

**CONFORMED COPY**

**LOAN NUMBER 7903-TU**

# **Loan Agreement**

**(Second Access to Finance for Small and Medium Enterprises Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**T.C. ZIRAAT BANKASI A.Ş.**

**Dated July 6, 2010**

**LOAN NUMBER 7903-TU**

**LOAN AGREEMENT**

Agreement dated July 6, 2010, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and T.C. ZIRAAT BANKASI A.Ş. (“Borrower” or “Ziraat 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 two hundred million Dollars (\$200,000,000), 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 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 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 LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are April 1 and October 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; (ii) a change of the interest rate basis applicable to 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; 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 and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV.A 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 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 and the Operations Manual.

**ARTICLE IV - EFFECTIVENESS**

- 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 General Manager of the Borrower.
- 5.02. The Borrower's Address is:

T.C. Ziraat Bankasi A.Ş.  
Ataturk Bulvari No. 8  
Ulus, 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:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

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

T.C. ZIRAAT BANKASI A.Ş.

By /s/ Senih Boyacigil

Authorized Representative

By /s/ Kamuran Ercebi

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ulrich Zachau

Authorized Representative

**SCHEDULE 1****Project Description**

The objective of the Project is to broaden and deepen Turkish small and medium enterprises' access to medium- and long-term finance, thereby contributing to an expansion of productive activities and job creation.

The Project consists of the following parts:

**Part A: Kalkinma Bank Credit Line**

The establishment and operation of a credit facility within Kalkinma Bank for the provision of financing (through Subsidiary Loans) to PFIs for onlending by the PFIs (through Sub-loans and Lease Financing) to SMEs to carry out Sub-projects.

**Part B: Ziraat Bank Credit Line**

The establishment and operation of a credit facility within Ziraat Bank for the provision of financing (through Sub-loans) to SMEs to carry out Sub-projects.

**Part C: Vakif Bank Credit Line**

The establishment and operation of a credit facility within Vakif Bank for the provision of financing (through Sub-loans) to SMEs to carry out Sub-projects.

**SCHEDULE 2****Project Execution****Section I. Implementation 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 implementation of Part B of the Project, and satisfactory to the Bank.
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 amend, delete, suspend, or waive any part of the Operations Manual, without the prior approval of the Bank.
3. The Borrower shall, throughout the implementation of the Project, comply with the applicable banking regulations and prudential regulations of the Guarantor and confirm such compliance through semi-annual certifications by the Borrower's management to the Bank and annual certifications by its external auditors.
4. The Borrower shall carry out, and ensure that the SMEs carry out, Part B of the Project in accordance with the provisions of the Anti-Corruption Guidelines (with the modifications set forth in Schedule III of the Appendix to this Agreement), which are applicable to all IBRD loans and IDA credits and grants.
5. For the purposes of carrying out Part B of the Project, the Borrower shall:
  - (a) 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.B of this Schedule;
  - (b) ensure that, except as the Bank shall otherwise agree:
    - (i) the amount of each Sub-loan to any one SME shall not exceed the equivalent of \$3,500,000; and
    - (ii) (A) the aggregate amount of outstanding Sub-loans to any one SME; plus (B) the aggregate amount, if any, outstanding from such SME to Vakif Bank under sub-loans financed under the Project and the aggregate amount, if any, of sub-loans and lease financing outstanding from such SME and financed under the

Project through Kalkinma Bank, shall not exceed the equivalent of \$5,000,000;

(c) ensure that no expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan:

- (i) unless the first five Sub-loans shall have been approved by the Bank, and 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 of this Section I.B in respect of such Sub-loan, but in any case not earlier than on or before January 1, 2010;
- (ii) unless the Sub-loan for a Sub-project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and 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 request and information required under paragraph 3 of Section I.B of this Agreement in respect of such free-limit Sub-loan. For the purposes of this Agreement, a “free-limit Sub-loan” shall be a Sub-loan, other than the first five Sub-loans by the Borrower, and other than any Sub-loan to a SME in an amount exceeding the sum of \$2,500,000 equivalent (when added to all other free-limit Sub-loans financed or proposed to be financed out of the proceeds of the Loan to the same SME), the foregoing amount being subject to change from time to time as determined by the Bank.
- (iii) in the event that the expenditures are for purchase of land or used equipment; and
- (iv) in the event that the expenditures are for any of the Excluded Activities;

(d) ensure that, except as the Bank shall otherwise agree, at least twenty-five percent (25%) of its Sub-loans shall be made for Sub-projects financing investment projects located in the Priority Regions, or for Sub-projects financing working capital, the goods are used in the Priority Regions;

(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 the Sub-loans and achieve the purposes of the Project;



(f) (i) not assign any of its agreements providing for Sub-loans; and (ii) 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 Bank has been obtained;

