LOAN NUMBER 8275-TR

Loan Agreement

(Third Access to Finance for Small and Medium Enterprises Project)

between

TÜRKİYE CUMHURIYETI ZIRAAT BANKASI A.Ş.

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 22, 2013
LOAN AGREEMENT

Agreement dated **August 22**, 2013, between TÜRKİYE CUMHURIYETI ZIRAAT BANKASI A.Ş. (“Borrower” or “Ziraat Bank) 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 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 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. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 April 1st and October 1st 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 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 and the Operations Manual.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Borrower shall have adopted the Operations Manual satisfactory to the Bank;

(b) the Borrower shall have furnished evidence acceptable to the Bank that adequate progress has been made for capacity strengthening of the PIU; and
(c) one Subsidiary Loan Agreement, satisfactory to the Bank, shall have been entered into between the Borrower and a PFI in accordance with the provisions of paragraph 5(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 the Director General of the Borrower.

5.02. The Borrower's Address is:

Türkiye Cumhuriyeti Ziraat Bankası A.Ş
Doganbey Mahallesi
Ataturk Bulvari No. 8
Altindag, Ankara,
Turkey

Facsimile:

(90-312) 310-14-71

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

TÜRKİYE CUMHURIYETI ZIRAAT BANKASI A.Ş.

By **[Signature]**
Authorized Representative

Name: **Hikmet Aktürk**
Title: **Genel Müdürü**

By **[Signature]**
Authorized Representative

Name: **Ozcan Bozdogan**
Title: **Genel Memur**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By **[Signature]**
Authorized Representative

Name: **Martin Raiser**
Title: **Country Director**
SCHEDULE 1

Project Description

The objective of the Project is to improve access to medium and long-term finance for small and medium enterprises in the Republic of Turkey through lease financing.

The Project consists of the following parts:

The establishment and operation of a credit facility within Ziraat Bank for the provision of financing, through Subsidiary Loans, to PFIs for onlending by the PFIs, through Sub-loans to SMEs to carry out 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 carry out the following to the satisfaction of the Bank: maintain the PIU until the completion of the Project and ensure that the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for implementation of the Project.

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

3. The Borrower shall, throughout the implementation of the Project, comply with the applicable prudent 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:

   (a) select Banks and Leasing Companies as PFIs pursuant to criteria set forth in paragraph 1 of Section 1.B of this Schedule and the Operations Manual;

   (b) (i) on-lend to the PFIs the equivalent of the proceeds of the Loan allocated from time to time to Category (1) set forth in Section IV.A of this Schedule under Subsidiary Loan Agreements to be entered into between the Borrower and each such PFI, and which Subsidiary Loan Agreements shall have been approved by the Bank and shall include without limitation, the terms and conditions set forth in Section 1.B of this Schedule, and provided that the PFI continues to satisfy the eligibility criteria set out in paragraph 1 in Section 1.B. of this Schedule;

   (ii) re-lend to the same (or on-lend to other) PFIs, with due attention to the provisions of sub-paragraph (g) of this paragraph 5, an amount equal to the amount which shall have been on-lent to the PFIs in the first instance;
(iii) 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 Loan 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

(iv) exercise its rights under the Subsidiary Loan 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 that: (i) the amount of each Sub-loan to any single SME shall not exceed the equivalent of $3,500,000; and (ii) the aggregate amount of outstanding Sub-loans to any single SME from all PFIs shall not exceed the equivalent of $5,000,000;

(d) monitor the overall execution of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Loan Agreements in accordance with policies and procedures satisfactory to the Bank.

(e) ensure that the Borrower and/or PFIs use their own funds (that is, other than Loan proceeds) to finance Sub-projects, which shall be appraised, selected and supervised in accordance with the Operations Manual, by at least twenty-five percent (25%) of the Loan;

(f) establish a separate account, in accordance with policies and procedures satisfactory to the Bank, in which it shall deposit and record the repayments by the PFIs of their respective Subsidiary Loans (exclusive of repayments by the PFIs of co-financed amounts), and accumulate the amounts required for repayment of the principal and interest due to the Bank pursuant to Sections 2.04 and 2.06 of this Agreement; and out of the balance of which such account (amounts of repayments collected, less the amount any Borrower's payment obligations to the Bank under this Agreement);

