

OFFICIAL
DOCUMENTS

LOAN NUMBER 8569-TR

Loan Agreement

(Micro Small and Medium Enterprise and
Large Enterprise Supply Chain Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

TÜRKİYE HALK BANKASI A.Ş.

Dated *December 28*, 2015

LOAN AGREEMENT

Agreement dated *December 28*, 2015, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and TÜRKIYE HALK BANKASI A.Ş. (“Borrower”). The Bank and the Borrower 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 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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.
- 2.06. 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 schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, the Guarantor and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Borrower shall have adopted the Operational Manual in a manner satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representatives are its General Manager, its Deputy General Manager Responsible for International Banking, or its Head of International Banking and Structured Finance Department.

5.02. The Borrower's Address is:

T. Halk Bankası A.Ş.
Barbaros Mah. Şebboy Sok.
No: 4 Kat: 21 Batı Ataşehir P.K.34746
Ataşehir - İstanbul
Republic of Turkey

Facsimile:
(90-212) 340-0997

6.03. The Bank's Address is:

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

Telex:

248423(MCI) or
64145(MCI)

Facsimile:

1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



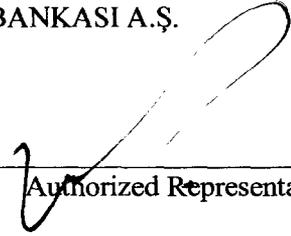
Authorized Representative

Name: Johannes ZVTT

Title: Country Director

TÜRKİYE HALK BANKASI A.Ş.

By

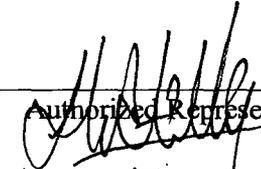


Authorized Representative

Name: Ali Fuat TASKESENLIOĞLU

Title: Board Member and General Manager

By



Authorized Representative

Name: M. Hakan ATILLA

Title: Deputy General Manager

SCHEDULE 1

Project Description

The objective of the Project is to improve access to finance for micro, small and medium enterprises, and longer term finance to large enterprises involved in domestic supply chains.

The Project consists of the following Part, namely:

Part A: Credit Line to MSMEs and LEs

The establishment and operation of a credit facility for the provision of Sub-loans to MSMEs and LEs to finance the carrying out of 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 operate and maintain its PIU until the completion of the Project, and ensure that it 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: (a) adopt and thereafter maintain the Operational Manual in form and content satisfactory to the Bank; (b) duly comply with the provisions of the Operational Manual; and (c) 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 and confirm such compliance in accordance with the provisions of the Operational Manual, including through the submission to the Bank of: (a) semi-annual certifications by the Borrower's management; and (b) annual certifications by the Borrower's external auditors.
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) (i) make Sub-loans to MSMEs and LEs under Sub-loan Agreements to be entered into between the Borrower and the pertinent MSME or LE (as the case may be), 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; (ii) exercise its rights and carry out its obligations under each Sub-loan Agreement in a manner acceptable to the Bank, and to protect its interests, and the interests of the Guarantor and the Bank; and (iii) except as the Bank shall otherwise agree, not assign, amend, abrogate, terminate, waive or fail to enforce any of the provisions of the Sub-loan Agreements or any provision thereof.
 - (b) Except as the Bank shall otherwise agree, ensure that at least sixty percent (60%) of the Loan is utilized to finance Sub-loans to MSMEs.
 - (c) Ensure that at least fifteen percent (15%) of the Loan financing Sub-loans to MSMEs is made for: (a) Sub-loans financing Investment Subprojects located in the Priority Regions; or (b) Sub-loans financing Working Capital Subprojects where the goods consultant services and non-consulting services so financed are used in the Priority Regions.

- (d) Appraise, supervise, monitor and report on the carrying out of Sub-projects by MSMEs and LEs, in accordance with the provisions of this Agreement and those of the Operational Manual.
- (e) Utilize all repayments made by MSMEs and LEs under the Sub-loans (to the extent payments are not required to meet the Borrower's payment and repayment obligations to the Bank under this Agreement) to finance additional Sub-loans to the same or other MSMEs or LEs under the Project.

B. Terms and Conditions of Sub-loans

Terms of Sub-loans to SMEs and LEs

1. Except as the Bank shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, and other charges and/or fees determined on the basis of its assessment of market conditions and risk management and in accordance with the Borrower's investment and lending policies and practices, provided that:
 - (a) Each Sub-loan shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate at least equal to the rate payable under Section 2.05 of this Agreement plus the administrative costs of the Borrower and an appropriate credit risk margin.
 - (b) Each Sub-loan to an MSME to finance an Investment Subproject shall have a minimum maturity period of two (2) years, and each Sub-loan to an LE to finance an Investment Subproject shall have a minimum maturity period of three (3) years.
2. Except as the Bank shall otherwise agree:
 - (a) (A) the amount of each Sub-loan to any one MSME shall not exceed the equivalent of \$3,500,000; (B) the aggregate amount of outstanding Sub-loans to any one MSME shall not exceed the equivalent of \$5,000,000; and
 - (b) (A) the amount of each Sub-loan to any one LE shall not exceed the equivalent of \$6,000,000; (B) the aggregate amount of outstanding Sub-loans to any one LE shall not exceed the equivalent of \$10,000,000.
3. No expenditures for a given 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 and eighty (180) days prior to the date on which the Borrower shall have received the application for a Sub-loan to finance such Sub-project, including any information required under paragraph 6 of this Section I.B.

