

TÜRKİYE KALKIMA VE YATIRIM BANKASI A.Ş.

**THE PROJECT FINANCIAL STATEMENT OF
“RENEWABLE ENERGY AND ENERGY
EFFICIENCY ON-LENDING FACILITY
PROJECT” (PROJECT NO: L0141C)
WITH INDEPENDENT AUDITOR’S REPORT
AS OF 31 DECEMBER 2024**



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Independent Auditor's Report

To the Board of Directors of Türkiye Kalkınma ve Yatırım Bankası Anonim Şirketi

Opinion

We have audited the balance sheet of the Additional Financing Project ("the Project") financed by the Asian Infrastructure Investment Bank ("AIIB") and implemented by Türkiye Kalkınma ve Yatırım Bankası A.Ş. ("the Bank") as of December 31, 2024, and the notes to the statement of designated accounts, including a summary of significant accounting policies (together, the financial statement).

In our opinion, the accompanying financial statement of the Project as of December 31, 2024, is prepared in accordance with the significant accounting policies described in Note 2 to the financial statement.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Project Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the (consolidated) financial statements in Türkiye and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Specific Purpose

Our report is solely for the purpose set forth in the first paragraph of this report and for your information. This report relates only to the Project and items specified above and does not extend to any financial statements of the Bank, taken as a whole. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the Bank for this report.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the Project financial statement, which describes the basis of accounting. The Project financial statement is prepared upon the request of the Bank management, solely for the use of AIIB. As a result, the Project financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies described in Note 2 to the accompanying financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

As of December 31, 2023, project financial statements in accordance with ISA 805 were audited by another audit firm, and the independent audit firm expressed an unqualified opinion in its independent audit report dated July 18, 2024.

The partner in charge of the audit resulting in this independent auditor's report is Aykut Üşenti.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Aykut Üşenti, SMMM
Partner

June 27, 2025
İstanbul, Türkiye

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TÜRKİYE KALKIMA VE YATIRIM BANKASI A.Ş.**ADDITIONAL FINANCING PROJECT NO: L0141C****AS OF 31 DECEMBER 2024**

(Amounts are expressed in USD, unless otherwise stated.)

PROJECT BALANCE SHEET	31 December 2024	31 December 2023
ASSETS		
Designated Account	-	20.280.205
Amounts due from beneficiary enterprises	77.058.688	69.541.506
Amounts received from beneficiary enterprises	22.941.312	10.178.289
		-
TOTAL ASSETS	100.000.000	100.000.000
LIABILITIES		
Amount due to the AIIB	100.000.000	100.000.000
Credit Line	100.000.000	100.000.000
Up -front fee	-	-
TOTAL LIABILITIES	100.000.000	100.000.000

Designated Account (DA) Statement	2024	2023
Opening balance as at 1 January	20.280.205	40.000.000
AIIB advances during the year	-	-
Total funds available	20.280.205	40.000.000
Less: Refund to AIIB from DA	-	-
Loans advanced/expenses paid in period	20.280.205	(19.719.795)
Closing balance as at 31 December	-	20.280.205
Balance per designated account statement	-	20.280.205

NOTES TO THE PROJECT FINANCIAL STATEMENTS

1. Objectives and Nature of The Project

Türkiye Kalkınma ve Yatırım Bankası A.Ş. (“TKYB” or “the Bank”) signed a loan agreement with Asian Infrastructure Investment Bank (“AIIB”) for TKYB to finance the Additional Financing Project. The objective of the Project is to provide long-term financing (sub-loans) through TKYB to privately owned companies in Türkiye to invest in projects (subprojects) in the renewable energy and energy efficiency sectors. These include subprojects in the wind solar, geothermal, and biomass industries.

Operations of The Bank

TKYB was founded in Ankara as Devlet Sanayi ve İşçi Yatırım Bankası in 1975, under the control of the Ministry of Industry. The Bank was founded by the State mainly to promote investment in certain sectors of the country.

With the decision of the “Supreme Planning Board” dated 20 January 1989, the Bank has been merged with the T.C. Turizm Bankası A.Ş.

The name of the bank has been changed as Türkiye Kalkınma Bankası A.Ş. in 1988 following a decision of the Council of Ministers and on 24 October 2018 it has been changed as Türkiye Kalkınma ve Yatırım Bankası A.Ş.

The Bank is subject to the registered capital system. 99,08% of the capital is owned by the Undersecretariat of Treasury of the Republic of Türkiye and the remaining shares are quoted in the Borsa İstanbul.

The Bank currently provides development and investment-banking services mainly to the financing of industry, tourism, education, health and energy sectors. Besides supplying loans in medium and long terms to the abovementioned sectors, the Bank also participates in other activity fields like project assessment, leasing, rehabilitation, equity participation, fund management, banking operations and training activities.

2. Main Accounting Policies

The Bank uses the cash basis of accounting to account for project transactions. Accordingly, the Bank does not calculate any interest income and expense accrual for the related period.