(g) appraise Sub-projects and supervise, monitor and report on the carrying out by the SMEs of Sub-projects, in accordance with the Operations Manual and ensure that no Excluded Activities are included in any Sub-project;

(h) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operations Manual. To that end, the Borrower 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 management plan, the SME shall carry out such environmental plan in a timely manner, requiring such environmental management plan to be in compliance with: (i) environmental standards satisfactory to the Bank; and (ii) 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; and

(j) ensure that: (i) goods, works and services (other than 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 (ii) such goods, works and services (other than consultants' services) shall be used exclusively in the carrying out of the Sub-project; and

(k) use its best efforts to utilize all payments made by SMEs under the Sub-loans (to the extent payments are not required to meet the Borrower's payment and repayment obligations to the Bank) to finance additional development projects to further the development of SMEs.

## **B. Terms and Conditions of Sub-loans**

1. Except as the Bank shall otherwise agree, each Sub-loan shall be made on terms and conditions, including those relating to the maturity, interest rate and other charges determined in accordance with the Borrower's investment and lending policies and practices, provided, however, that: (a) the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal at least the rate of interest applicable from time to time to the Loan pursuant to Section 2.04 of this Agreement plus the administrative costs of the Borrower and an appropriate credit risk margin; and (b) the sub-loan shall have a minimum maturity period of two (2) years.

2. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan:

(a) unless the first five Sub-loans shall have been approved by the Bank, and 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 of this Section I.B in respect of such Sub-loan, but in any case not earlier than on or before January 1, 2010;

(b) unless the Sub-loan for a Sub-project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and 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 request and information required under paragraph 3 of this Section I.B in respect of such free-limit Sub-loan. For the purposes of this Agreement, a "free-limit Sub-loan" shall be a Sub-loan, other than the first five Sub-loans by the Borrower, and other than any Sub-loan to a SME in an amount exceeding the sum of \$2,500,000 equivalent (when added to all other free-limit Sub-loans financed or proposed to be financed out of the proceeds of the Loan to the same SME), the foregoing amount being subject to change from time to time as determined by the Bank;

(c) in the event that the expenditures are for purchase of land or used equipment; and

(d) in the event that the expenditures are for any of the Excluded Activities.

3. When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval under paragraph 5(c) of Section I.A and paragraph 2 of Section I.B of this Schedule, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with:

(a) an appraisal of the SME and 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; and

(c) evidence of compliance with the Operations Manual and specifically with the environmental review procedures set forth in the Operations Manual.

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 1.2:1 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred;
  - (iv) it has submitted a cash flow statement in accordance with the Operations Manual; and
  - (v) 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 4:
- (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 Borrower and the SME accept as reasonable and as to which the Borrower 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
- (vii) whenever, for the purposes of this paragraph 4, 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 Borrower.

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 Operations Manual, to:

- (a) be technically feasible and economically, financially and commercially viable;
- (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 Operations Manual. To that end, the Borrower shall require each SME applying for a Sub-loan or Lease Financing to furnish evidence satisfactory to the Borrower showing that the Sub-project, in respect of which the application has been made, has been prepared in accordance such procedures, such evidence to include, inter alia, an environment management plan, as may be applicable; and
- (c) not to be supporting any of the Excluded Activities.

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, the provisions of 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 Sub-projects which need an environmental management plan, require the SME to carry out such environmental management plan in a timely manner;

(d) require: (i) that the goods, works and services (other than consultants' services) 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; and (ii) that such goods, works and services (other than consultants' services) 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 with the Borrower.

## **Section II. Project Monitoring, Reporting and 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 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.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than November 30, 2014.

**B. Financial Management, Financial Statements 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 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 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 (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Works and Services (Other than Consultants' Services).** All goods, works and services (other than 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

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, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Services (Other than Consultants' Services)**

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

2. **Established Private Sector or Commercial Practices.** Contracts for goods, works or services (other than consultants' services) estimated to cost the equivalent of \$5,000,000 or less per contract may be awarded in accordance with the established private sector 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) first contract procured on the basis of established private sector or commercial practices. 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 specified in the Disbursement Letter (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.

