

CONFORMED COPY

LOAN NUMBER 7389-TU
LOAN NUMBER 7462-TU

Loan Agreement

(Access to Finance for Small and Medium Enterprises Project)

between

TÜRKİYE HALK BANKASI A.Ş.

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated June 22, 2007

LOAN NUMBER 7389-TU
LOAN NUMBER 7462-TU

LOAN AGREEMENT

Agreement dated June 22, 2007, between TÜRKİYE HALK BANKASI A.Ş. (“Borrower” or “Halkbank”) 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 the Loan 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: (a) the amount fifty million Euro (€50,000,000) (the “Loan A”); and (b) the amount of fifty million Euro (€50,000,000) (the “Loan B”), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (the Loan A and Loan B shall collectively constitute the “Loan”), to assist in financing Part B 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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread, subject to any

waiver of a portion of such interest as may be determined by the Bank from time to time; 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.

- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedules set forth in Schedules 3-A and 3-B 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 all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable 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.
- (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, the Conversion Guidelines and the Currency Conversion Letter.
- (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 4.04 (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 objectives of the Project. To this end, the Borrower shall carry out Part B 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 Part B of the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - TERMINATION

- 4.01. The Effectiveness Deadline is the date one-hundred twenty (120) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the President and Chief Executive Officer of the Borrower.

- 5.02. The Borrower's Address is:

Türkiye Halk Bankasi A.Ş.
Sogutozu Mah.
2.Cadde No. 63
06520 Sogutozu
Ankara
Republic of Turkey

Facsimile:

(90-312) 289 4785

- 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
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

AGREED at Ankara, Turkey, as of the day and year first above written.

TÜRKİYE HALK BANKASI A.Ş.

By: /s/ Mustafa Savas

Authorized Representative

By: /s/ Recep Gulec

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Ulrich Zachau

Director
Turkey Country Unit
Europe and Central Asia

SCHEDULE 1

Project Description

The objective of the Project is to increase Turkish small and medium size enterprises' access to medium term finance.

The Project consists of the following parts:

Part A:

The establishment and operation of a credit facility within TSKB for the financing, through the provision of Sub-loans and Lease Financing to SMEs, enabling such SMEs to finance the costs related to the carrying out of Sub-projects.

Part B:

The establishment and operation of a credit facility within Halkbank for the financing, through the provision of Sub-loans to SMEs, enabling such SMEs to finance the costs related to the carrying out of Sub-projects.

SCHEDULE 2

Project Execution for Part B of the Project

Section I. Institutional and Other Arrangements

A. Implementation

1. Except as the Bank shall otherwise agree, the Borrower shall maintain, until the completion 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 Project implementation, and satisfactory to the Bank.

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 the Project, comply with the applicable prudential regulations of the Guarantor.

4. For the purposes of carrying out Part B of the Project, the Borrower shall:

(a) make Sub-loans to SMEs on the terms and conditions set forth in the Operational Manual, including, without limitation, the terms and conditions set forth in paragraph B of this Section I;

(b) ensure that, except as the Bank shall otherwise agree, the aggregate amount of outstanding Sub-loans to any one SME shall not exceed the equivalent of ₺2,500,000;

(c) ensure that no expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless the first two Sub-loans shall have been approved by the Bank;

(d) ensure that at least an amount equal to ₺25,000,000 of Sub-loans shall be made for Sub-projects financing investment projects be located, or for Sub-projects financing working capital use the goods, in the following geographical areas: (i) Adiyaman, Batman, Diyarbakir, Gaziantep, Kilis, Mardin, Siirt, Sanliurfa and Sirnak in the Southeast Anatolia Region; (ii) Agri, Ardahan, Bingol, Bitlis, Elazig, Erzincan, Erzurum, Hakkari, Igdir, Kars, Malatya, Mus, Tunceli and Van in the East Anatolia Region; (iii) Sivas, Kayseri and Yozgat in the Central Anatolia Region; (iv) Corum, Amasya, Samsun, Ordu, Giresun, Rize, Trabzon, Bayburt, Artvin, Gumushane and Tokat in the Black Sea region; and (v) Kahraman Maras, Hatay and Osmaniye in the Mediterranean Region;

(e) 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, comply with its obligations under its agreements for Sub-loans and achieve the purposes of the Project;

(f) make its best effort possible to utilize all payments made by SMEs under the Sub-loans to finance additional development projects to further the development of SMEs;