MSME and LE Eligibility Criteria

4. Each Sub-loan shall be provided to an MSME or an LE which shall have established, to the satisfaction of the Borrower that:
 - (a) it is a Private Enterprise;

- (b) 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;
- (c) 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;
- (d) (A) Except as the Bank and the Borrower shall otherwise agree, and unless the Sub-loan: (i) is below \$1,000,000 equivalent; or (ii) finances Investment Subprojects in the Priority Regions or Working Capital Sub-projects when the goods and consultant services and non-consulting services so financed are used in the Priority Regions:
 - (i) it has a ratio of debt to equity (after receipt of the Sub-loan) no greater than 85:15;
 - (ii) it has 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
 - (iii) it has submitted a cash flow statement in accordance with the Operations Manual.
- (B) For purposes of this paragraph 4(d):
 - (i) the term "debt" means any indebtedness of the MSME or LE;
 - (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 "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the MSME or LE not allocated to cover specific liabilities;
 - (iv) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt;
 - (v) the term "reasonable forecast" means a forecast prepared by the MSME or LE not earlier than twelve (12) months prior to the incurrence of the debt in question, which the Bank, the Borrower and the MSME or LE accept as reasonable and as to which the Borrower has notified the MSME or LE 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 MSME or LE; and

- (vi) whenever, for the purposes of this paragraph 4(d), 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 and the Bank.

Sub-project Eligibility Criteria

- 5. Unless otherwise agreed between the Bank and the Borrower, each Sub-loan shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:
 - (a) to be technically feasible and economically, financially and commercially viable;
 - (b) to be in compliance with all requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and with the Environmental Policy Framework. To that end, the Borrower shall require each MSME or LE applying for a Sub-loan to furnish evidence satisfactory to 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.

Approval Procedures for Sub-loans to MSMEs and LEs

- 6. Each Sub-loan shall be approved by the Borrower on the basis of:
 - (a) a description of the MSME or LE and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
 - (b) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan, as set forth in the respective Sub-loan Agreement;
 - (c) evidence of compliance with the Operational Manual and with the Environmental Policy Framework; and
 - (d) such other information as the Bank or the Borrower shall reasonably request.

7. Unless otherwise agreed with the Bank, the Borrower shall ensure that the following Sub-loans shall not be approved without the Bank's prior approval: (a) the first two (2) Sub-loans; (b) every Sub-loan to be provided to an MSME in an amount exceeding the equivalent of \$2,500,000; and (c) every Sub-loan to an LE in an amount exceeding the equivalent of \$4,500,000.

Sub-loan Agreement

8. Each Sub-loan Agreement shall be provided on further conditions whereby the Borrower shall obtain rights adequate to protect its interests and the interests of the Guarantor and the Bank, including the right to:
 - (a) Require the MSME or LE to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of finance proceeds other than the Borrower, and to maintain adequate records.
 - (b) Without limitation to the generality of the provisions of the preceding paragraph (a), require the MSME or LE to carry out and operate the Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards, including the Guarantor's environmental laws and standards, and in accordance with the provisions of the Operational Manual.
 - (c) Ensure that each Sub-project shall comply with environmental review procedures set forth in the Operational Manual, as well as with the Environmental Policy Framework.
 - (g) For any Sub-project which needs an Environmental Management Plan, require the MSME or LE to carry out such plan in accordance with its terms and in a manner satisfactory to the Bank.
 - (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; (ii) use such goods, works, and services exclusively in the carrying out of the Sub-project; and (iii) MSMEs and LEs maintain, and, upon request by the Borrower and the Bank, make available to the Bank and the Borrower copies of the invoices for all expenditures financed by the pertinent Sub-loan.
 - (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 the MSME or LE shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan to the place of use

or installation, any indemnity thereunder to be made payable in a currency freely usable by the MSME or LE to replace or repair such goods.

- (g) Obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the MSME or LE and to the benefits to be derived from the Sub-project.
- (h) Require that the MSME or LE maintain, during the duration of the respective Sub-loan, compliance with the requirements set forth in paragraph 4 of this Section I.B.
- (i) Suspend and terminate the right of the MSME or LE to the use of the proceeds of the Sub-loan upon failure by such MSME or LE to perform its obligations under the pertinent Sub-loan Agreement.