<b>Category</b>	<b>Amount of the Loan Allocated (Expressed in Dollars)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Sub-loans	199,500,000	100% of Sub-loans
(2) Front-end Fee	500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Collar Premium	0	Amounts payable pursuant to Section 2.07 (c) of this Agreement
<b>TOTAL AMOUNT</b>	<u>200,000,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part B of this Section, no withdrawals shall be made from the Loan Account:

(a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$40,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2010, for eligible expenditures under Category (1); or

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

2. The Closing Date is September 30, 2014.



### 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.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each April 1 and October 1  Beginning October 1, 2020 through October 1, 2034	3.33%
On April 1, 2035	3.43%

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

- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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

**APPENDIX****Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set forth in Section III of this Appendix.
2. “Category” means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.
3. “Category A Sub-projects” means Sub-projects which are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented and require a full environmental impact assessment pursuant to the provisions of the Operations Manual.
4. “Disbursement Letter” means the letter from the Bank dated the same date as this Agreement setting out the additional instructions referred to in paragraph 1 of Section IV.A of Schedule 2 to this Agreement and any revisions or supplements to said letter.
5. “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.
  - (c) An investment that entails land acquisition or involuntary resettlement.
  - (d) An investment that involves the use or potential pollution of international waterways (or detailed design and engineering studies of such investment), as more specifically described in the Operations Manual.
  - (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.
6. “Free-limit Sub-loan” means a Sub-loan proposed to be made in an amount less than the threshold specified for prior Bank review under paragraph 5(c)(ii) of Section I.A and paragraph 2(b) of Section I.B of Schedule 2 to this Agreement, for a Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended

through February 12, 2008) with the modifications set forth in Section II of the Appendix.

8. “Kalkınma Bank” and “Türkiye Kalkınma Bankası A.Ş.” mean a joint-stock company established pursuant to the statutes published in Trade Registry Gazette No. 23849 dated October 17, 1999 (Trade Registry No.32345), which is responsible for implementation of Part A of the Project.
9. “Operations Manual” means the manual dated May 5, 2010, adopted by the Borrower on May 5, 2010, setting out the operation and administrative procedures in respect of the preparation, approval, processing, financing, implementation and supervision of Sub-loans and includes the Environmental Assessment Framework, which sets out the 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.
10. “Participating Financial Institution” and the acronym “PFI” mean any or each Participating Bank or Leasing Company defined in Loan Number 7902-TU.
11. The acronym “PIU” means the Project Implementation Unit of the Borrower established within its Commercial Marketing Department and any successor thereto and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.
12. “Priority Regions” means, collectively: (a) the provinces of Adıyaman, Batman, Diyarbakır, Kilis, Mardin, Siirt, Şanlıurfa, and Şırnak in the Southeast Anatolia Region; (b) the provinces of Ağrı, Ardahan, Bingöl, Bitlis, Elazığ, Erzincan, Erzurum, Hakkari, Iğdır, Kars, Malatya, Muş, Tunceli, and Van in the East Anatolia Region; (c) the provinces of Sivas, Aksaray, Çankır, Nevşehir, Niğde, Kırşehir, Kırıkkale, Karaman and Yozgat in the Central Anatolia Region; (d) the provinces of Bartın, Çorum, Amasya, Kastamonu, Karabük, Samsun, Sinop, Ordu, Giresun, Rize, Trabzon, Bayburt, Artvin, Gümüşhane, Zonguldak and Tokat in the Black Sea Region; (e) the provinces of Kahramanmaraş and Osmaniye in Mediterranean Region; and (f) the districts of Bozcaada and Gökçeada in province of Marmara in the Marmara Region.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
14. The acronym “SME” means a small or medium enterprise that has less than \$20,000,000 in sales, employs fewer than 250 employees and satisfies the appropriate criteria as set forth in paragraph 4 of Section I.B of Schedule 2 to this Agreement and to which the Borrower proposes to make or has made a Sub-loan.
15. “Sub-loan” means a loan made or proposed to be made by the Borrower, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in Section IV.A of Schedule 2 to this Agreement, for purposes of

financing all or a portion of the expenditures incurred by a SME for goods, works and services (other than consultants' services) under a Sub-Project.

16. "Sub-project" means a specific project, selected in accordance with paragraph 5 of Section I.B of Schedule 2 to this Agreement, which is proposed to be carried out by a SME, in whole or in part through the utilization of the proceeds of a Sub-loan.
17. "Vakif Bank" and "T. Vakiflar Bankasi T.A.O." means a joint stock company established pursuant to the statutes published in Trade Registry Gazette No. 8608 dated January 15, 1954 (Trade Registry No. 6219), which is responsible for implementation of Part C of the Project.
18. "Ziraat Bank" and "T.C. Ziraat Bankasi A.Ş." means a joint stock company established pursuant to the statutes published in Trade Registry Gazette No. 5251 dated March 3, 2001 (Trade Registry No. 4603), which is responsible for implementation of Part B of the Project.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

"Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility*. The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of: (i) a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association; and/or (ii) a declaration by another financier that the Borrower (other than the Member Country) or the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. The definition of the term "Conversion Date" set forth in the Appendix is modified to read as follows:

“ ‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

### **Section III. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines, which are applicable to all IBRD loans and IDA credits and grants, are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

#### Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”