MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS

Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project

(Loan Agreement)

Implemented by

ILLER BANKASI A.S.

Financed Under World Bank Loan Agreement Numbered 9430-TR

As of December 31, 2025 and For the Year Then Ended

Prepared by

Ali ÇALIŞKAN
Senior Treasury Controller

Ezel Malik ZENGİN
Treasury Controller

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Treasury Controller

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Report's Number

187/8 – 108/23 – 71/23 – 59/19

INDEPENDENT AUDITOR'S REPORT

June 16, 2026

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

A. Project Summary

The Loan Agreement numbered 9430-TR for Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project (TEWFER) was signed between the İller Bankası A.Ş. (ILBANK) and International Bank for Reconstruction and Development (IBRD-World Bank). on 30.12.2022. Under this agreement, İLBANK obtained a loan in the amount of EUR 420.000.000,00.

Project is implemented by Project Management Unit (PMU) under ILBANK International Relations Department.

The objectives of the Project are to support green and resilient disaster reconstruction in municipalities affected by earthquake, floods or wildfires, to strengthen municipal capacity for disaster resilience, and to respond promptly and effectively in the event of an Eligible Crises or Emergency.

The Project consists of the following parts:

- Part 1. Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience
- Part 2. Technical Assistance for Project Management, Supervision, Capacity Building, Communication and Citizen Engagement.
- Part 3. Project Management and Operations
- Part 4. Contingent Emergency Response

B. Objectives of Audit

The objective of the audit is to express an opinion on the Financial Statements of the TEFWER Project for the period ended 31 December 2025. The audit includes but not limited to the following tasks.

In evidencing compliance with agreed project financing arrangements, we are expected to carry out tests to confirm that:

(a) All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include Loan Agreement.

(b) Goods, works, and services financed have been procured in accordance with relevant financing agreements, including specific provisions of the World Bank Procurement Guidelines.

(c) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE).

(d) Respective reports issued during the period were in agreement with the underlying books of account.

C. Scope of Audit

The audit was conducted in accordance with International Standards on Auditing. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There was no limitation in our scope for the Project's audit.

D. Audit Methodology

Financial Statements

Verified that the financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Audited all SOE submitted to the World Bank in support of requests for periodic replenishment of the project special account(s).

Examined expenditures for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. In addition, we have examined whether;

(a) the SOEs have been prepared in accordance with the provisions of the relevant financing agreement;

(b) expenditures have been made wholly and necessarily for the realization of project objectives;

(c) information and explanation necessary for the purpose of the audit have been obtained;

(d) supporting records and documents necessary for the purpose of the audit have been retained, and

(e) the SOEs can be relied upon to support the related withdrawal applications.

Review of special accounts

During the audit of the project financial statements, we reviewed the activities of the project's special account(s) such as deposits received, payments made and reconciliation of period-end balances.

Internal controls

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

Compliance with agreement terms and applicable laws and regulations

Reviewed, assessed and reported on compliance with the terms and conditions of the Loan agreement.

Representations by implementing agency

Obtained specific written representations from management.

E. Audit Results

For the financial statements of the project; our audit resulted with an unmodified opinion. In addition, other reporting responsibilities about the project are included under the "Report on Other Legal and Regulatory Requirements" heading of the report.

F. Management Recommendation

A management letter containing comments and recommendations related to internal control deficiencies and other matters dated 16.06.2026 has been prepared and shared with ILBANK. We believe these matters warrant management's attention.

INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS OF THE PROJECT

INDEPENDENT AUDITOR'S REPORT

TO ILLER BANKASI A.S.

Opinion

We have audited the Statement of Sources and Uses of Funds, Statement of the Comparison of Budget and Actual Amount, Statement of Withdrawal Application Summary, and Statement of Special Account of the TEFWER as of December 31, 2025, and for the period then ended, and notes to the financial statements including a summary of significant accounting policies. The financial statements have been prepared by ILBANK in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9430-TR.

In our opinion;

a) The accompanying financial statements present fairly, in all material respects, the financial position and cash flows of the TEFWER as of December 31, 2025 and for the period then ended in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9430-TR.

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 Financial Statements" section of this report. We are independent of the ILBANK within the meaning of "IFAC Code of Ethics for Professional Accountants" and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter in the Financial Statement

Without modifying our opinion, we draw attention to Note "2" to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist TEFWER Management Unit to comply with the financial reporting provisions of the Loan agreement referred to above. As a result, the financial statements may not be suitable for another purpose.

Going Concern

The Project's financial statements have not been prepared using the going concern basis of accounting. The project will end on September 30, 2026.

Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements

ILBANK is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 9430-TR, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 planning and performance of 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We are required to 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 are also required to 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.

Report on Other Legal and Regulatory Requirements

a) ILBANK, as of December 31, 2025 has complied with, in all material respects, the requirements of the Loan Agreement Numbered 9430-TR.

b) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Loan Agreement Numbered 9430-TR.

