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LN 8569-TR

Supplemental Letter No. 2

TÜRKİYE HALK BANKASI A.Ş.

December 28, 2015

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

Re: Loan No. 8569-TR
(Micro Small and Medium Enterprise and Large Enterprise Supply Chain
Finance Project)
Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A.1 of Section II of Schedule 2 to the Loan Agreement of even date herewith between the International Bank for Reconstruction and Development (the Bank) and Türkiye Halk Bankası A.Ş. (the Borrower). The Borrower hereby confirms to the Bank that the indicators set out in this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives:

1. Key indicators for measuring the project development objective (PDO) include:
 - (a) Ratio of the average portfolio maturity of Sub-loans to MSMEs under the Project, over the average portfolio maturity of the Borrower's MSME portfolio not financed under the Project.
 - (b) Ratio of the average portfolio maturity of Sub-loans to LEs under the Project, over the average portfolio maturity of the Borrower's LE portfolio not financed under the Project.
 - (c) Number of MSME beneficiaries financed under the Project (cumulative).
 - (d) Number of LE beneficiaries financed under the Project (cumulative).
 - (e) Volume of Bank support (cumulative, USD million).
2. Key Intermediate Results indicators include:
 - (a) Volume of Bank support to MSMEs (cumulative, USD million).
 - (b) Outstanding MSME finance portfolio (USD million). The indicator will be reported by the Borrower, both for its entire portfolio and the Bank-financed portion only.
 - (c) Number of active MSME finance accounts (not cumulative). The indicator will be reported by the Borrower, both for their entire portfolio and the Bank-financed portion only.

- (d) Portfolio at risk. The indicator will follow the local definition for Non-Performing Loans, as regulated by the Banking Regulation and Supervision Agency. The indicator will be reported by the Borrower, both for its entire portfolio and the Bank-financed portion only.
- (e) Return on Assets (%).
- (f) Return on Equity (%).
- (g) Percent of Sub-loans to MSMEs financing Sub-projects in Priority Regions.
- (h) Compliance with prudential regulation.
- (i) Citizen Engagement: MSMEs and LEs that feel Sub-loans financed under the Project reflected their needs (percentage).
3. In addition to the above indicators, the project will monitor some additional indicators. These indicators will be monitored for analytical purposes only and will serve as useful inputs to define policies and projects aimed at further improving SMEs' access to credit in Turkey:
- (a) Performance of MSMEs and LEs under the Project: (i) Increase in employment; (ii) Increase in sales.
- (b) Profile of MSMEs and LEs under the Project: (i) Size of MSMEs and LEs (number of employees); (ii) Economic sector; (iii) Geographical location; (iv) Female owner or shareholder.
- (c) Profile of loans under the Project: (i) Size of Sub-loans; (ii) Maturity of Sub-loans; (iii) Interest of Sub-loans.

Very truly yours,

TÜRKİYE HALK BANKASI A.Ş.

By Ali Fuat ZAKESENLİOĞLU, Board Member and General Manager
Authorized Representative

By M. Hakan ATILLA, Deputy General Manager
Authorized Representatives