(g) appraise Sub-projects and supervise, monitor and report on the carrying out by the SMEs of Sub-projects, in accordance with the Operational Manual;

(h) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operational Manual. To that end, it 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;

(i) ensure that for Sub-projects which require an environmental mitigation plan, the SME shall carry out such environmental mitigation plan in a timely manner, requiring such environmental mitigation plan to be in compliance with: (aa) environmental standards satisfactory to the Bank; and (bb) the applicable laws and regulations of the Guarantor relating to health, safety and environmental protection, and shall include adequate information on the carrying out of such environmental management plans in the progress reports referred to in Section II.A. of this Schedule 2; and

(j) ensure that: (aa) goods and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of this Schedule 2; and (bb) such goods and works shall be used exclusively in the carrying out of the Sub-project.

B. Terms and Conditions of Sub-loans

1. Each Sub-loan shall be made on terms and conditions, including those relating to the maturity, currency denomination, interest rate and other charges determined in accordance with the Borrower's investment and lending policies and practices, provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal at least to the rate payable under Section 2.05 of this Agreement plus the administrative and other costs of the Borrower and a credit risk margin acceptable to the Bank.

2. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless: (a) the first two Sub-loans shall have been approved by the Bank; and (b) such expenditures shall have been made not earlier than one hundred eighty (180) days prior to the date on which the Borrower shall have received the

application from any SME and any information required under paragraph 3 (a) of this Section in respect of such Sub-loan or Lease Financing, but in any case not earlier than on or before June 30, 2006.

3. (a) When presenting a Sub-loan to the Bank for approval under paragraph A.4 (c) of this Section I, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with:

- (i) 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;
- (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan;
- (iii) evidence of compliance with the Operational Manual and specifically with the environmental review procedures set forth in the Operational Manual; and
- (iv) such other information as the Bank shall reasonably request.

(b) Each Sub-loan shall be approved on the basis of evaluation guidelines adopted by the Borrower satisfactory to the Bank. The Borrower shall inform the Bank of any amendments to its evaluation guidelines.

4. (a) Sub-loans shall be made to the SMEs which each shall have established and maintained during the duration of its respective Sub-loan to the satisfaction of the Borrower that:

- (i) it has a private ownership;
- (ii) except as the Bank and the Borrower shall otherwise agree, it will have a ratio of debt to equity (after receipt of the Sub-loan) no greater than 80:20;
- (iii) except as the Bank and the Borrower shall otherwise agree, it will 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 1:1 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred; and
- (iv) 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.

(b) For purposes of this paragraph:

- (i) an SME shall be considered to have a "private ownership" when 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;
- (ii) the term "debt" means any indebtedness of the SME;
- (iii) 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;
- (iv) 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;
- (v) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt;
- (vi) 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 both the Bank, the Borrower and the SME accept as reasonable and as to which the Bank has notified the Borrower and 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
- (vii) whenever for the purposes of this Section 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.

5. The Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank set forth in the Operational Manual, to:

(a) be technically feasible and economically, financially and commercially viable; and

(b) be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and the environmental review procedures set forth in the Operational Manual.

6. Sub-loans shall be made on terms whereby the Borrower shall obtain, by written contract with the SME or by other appropriate legal means, rights adequate to protect its interests and those of the Bank, the Borrower, and the Guarantor, 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 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 Operational Manual;

(c) for Sub-projects which need an environmental mitigation plan, require the SME to carry out such environmental mitigation plan in a timely manner;

(d) require: (i) that the goods and works to be financed out of the proceeds of the Sub-loans shall be procured in accordance with the provisions of Section III of this Schedule 2; and (ii) that such goods and works shall be used exclusively in the carrying out of the Sub-project;

(e) inspect, by itself or jointly with representatives of the Bank, if the Bank 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: (i) 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 (ii) 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; and

(h) suspend or 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 agreement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the 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 one month after the end of the period covered by such report.

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. The Borrower shall prepare and furnish to the Bank as part of the Project Report, not later than one month after the end of each semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements 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 months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Schedule.

2. **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 the Procurement Guidelines.

B. Particular Methods of Procurement of Goods and Works

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

2. **Other Methods of Procurement of Goods and Works.** The following specifies the method of procurement, other than International Competitive Bidding, which may be used for goods and works:

Established Private or Commercial Practices. Contracts for goods and works estimated to cost the equivalent of less than ₦2,500,000 per contract may be awarded in accordance with the established private or commercial practices which have been found acceptable to the Bank.

C. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to prior Review by the Bank: (a) all contracts procured on the basis of International Competitive Bidding; and (b) the first two contracts procured on the basis of Established Private or Commercial Practices.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions, included in the Disbursement Letter, 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.

Category	Amount of Loan A Allocated (expressed in Euro)	Amount of Loan B Allocated (expressed in Euro)	Percentage of Expenditures to be financed
(1) Sub-loans	49,875,000	50,000,000	100% of amounts disbursed
(2) Front-end Fee	125,000	0	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Premia for Interest Rate Caps and Interest Rate Collars	0	0	Amount due under Section 2.08 (c) of this Agreement
TOTAL AMOUNT	<u>50,000,000</u>	<u>50,000,000</u>	

3. Except as the Borrower and the Bank shall otherwise agree, all amounts withdrawn from the Loan Account or made subject to a special commitment pursuant to Section 2.02 of the General Conditions shall be initially charged against Loan A until such Loan has been exhausted, and thereafter shall be charged against Loan B.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed □10,000,000 equivalent may be made for payments made prior to this date but on or after June 30, 2006, for Eligible Expenditures under Category (1); and

(b) under Category (1) unless the Sub-loan has been made in accordance with criteria and procedures set forth in the Operational Manual and on terms and conditions referred to in paragraph B of Section I of this Schedule 2 to this Agreement.

2. The Closing Date is April 30, 2012.

SCHEDULE 3-A

Amortization Schedule for Loan A

1. The following table sets forth the Principal Payment Dates of Loan A and the percentage of the total principal amount of Loan A payable on each Principal Payment Date (“Installment Share”). If the proceeds of Loan A have been fully withdrawn as of the first Principal Payment Date, the principal amount of Loan A 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 March 15 and September 15 beginning September 15, 2011 through March 15, 2021	5%

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

(a) To the extent that any proceeds of Loan A 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 Loan A 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.

SCHEDULE 3-B

Amortization Schedule for Loan B

1. The following table sets forth the Principal Payment Dates of Loan B and the percentage of the total principal amount of Loan B payable on each Principal Payment Date (“Installment Share”). If the proceeds of Loan B have been fully withdrawn as of the first Principal Payment Date, the principal amount of Loan B 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 March 15 and September 15 beginning September 15, 2012 through March 15, 2022	5%

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

(a) To the extent that any proceeds of Loan B 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 Loan B 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

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Currency Conversion Letter” means the letter of even date herewith agreed between the Borrower and the Bank, setting forth the terms and conditions of Currency Conversion under Section 2.08 of this Agreement, as such letter may be amended from time to time by agreement between the Borrower and the Bank.
3. “Disbursement Letter” means the letter dated as of the same date of this Agreement, including the additional instructions as referred to in Section IV A.1 of Schedule 2 to this Agreement, as may be revised from time to time.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
5. “Halkbank” or “Türkiye Halk Bankası A.Ş.” means a joint-stock company operating pursuant to Law No. 4603 dated November 15, 2000.
6. “International Financial Reporting Standards” or “IFRS” means the accounting standards issued or endorsed by the International Accounting Standards Board.
7. “Operational Manual” means the manual adopted by the Borrower on April 24, 2007, setting out the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation and supervision of Sub-loans.
8. “PIU” means the project implementation unit of the Borrower established pursuant to the Board Resolution No.18-20, dated June 28, 2005, or any successor to such unit.
9. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
10. “SME” means an enterprise with less than \$20 million in sales employing fewer than 250 employees and satisfying the appropriate criteria as set forth in paragraph B.4 of Section I of Schedule 2 to this Agreement to which the Borrower proposes to make or has made a Sub-loan.
11. “Sub-loan” means a loan made or proposed to be made by the Borrower, out of the proceeds of the Loan, for purposes of financing all or a portion of the expenditures incurred by an SME for goods and works under a Sub-Project.

12. “Sub-project” means financing of a specific investment project or working capital, selected in accordance with paragraph B.5 of Section I 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.
13. “TRY” or “YTL” or “New Turkish Lira” means the lawful currency of the Guarantor.
14. “TSKB” means Türkiye Sınai Kalkınma A. Ş. responsible to implement Part A of the Project.