(g) monitor the total amount of such repayments of Subsidiary Loans (exclusive of repayments by the PFIs of co-financed amounts), in order to continue extending the credit facility established under the Project by promptly re-lending to the same PFIs (or on-lending to other PFIs) thereafter, for one additional lending cycle, thereby assuring that the credit facility is utilized by such on-lending and re-lending for a total of two cycles (at least), provided, however, that such re-lending activity
shall be due only upon the Borrower's having first collected an aggregate amount of repayments from all or any such Subsidiary Loans to the threshold level of $50,000,000 equivalent, whereupon, having obtained manifest information confirming the first occurrence of such threshold amount, the Borrower shall, within a period of one (1) year after, utilize by such re-lending (or on-lending) that same amount in full (to the extent not required to meet the Borrower's payment obligations to the Bank under this Agreement) to finance new on-lending through PFIs under the terms and conditions set forth in Section 1.B of this Schedule; and

(h) ensure that at least fifteen percent (15%) of the Loan shall be utilized for Sub-projects financing investments located in the Priority Regions, or for Sub-projects financing working capital, the goods and services so financed are used in the Priority Regions.

B. Terms and Conditions of On-lending to PFIs

The principal terms and conditions set forth in this Section 1.B shall apply for the purposes of paragraph 5(a) of Section 1.A of this Schedule.

B.1 PFI Eligibility Criteria

1. For the purposes of carrying out the Project, except as the Bank shall otherwise agree, the Borrower shall select Banks and Leasing Companies as PFIs in accordance with the criteria and procedures set forth in the Operations Manual, including that:

(a) A Bank may be selected as 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 Bank:

(i) has total assets exceeding $1,000,000,000 equivalent on average during the last two fiscal years of the Bank preceding the signing of the Subsidiary Loan Agreement; and

(ii) is in compliance with applicable banking regulations of the Guarantor as confirmed in the semiannual financial reports submitted by the Bank's management and duly certified by the Bank's auditors at the end of each fiscal year of the Bank.

(b) A Leasing Company may be selected as 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 $50,000,000 equivalent on average and a new lease volume exceeding $50,000,000 equivalent on average, during the last two fiscal years of the Leasing Company preceding the signing of the Subsidiary Loan Agreement;

(ii) is in compliance with applicable leasing regulations of the Guarantor as confirmed in the semiannual financial reports submitted by the Leasing Company's management and duly certified by the Leasing Company's auditors at the end of each fiscal year of the Leasing Company; and

(iii) has been profitable for at least two (2) out of the last three (3) years of its operations.

B.2 Terms

2. the principal amount of any PFI's indebtedness under its respective Subsidiary Loan Agreement shall be constituted by aggregating the amount of the principal of all the Sub-loans made by the PFI for qualifying Sub-projects;

3. each Subsidiary Loan shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, interest rates and other charges at a level, at least, equal to the rate payable under Section 2.04 of this Agreement plus the administrative costs of the Borrower and a credit risk margin. The Subsidiary Loan shall have a minimum maturity period of five (5) years and will be subject to a maximum $60 million equivalent (from the blended funds of the Bank and Ziraat Bank co-financing).

4. The right of a PFI to use the proceeds of its respective Subsidiary Loan shall be:

   (i) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Loan Agreement or to continue to satisfy the eligibility criteria set forth in paragraph 1(a) or 1(b) of Section I.B.1 of this Schedule, as the case may be; and

   (ii) terminated if such right shall have been suspended pursuant to subparagraph (i) hereof for a continuous period of sixty (60) days.