Okan SÜLER
Chairman of
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Ali ÇALIŞKAN	Ezel Malik ZENGİN	Oğulcan ÇOLAK	Rumeysa İZGİ
Senior Treasury Controller	Treasury Controller	Treasury Controller	Treasury Controller

Date: 16.06.2026
Address: Ministry of Treasury and Finance
The Board of Treasury Controllers, 06420, Devlet Mh, ANKARA/TÜRKİYE

ANNEX I: Financial Statements of the Project

ILLER BANKASI A.S.
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project
LOAN NO: 9430-TR
WITHDRAWAL APPLICATION SUMMARY
For the Period: 01.01.2023-31.12.2025

Withdrawal application number	Date	Category 1- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Part 1 of the Project	Category 2- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Parts 2 and 3 of the Project	Total	Designated account currency equivalent	Value date	Rejected by 31.12.2025	Net reimbursed
In Designated Account currency - Euro								
Section A: Payment method - Advance/Replenishment								
Approved withdrawals								
1 (Advance)	22.05.2023	-	-	1.300.000,00		1.06.2023		1.300.000,00
2 (Advance)	12.09.2024	-	-	6.000.000,00		27.09.2024		6.000.000,00
3 (Advance)	10.12.2024	-	-	5.000.000,00		16.12.2024		5.000.000,00
4 (Advance and Documentation)	12.03.2025	7.650.097,92	830.138,50	8.480.236,42		18.03.2025		8.480.236,42
5 (Advance)	8.09.2025	-	-	10.000.000,00		15.09.2025		10.000.000,00
6 (Advance)	17.10.2025	-	-	7.700.000,00		23.10.2025		7.700.000,00
7 (Advance and Documentation)	26.11.2025	21.875.442,76	223.084,25	22.098.527,01		4.12.2025		22.098.527,01
Sub-Total (A)		**29.525.540,68**	**1.053.222,75**	**61.628.763,43**	**0,00**			**60.578.763,43**
Section B: Payment method - Reimbursement								
Approved withdrawals								
Pending Submission								
Sub-Total (B)		**0,00**	**0,00**	**0,00**	**0,00**			**0,00**
Section C: Payment method - Direct Payment								
Approved withdrawals								
Pending submission								
Sub-Total (c)		**0,00**	**0,00**	**0,00**	**0,00**			
TOTAL (A+B+C)		**29.525.540,68**	**1.053.222,75**	**61.628.763,43**	**0,00**			**60.578.763,43**

Prepared by	Controlled by	Approved by
Finance Expert	Acting Manager	Head of Department
Cihat DEMEZ	Funda CANSU ÇETİN	Gamze ASLAN
12.06.2026	12.06.2026	12.06.2026

INTERNATIONAL OPERATIONS DEPARTMENT
İLLER BANKASI ANONİM ŞİRKETİ
İLBANK

ILLER BANKASI A.S.
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project
LOAN NO: 9430-TR
STATEMENT of SOURCES and USES of FUNDS
For the Period: 01.01.2023-31.12.2025
(In EURO)

	Notes	Current Period (2023-2025)	Previous Period	Cumulative
I-SOURCES OF FUNDS				
A- IBRD Loan		60.578.763,43	0,00	60.578.763,43
1- Special Account	5	*60.578.763,43*	*0,00*	*60.578.763,43*
B- Front-End-Fee		1.050.000,00	0,00	1.050.000,00
Total Funds Received		**61.628.763,43**	**0,00**	**61.628.763,43**
II-A USES OF FUNDS by COMPONENT				
I-Investment Costs				
1. Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience		41.642.179,91	0,00	41.642.179,91
2. Technical Assistance to Support Green, Resilient and Inclusive Cities		0,00	0,00	0,00
3. Project Management and Operations		1.075.861,83	0,00	1.075.861,83
Total Investment Costs	5	**42.718.041,74**	**0,00**	**42.718.041,74**
II-Recurring Costs				
A- Front-End-Fee		1.050.000,00	0,00	1.050.000,00
Total Recurring Costs		**1.050.000,00**	**0,00**	**1.050.000,00**
Total Uses of Funds by Component		**43.768.041,74**	**0,00**	**43.768.041,74**
II-B USES OF FUNDS by CATEGORY				
Category 1- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Part 1 of the Project		41.642.179,91	0,00	41.642.179,91
Category 2- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Parts 2 and 3 of the Project		1.075.861,83	0,00	1.075.861,83
Category 4- Front-end Fee		1.050.000,00	0,00	1.050.000,00
Total Uses of Funds by Component	5	**43.768.041,74**	**0,00**	**43.768.041,74**

Cash at the beginning of the period	1.01.2023		*0,00*
Cash at the end of the period	31.12.2025	6	*17.860.721,69*

Prepared by	Controlled by	Approved by
Finance Expert	Acting Manager	Head of Department
Cihat DEMEZ	Funda CANSU ÇETİN	Gamze ASLAN
12.06.2026	12.06.2026	12.06.2026

INTERNATIONAL OPERATIONS DEPARTMENT
İLLER BANKASI ANONİM ŞİRKETİ
İLBANK

ILLER BANKASI A.S.
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project
LOAN NO: 9430-TR
STATEMENT of COMPARISON BUDGET and ACTUAL AMOUNT
For the Period: 01.01.2023-31.12.2025