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 the implementation of the Environmental Policy Framework and the pertinent Environmental Management Plans) 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 each 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 each Project Report, interim unaudited financial reports for the Project covering the pertinent calendar semester, in form and substance satisfactory to the Bank.
- 3. The Borrower shall have:
 - (a) the Financial Statements for the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited

Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period; and

- (b) its entity financial statements audited in accordance with standards set forth in Section 5.09(b) of the General Conditions. Each audit of such entity financial statements shall cover the period of one fiscal year of the Borrower and be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

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

C. Review by the Bank of Procurement Decisions

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

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Sub-loans	200,000,000	100% of amount of Sub-loans disbursed
TOTAL AMOUNT	200,000,000	

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 15, 2015, for Eligible Expenditures under the Project.
2. The Closing Date is July 1, 2019.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each March 15 and September 15 Beginning March 15, 2020 through March 15, 2035	3,13%
On September 15, 2035	2,97%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Category “A” Sub-projects” means Sub-projects which are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented and require a full environmental impact assessment pursuant to the provisions of the Operational Manual and the Environmental Policy Framework.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
5. “Environmental Management Plan” means any specific environmental management plan, satisfactory to the Bank, to be carried out by an MSME or an LE under a Sub-project, as may be required pursuant to the due observance of the Environmental Policy Framework by the Borrower and MSMEs and LEs, and in accordance with the provisions of the respective Sub-loan Agreement, defining 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 Environmental Management Plan may be amended and supplemented from time to time, with the agreement of the Bank.
6. “Environmental Policy Framework” means the Borrower’s Environmental Review Framework dated October 9, 2015, satisfactory to the Bank (included in the Operational Manual), disclosed on the Borrower’s website on October 9, 2015, and in the Bank’s Infoshop on October 12, 2015, which sets forth policies and procedures for environmental screening of Sub-projects, for conducting environmental assessments and specifying requirements for environmental mitigation measures to be included in Environmental Management Plans, as such framework may be amended from time to time with the agreement of the Bank.
7. “Excluded Activities” means, collectively:
 - (a) any of the activities listed, or activities that produce and/or use materials listed, in the Operational Manual and which are classified and referred to as part of the negative list in said manual;
 - (b) an investment that is classified as a Category “A” Sub-project in accordance with the provisions of the Operational Manual;

- (c) an investment that entails Resettlement;
 - (d) an investment that may have impacts on natural habitats;
 - (e) an investment that involves the potential use of, or discharge into, international waterways (or detailed design and engineering studies of such investment), as such international waterways shall have been described more specifically in the Operational Manual; and
 - (f) 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.
8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
 9. "Investment Subproject" means any investment for productive purposes which has been selected and approved in accordance with the criteria and procedures set forth in this Agreement and further detailed in the Operational Manual.
 10. "LE" means a Large Enterprise that: (a) employs less than 1,000 employees; (b) has payables or receivables against MSMEs of at least twenty-five (25%) percent of annual sales or purchases; and (c) satisfies the appropriate criteria as set forth in Section I.B.4 of Schedule 2 to this Agreement and the Operational Manual, and to which the Borrower proposes to make or has made a Sub-loan.
 11. "Micro Small or Medium Enterprise" or "MSME" means an enterprise that: (a) employs less than 250 employees; (b) either has less than 40,000,000 Turkish Lira in annual sales or has assets valued at less than 40,000,000 Turkish Lira; and (c) satisfies the appropriate criteria as set forth in Section I.B.4 of Schedule 2 to this Agreement and the Operational Manual, and to which the Borrower proposes to make or has made a Sub-loan.
 12. "Operational Manual" means the Borrower's manual, satisfactory to the Bank, 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.
 13. "PIU" means the Project Implementation Unit of the Borrower referred to Section I.A.1 of Schedule 2 to this Agreement.
 14. "Priority Region" means any region defined in the Council of Minister's Decree Number 2015/8190, published in the Official Gazette Number 29505 and dated October 17, 2015, and as amended from time to time.
 15. "Private Enterprise" means 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 of its agencies or subdivisions thereof, or by any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions.

16. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
17. "Resettlement" means the impact of an involuntary taking of land under a Sub-project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
18. "Sub-loan" means any loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an LE or an MSME (as the case may be) to finance goods, works, non-consulting services and/or consultants' services under any given Subproject.
19. "Sub-loan Agreement" means any agreement referred to in Section I.A.5 of Schedule 2 to this Agreement.
20. "Sub-project" means any Investment Subproject or any Working Capital Subproject, as the case may be.
21. "Turkish Lira" means the currency of the Guarantor.
22. "Turkiye Halk Bankasi A.S." or "Halkbank" means a joint stock company operating pursuant to the Guarantor's Law No. 4603 dated November 15, 2000.
23. "Working Capital Subproject" means any investment for working capital to increase the existing levels of production of the pertinent MSME.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

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

"Section 3.01. Front-end Fee; Commitment Charge

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

Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

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

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”