B.3 Conditions

5. Each Subsidiary Loan Agreement shall contain provisions pursuant to which the PFI concerned undertakes to:
(a) carry out activities under the Project with due diligence and efficiency and in accordance with the Operations Manual and sound technical, financial, and managerial standards acceptable to the Bank, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to the recipients of the Loan proceeds other than the Borrower, and to maintain adequate records;

(b) (i) make, except as the Bank shall otherwise agree, Sub-loans to SMes on the terms and conditions set forth in the Operations Manual, including, without limitation, the terms and conditions set forth in Section I.C of this Schedule;

(ii) ensure that: (A) the amount of each Sub-loan to any single SME shall not exceed the equivalent of $3,500,000; and (B) the aggregate amount of outstanding Sub-loans to any single SME from all PFIs shall not exceed the equivalent of $5,000,000;

(iii) exercise its rights in relation to each such Sub-loan 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 Loan Agreement and achieve the purposes of the Project;

(iv) not assign any of its agreements providing for Sub-loans; and not amend, abrogate or waive any of the provisions in its agreements providing for Sub-loans, specifically, with respect to the terms and conditions set forth in the Operations Manual, unless the prior approval of the Borrower has been obtained;

(v) select and appraise Sub-projects that shall be duly constituted, in relevant part, of qualifying lease financing (as determined in accordance with the qualifying criteria for lease financing as shall be set forth in the Operations Manual), and otherwise supervise, monitor and report on the carrying out by the SMEs of the Sub-projects in accordance with the Operations Manual, and ensure that no Excluded Activities are included in any Sub-project;

(vi) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operations Manual and Environmental Assessment Framework. To that end, PFIs shall require each SME applying for a Sub-loan 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;
(vii) ensure that for Sub-projects which require an Environmental Management Plan, the SME shall carry out such plan in a timely manner, requiring such Environmental Management Plan to be in compliance with the Operations 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 subparagraph (c) (ii) of this paragraph; and

(viii) 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 Loan Agreement, and other matters relating to the purposes of the Project;

(ii) prepare and submit to the Borrower quarterly reports on Sub-loan disbursements and repayments, and annual reports on the progress made in achieving the objectives outlined in the business plans submitted with the Sub-loan applications; and

(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 Loan Agreement.

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; and

(ii) furnish to the Bank such information concerning said records and accounts as the Bank shall from time to time reasonably request.

(e) assume the credit risk of each Sub-loan, as the case may be.
C. Terms and Conditions of Sub-loans

The principal terms and conditions set forth in this Section I.C shall apply for the purposes of paragraph 5(b);i) of Section I.B.3 of this Schedule.

C.1 SME Eligibility Criteria

1. Each Sub-loan shall be made to a SME only if it has been established, to the satisfaction of the Borrower, that the following have been satisfied and shall be maintained during the curation of the respective Sub-loan:

(a) it is a SME;

(b) it is a Private Enterprise. For purposes of this sub-paragraph 1 (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 has cash flow statement in accordance with the Operations Manual; 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.

C.2 Sub-project Eligibility Criteria

2. 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 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 PFI shall require each SME applying for a Sub-loan 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 Policy 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.

### C.3 Terms

3. Except as the Bank shall otherwise agree, each Sub-loan shall be made on terms, including those relating to the maturity, interest rate and other charges determined in accordance with the PFI's investment and lending policies and practices, provided that: (i) the interest rate and other charges to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal at least the interest rate and other charges applicable from time to time to the Subsidiary Loan pursuant to paragraph 3 of Section I.B.2 of this Schedule plus the administrative costs and an appropriate credit risk margin; and (ii) the sub-loan shall have a minimum maturity period of three (3) years.

4. Each Sub-loan to a SME shall not exceed $3,500,000.

5. 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-loan application and any information required under paragraph 5 of Section I.B.3 of this Schedule in respect of such Sub-loan.

### C.4 Conditions

6. A Sub-loan shall be made on further conditions whereby the PFI shall obtain, by written contract with the SME 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 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 SME 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 Operations Manual.

(c) For any Sub-project which needs an environmental management plan, require the SME 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, 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 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 SME 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 and to the benefits to be derived from the Sub-project.

(h) Require that the SME not incur any debt unless a reasonable forecast of its revenues and expenditures shows that its net revenues 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 SME;

(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 "net revenues" means the difference between: (A) the sum of income from all sources related to the SME’s operations; and (B) the sum of expenses related to the SME’s operations (including taxes), but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;

(v) the term "reasonable forecast" means a forecast prepared by the SME not earlier than twelve months prior to the incurrence of the debt in question, which the PFI and the SME accept as reasonable and as to which the PFI has notified the SME 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 SME; and

(vi) whenever for the purposes of this sub-paragraph 6(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 PFI.