Disbursements to the local firms are recorded in local currency and translated to USD with the exchange rate as of the date of the disbursement. The collections from the local firms are translated with the exchange rates prevailing on the collection date.

The project balance sheet and designated account statement included in the project financial information have been prepared in accordance with the generally accepted accounting principles and practices and in accordance with the financial reporting of the Project Operating Manual of the agreement dated 8.11.2021 between AIIB and the Bank.

These project financial information are presented in USD. The significant accounting policies are as follows

NOTES TO THE PROJECT FINANCIAL STATEMENTS

2. Main Accounting Policies (Continued)

2.1 Designated account

Designated account represents AIIB fund which is not yet disbursed under the project. Designated account is recognized initially at their principal amounts and subsequently are continued to be measured with their principal amounts.

2.2 Amounts due from beneficiary enterprises

Amounts due from beneficiary enterprises are recognized initially USD equivalent of their principal amounts and subsequently are continued to be measured with their principal amounts in the project financial information using historical USD rate at the time of the loan origination. Actual disbursements to loan customers that are made in original currency are translated into USD with the exchange rate as of the date of the disbursement. The collections from the loan customers are converted to USD by using same exchange rate used at the time of the loan origination.

2.3 Amounts received from beneficiary enterprises

Amounts received from beneficiary enterprises represent re-use of loans with the collections from old beneficiary enterprises' loans payments.

2.4 Amount due to AIIB

Amount due to AIIB are recognized initially at their principal amounts and subsequently are continued to be measured with their principal amounts.

The Bank does not recognize the accrued interest income on the amounts due to AIIB and any commission amount in the project financial information.

The project balance sheet and designated account statement included in the project financial information have been prepared in accordance with the generally accepted accounting principles and practices and in accordance with the financial reporting of the Project Operating Manual of the agreement dated 8.11.2021 between AIIB and the Bank.

These project financial information are presented in USD. The significant accounting policies are as follows:

3. Eligibility Criteria

a. Eligible Sub-borrowers

An entity may be eligible to receive a Sub-loan if it meets all the following requirements:

1. It is a private entity: (i) which is carrying out or is established for a business purpose, and is operating on a commercial basis; (ii) which has more than 50 percent of shares owned privately (i.e. not any Governments nor Government-owned entities); (iii) which is financially and managerially autonomous from the government; and (iv) whose day-to-day management is not controlled by the government;

NOTES TO THE PROJECT FINANCIAL STATEMENTS

3. Eligibility Criteria (Continued)

a. Eligible Sub-borrowers (Continued)

2. It is registered and operating primarily in the Republic of Turkey, or has a fixed place of business in the Republic of Turkey;

3. It has obtained all necessary approvals, certifications and permits, and is in compliance with all applicable national environmental, social, health and safety legislations, and employment regulations and standards in effect in the Republic of Turkey;

4. It meets the Borrower's requirements in, inter alia: credit-worthiness, foreign-exchange position, integrity checks, E&S risk profile, and procurement practices;

5. It meets the Borrower's requirements in capacities to, inter alia: ensure adequate and proper financial accounting of all incomes and expenditures, prepare audited financial statements relating to all its activities and the Sub-project to be financed through the Facility, manage its financial position in a prudent and effective manner, ensure adequate and satisfactory E&S monitoring, reporting and where necessary, rectification of the Sub-project to be financed through the Facility, and ensure proper procurement procedures;

6. Exclusions: It is not included in the Bank's published Debarment List³, and is not engaged, or seeks to engage, in activities as listed in the Bank's Environmental and Social Exclusion List using the Bank's loan.

b. Eligible Sub-projects

A Sub-project may be eligible for a Sub-loan if it meets all the following requirements:

1. It is undertaken in the Republic of Turkey;

2. It has obtained all necessary approvals, certifications and permits, and is in compliance with all applicable national environmental, social (including land acquisition), health and safety legislations, and employment regulations and standards in effect in the Republic of Turkey, as well as any relevant public consultation obligations in effect in the Republic of Turkey;

3. It is in compliance with the Bank's policies including the Policy on Prohibited Practices, the Procurement Policy and Interim Operational Directive on Procurement Instructions for Recipients as per **Section VI.2 Procurement**, the Environmental and Social Policy (ESP), Environmental and Social Exclusion List, and where applicable, the Environmental and Social Standards as per **Section VI.1 Environment and Social Risk Management**;

NOTES TO THE PROJECT FINANCIAL STATEMENTS

3. Eligibility Criteria (Continued)

b. Eligible Sub-projects (Continued)

4. It meets the Borrower's requirements in, inter alia: technical and engineering feasibility and viability, financial viability and business model feasibility, provision of security package commensurate of the risk profile of the Sub-project, and thematic and sector priorities;

5. It is undertaken in one of the following sectors:

- a. Renewable energy, including (i) wind; (ii) solar; (iii) geothermal; and (iv) biomass; and
- b. Energy efficiency, as defined in Annex II.A. Definition of Energy Efficiency Sub-projects.

