, by written contract with the Sub-project Sponsor or by other appropriate legal means, rights adequate to protect the interests of the Guarantor, the Bank and the Borrower, including the right to:

(a) Require the Sub-project Sponsor 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 loan 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 Sub-project Sponsor 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 Sub-project Sponsor 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-loan 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 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 Sub-project Sponsor 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-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-project Sponsor 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 Sub-project Sponsor and to the benefits to be derived from the Sub-project.

(h) Require that the Sub-project Sponsor not incur any debt unless a reasonable forecast of its revenues and expenditures shows that its estimated cash flow for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred; and:

(i) the term "debt" means any indebtedness of the Sub-project Sponsor;

(ii) debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;

(iii) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt;
(iv) The term "reasonable forecast" means a forecast prepared by the Sub-project Sponsor not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank, the Borrower and the Sub-project Sponsor accept as reasonable and as to which the Bank has notified the Borrower and Sub-project Sponsor of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Sub-project Sponsor; and

(v) Whenever for the purposes of this sub-paragraph 9(h) it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

(i) With respect to a Sub-project Sponsor that is an ESCO or a Leasing Company, require that such Sub-project Sponsor obtains, by written contract or other legal means, rights to ensure that the beneficiary of the Sub-project carries out the Sub-project in accordance with the provisions of the Operational Manual.

(j) Suspend and terminate the right of the Sub-project Sponsor to the use of the proceeds of the Sub-loan upon failure by such Sub-project Sponsor to perform its obligations under its contract with the Borrower.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Borrower shall monitor and evaluate the progress of its Respective Part 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 its Respective Part of the Project, including
the location and nature of the Sub-project, energy savings expected/monitored of the investment, 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 its Respective Part of the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have:

(a) the Financial Statements for its Respective Part of 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 out in of 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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following method, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services where the contract is estimated to cost less than the equivalent of $10,000,000: Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank and described in the Operational Manual.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following method, other than Quality and Cost-based Selection, may be used for procurement of consultants' services where the contract is estimated to cost less than the equivalent of $1,000,000: Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank and described in the Operational Manual.

D. Review by the Bank of Procurement Decisions

All contracts for: (1) goods, works or non-consulting services procured using International Competitive Bidding; and (2) consultants' services procured using Quality and Cost-based Selection, shall be subject to the Bank's Prior Review. All other 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 to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-Loans under Part B.1 of the Project</td>
<td>66,832,500</td>
<td>100% of amount of Sub-loans disbursed</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>167,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL</td>
<td>67,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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 $6,700,000 equivalent may be made for payments made prior to this date but on or after April 16, 2012, for Eligible Expenditures under Category (1).

2. The Closing Date is September 28, 2018.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 1 and September 1 Beginning March 1, 2019 through September 1, 2042</td>
<td>2.04%</td>
</tr>
<tr>
<td>On March 1, 2043</td>
<td>2.08%</td>
</tr>
</tbody>
</table>

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
10. "ESCO" means an energy service company that is engaged, through performance-based contracts, to reduce energy consumption and improve efficiency of operations of its clients.

11. "Excluded Activities" means, collectively:

(a) Any of the activities listed, or activities that produce and/or use materials listed, in the Operations 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, waterways (or detailed design and engineering studies of such investment) located in basins not listed in sub-paragraph 8(f) of Section I.B of Schedule 2 to this Agreement.

(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.


13. "Guarantee Agreement" means the agreement of the same date between the Republic of Turkey and the Bank providing for the guarantee of the Loan, as such agreement may be amended from time to time.

14. "Guarantor" means the Republic of Turkey.

15. "Halkbank" and "Türkiye Halk Bankası A.Ş." mean a joint-stock company operating pursuant to Law No. 4603 dated November 15, 2000, and which is responsible for implementation of its Respective Part the Project.

16. "Leasing Company" means a private leasing company registered according to the applicable laws and regulations of the Guarantor.

17. "MENR" means the Guarantor's Ministry of Energy and Natural Resources, or any successor thereto.

18. "Mid-cap Company" means an enterprise that: (a) is not an SME; (b) has less than 150,000,000 Turkish Lira in sales; and (c) employs fewer than 1,500 employees.
19. "Operational Manual" means the manual dated February 14, 2013 and 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 Policy Framework.

20. "PIU" means the implementation unit within the Borrower's International and Investor Relations Department, or any successor to such unit.


22. "Respective Part of the Project" means with respect to:
   (a) Halkbank, Part A of the Project;
   (b) Vakifbank, Part B of the Project; and
   (c) Ziraatbank, Part C of the Project.

23. "SME" means a small or medium enterprise that has less than 40,000,000 Turkish Lira in sales and employs fewer than 250 employees.

24. "Sub-loan" means a loan made by the Borrower, out of the proceeds of the Loan to a Sub-Project Sponsor in accordance with the provisions in paragraph 5 of Section I.A of Schedule 2 to this Agreement.

25. "Sub-loan Contract" means a contract entered into between the Borrower and a Sub-project Sponsor for the provision of a Sub-loan to a Sub-project Sponsor to carry out a Sub-project.

26. "Sub-project" means a specific investment project under the Respective Part of the Project and to be carried out by a Sub-project Sponsor utilizing the proceeds of a Sub-loan.

27. "Sub-project Sponsor" means any of the following and to which the Borrower proposes to make or has made a Sub-loan: a SME, a Mid-cap Company, a Leasing Company and an ESCO.

28. "Vakifbank" and "Türkiye Vakiflar Bankası T.A.O." mean a joint stock company established pursuant to the statutes published in the Trade Registry Gazette No. 8608 dated January 15, 1954 (Trade Registry No. 6219), and which is responsible for implementation of its Respective Part of the Project.
29. "Ziraatbank" and "Türkiye Cumhuriyeti Ziraat Bankası A.Ş" mean a joint stock company first founded in 1863 with its bank status confirmed in March 23, 1916 under a special law and its legal status revised to be a joint stock company pursuant to Law No. 4603 dated November 15, 2000, and which is responsible for implementation of its Respective Part of the Project.