(j) Except as the Bank and the Borrower shall otherwise agree, require that the SME will have a ratio of debt to equity (after receipt of the Sub-loan) no greater than 80:20, and the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the SME not allocated to cover specific liabilities.

(i) Suspend and terminate the right of the SME to the use of the proceeds of the Sub-loan upon failure by such SME to perform its obligations under its contract with the PFI.
C. 5 Approval Procedures

7. Each Sub-loan shall be approved by the PFI on the basis of:

   (a) a description of the SME 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 or lease payments of the Sub-loan;

   (c) evidence of compliance with the Operations Manual and with the Environmental Policy Framework; and

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

8. Unless otherwise agreed with the Bank, the following Sub-loans shall not be approved without the Bank's prior approval: the first two (2) Sub-loans to SMEs from each PFI.

9. A prior approval by the Bank will be required of all Sub-loans exceeding $2,000,000.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. (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 out 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 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 $5,000,000: Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank and described in the Operations 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 $500,000: Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank and described in the Operations 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. The first contract from each PFI procured using Well-established Private Sector Procurement Methods or Commercial Practices, 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, and the percentage of expenditures to be financed for Eligible Expenditures.

<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</td>
<td>300,000,000</td>
<td>80% of amount of Sub-loans disbursed</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300,000,000</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:
   
   (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

   (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $30,000,000 may be made for payments made prior to this date but on or after January 1, 2013, for Eligible Expenditures under Category (1).

2. The Closing Date is December 29, 2017.
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 April 1 and October 1 Beginning April 1, 2015 Through October 1, 2042</td>
<td>2.04%</td>
</tr>
<tr>
<td>On April 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 if 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 1. 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. "Bank" means a bank registered and operating as such in accordance with the applicable laws and regulations of the Guarantor pertaining to banking, 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.

3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. "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 Operations Manual and the Environmental Policy Framework.


6. "Displaced Person" 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 April 3, 2013, 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 Operations Manual.
8. "Environmental Management Plan" means any specific environmental management plan to be carried out, satisfactory to the Bank, by an SME under a Sub-project, as may be required pursuant to the due observance of the Environmental Assessment Framework by the PFIs and SMEs, and in accordance with the provisions of the respective Sub-loan Agreement, as referred to in paragraph 6(c) of Section I.C.4 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 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 Operations 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 Operations 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.


11. "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.

12. "Guarantor" means the Republic of Turkey.

13. "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.

14. "Operations 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 Policy Framework.

15. "Participating Financial Institution" and the acronym "PFI" mean any or each Participating Bank or Leasing Company selected by the Borrower pursuant to the criteria set forth in paragraph 1 Section I.B.1 of Schedule 2 to this Agreement and the Operations Manual.


18. "Project Implementation Unit" and the acronym "PIU" mean the project implementation unit within the Borrower's Investor Relations and International Finance Department, or any successor to such unit.

19. "SME" is an acronym for Small or Medium Enterprise that has less than 40,000,000 Turkish Lira in sales and employs fewer than 250 employees, and satisfies the appropriate criteria as set forth in paragraph 1 of Section I.C.1 of Schedule 2 to this Agreement and the Operations Manual, and to which the PFI proposes to make or has made a Sub-loan.

20. "Sub-loan" means a lease contract entered or proposed to be entered between the PFI and selected SMEs.

21. "Sub-project" means a specific project, selected in accordance with paragraph 2 of Section I.C.2 of Schedule 2 to this Agreement, which is proposed to be carried out by an SME, in whole or in part through the utilization of the proceeds of a Sub-loan.

22. "Subsidiary Loan Agreement" and the acronym "SLA" mean an agreement entered or to be entered into between the Borrower and a PFI pursuant to paragraph 5 of Section I.A of Schedule 2 to this Agreement.

23. "Subsidiary Loan" means any loan made by the Borrower to a PFI pursuant to a Subsidiary Loan Agreement.

-24-
24. "Turkish lira" means the currency of the Guarantor.

25. "Ziraat Bank" and "T.C. Ziraat Bankası A. S." mean a joint stock company established pursuant to the statutes published in Trade Registry Gazette No. 5251 dated March 3, 2001 (Trade Registry No. 4603).