6. It has at least 15 percent sponsor equity financing, unless otherwise agreed with the Bank; and

7. It has a minimum debt coverage ratio of 1.1, calculated on a yearly basis after completion of the investment and throughout the life of the Sub-loan, unless otherwise agreed with the Bank; and

8. It has a minimum internal rate of return of eight percent.

c. Eligible Sub-loans

The Sub-loan pricing and maturity will be determined by the Borrower with the proviso that the interest rate shall be (i) consistent with market conditions or (ii) if there is no market-determined benchmark rate, adequate to cover all costs and risks associated with the Sub-borrower and the Sub-project, ensuring an adequate profit margin of the Borrower.

A Sub-loan may be eligible for the Facility if it meets the following requirements:

- 1. It has a minimum tenor of 48 months, and no longer maturity than the final maturity of the Bank's loan, unless otherwise agreed with the Bank;
- 2. It has a maximum aggregate principal amount of thirty million US dollars (USD30,000,000), from this credit line unless otherwise agreed with the Bank;
- 3. It is made on terms whereby the Borrower shall obtain, from the Sub-borrowers, through appropriate legal means (a Sub-loan Agreement), rights that are adequate to protect the interests of the Borrower, the Ministry of Treasury and Finance, and the Bank, including the rights to:
 - a. require the Sub-borrower to build, operate, maintain and monitor with accurate and adequate records, the Sub-project, with robust due diligence, integrity and efficiency, and in accordance with sound technical, financial, environmental and social management processes, and high managerial standards; and
 - b. require that the Sub-borrower provides all information reasonably required by the Bank and relating to the foregoing and to the administration, operations, and financial condition of the Sub-borrower and to the benefits to be derived from the Sub-project, to the extent permitted by the applicable laws of the Republic of Turkey; and

NOTES TO THE PROJECT FINANCIAL STATEMENTS

3. Eligibility Criteria (Continued)

c. Eligible Sub-loans (Continued)

c. require the Sub-borrower to prepare financial statements in accordance to recognized accounting standards in a manner to reflect the operations, incomes and expenditures related to the Sub-project; and

d. require the Sub-borrower to prepare E&S reports in accordance with Section V.1 Environment and Social Risk Management; and

e. require the Sub-borrowers to procure all goods, civil works and consultant services to be financed through the Sub-loan in accordance with Section V.2 Procurement; and to ensure that the procured goods, civil works and consultant services are deployed exclusively for the approved Sub-projects; and

f. require (i) the Sub-borrowers take out and maintain with responsible insurers, sufficient insurance against relevant risks in a manner consistent with sound business practices; and (ii) without any limitation upon the foregoing, that such insurance shall cover hazardous incidents that occur (ii.a) during the acquisition, transportation and delivery of the goods and civil works to the place of use or installation of the Sub-project to be financed as part of the Facility, and (ii.b) during operations and maintenance of the Sub-project; (iii) and the insurance shall provide indemnity to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods and civil works; and

g. inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, the Sub-project sites, civil works, plants and construction, operations and maintenance, and any relevant records and documents; and

h. suspend or terminate the right of the Sub-borrower to use the proceeds of the Sub-loan upon failure to perform its obligations under its Sub-loan agreement.

4. The purchase of land or used equipment are not eligible for AIIB's financing; but it may be included during the calculation of the aggregate cost of implementing and completing the Sub-project, including any working capital and any tax (excluding income tax) necessary, subject to the Borrower's assessment.

Retroactive financing. Eligible expenditures under the Sub-loan, incurred in compliance with the Bank's procurement policies and guidelines, and with respect to the Sub-loan amounts that were paid not more than 6 months prior to the date of the Loan Agreement, up to an amount of USD40 million (20 percent of the amount of the Bank's loan), may be financed retroactively.

NOTES TO THE PROJECT FINANCIAL STATEMENTS

4. Restricted Use of Funds

In accordance with the loan agreement between the Bank and the AIIB, the funds available in the Designated Account are restricted to project purposes only.

5. Designed Account Detailed Account Statement

The project approval is obtained from the Asian Infrastructure Investment Bank (“AIIB”) for the loans provided. The approval process may take longer due to environmental and social considerations. Under these conditions, the Bank begins to provide bridge loans. TKYB makes use of its existing resources to projects, when the resource entry is provided, a resource transition is made where the loans are matched in the balance sheet liabilities.

6. ASIAN INFRASTRUCTURE INVESTMENT BANK (“AIIB”) LOAN

As of 31 December 2024, AIIB has provided the designated account of the project with a payment of USD 100.000.000 to be used for the payments of loans provided for project sponsors/TKYB clients.

7. SUBSEQUENT EVENTS

None.