			Current Period				Cumulative		
		NOTES	Actual	Final Budget	Original Budget	Progress %	Actual	Planned	Progress %
			1	2		3=1/2	4	5	6=4/5
	Sources of Funds								
	IBRD Loan		60.578.763,43	60.480.236,42	60.480.236,42	100%	60.578.763,43	418.950.000,00	14%
	Front-end Fee		1.050.000,00	1.050.000,00	1.050.000,00	100%	1.050.000,00	1.050.000,00	100%
Total Sources of Funds		7	**60.578.763,43**	**60.480.236,42**	**60.480.236,42**	**100%**	**60.578.763,43**	**420.000.000,00**	**100%**
	Uses of Funds								
1	**By components**								
	Component 1 Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience		41.642.179,91	46.745.616,08	46.745.616,08	89%	41.642.179,91	411.950.000,00	10%
	Component 2 Technical Assistance to Support Green, Resilient and Inclusive Cities		0,00	0,00	0,00	-	0,00	0,00	-
	Component 3 Project Management and Operations		1.075.861,83	568.900,74	568.900,74	189%	1.075.861,83	7.000.000,00	15%
Total		7	**42.718.041,74**	**47.314.516,82**	**47.314.516,82**	**90%**	**42.718.041,74**	**418.950.000,00**	**90%**
2	**By expenditure category**								
	Category 1- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Part 1 of the Project		41.642.179,91	46.745.616,08	46.745.616,08	112%	41.642.179,91	411.950.000,00	10%
	Category 2- Sub-loans for goods, works, consulting services, non consulting services, Training, and Operating Costs under Parts 2 and 3 of the Project		1.075.861,83	568.900,74	568.900,74	53%	1.075.861,83	7.000.000,00	15%
Total		7	**42.718.041,74**	**47.314.516,82**	**47.314.516,82**	**90%**	**42.718.041,74**	**418.950.000,00**	**90%**

Prepared by	Controlled by	Approved by
Finance Expert	Acting Manager	Head of Department
Cihat DEMEZ	Funda CANSU ÇETİN	Gamze ASLAN
12.06.2026	12.06.2026	12.06.2026

ILLER BANKASI ANONİM ŞİRKETİ INTERNATIONAL OPERATIONS DEPARTMENT İLBANK

ILLER BANKASI A.S.
Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project
LOAN NO: 9430-TR
SPECIAL ACCOUNT STATEMENT
ACCOUNT NO: TR63 0001 5001 5804 8022 6369 76
For the Period: 01.01.2023-31.12.2025
(In EURO)

Opening Balance (01.01.2023)	*Notes*		***0,00***
Reimbursements to SA			*60.578.763,43*
Refunds to SA	*6*		*2.500,00*
Available Funds			***60.581.263,43***
Payments Made for Expenditures	*6*	***42.720.541,74***	
Service charges for the account		*0,00*	
Total Project Investments		*42.720.541,74*	
Closing Balance (31.12.2025)	5		***17.860.721,69***

Prepared by	Controlled by	Approved by
Finance Expert	Acting Manager	Head of Department
Cihat DEMEZ	Funda CANSU ÇETİN	Gamze ASLAN
12.06.2026	12.06.2026	12.06.2026

İLLER BANKASI ANONİM ŞİRKETİ INTERNATIONAL OPERATIONS DEPARTMENT İLBANK

ILLER BANKASI A.S.

Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project (9430-TR)

NOTES TO THE PROJECT FINANCIAL TABLES

For the Period: 01.01.2023-31.12.2025

1. THE OBJECTIVES AND STRUCTURE OF THE PROJECT

Loan Agreement (9430-TR) is signed between the International Bank for Reconstruction and Development (the World Bank) and Iller Bank A.S. (ILBANK) under the guarantorship of the Ministry of Treasury and Finance on 30 December 2022.

The objectives of the Project are to support green and resilient disaster reconstruction in municipalities affected by earthquake, floods or wildfires, to strengthen municipal capacity for disaster resilience, and to respond promptly and effectively in the event of an Eligible Crisis or Emergency.

The Project consists of the following components:

1. Green and Resilient Rehabilitation, Reconstruction and Construction of Municipal Infrastructure and Actions to Strengthen Municipal Resilience
2. Technical Assistance to Support Green, Resilient and Inclusive Cities
3. Project Management and Operations

Bank extended sub-loans to the Municipalities and/or Administrations for their investments through Sub-Loan Agreements on the basis of an appraisal, carried out in accordance with the eligibility criteria and procedures set forth in the Operational Manual and the Environmental and Social Management System ("ESMS").

Bank is responsible for preparation of Environmental Assessment documents which are prepared within the scope of Environmental Framework and World Bank Environmental Policies.

Funda ÇETİN
Acting Manager

İLLER BANKASI ANONİM ŞİRKETİ INTERNATIONAL OPERATIONS DEPARTMENT İLBANK

Gamze ASLAN
Head Of Department

ILBANK is responsible for the preparation and dissemination of the data related to the loan usage regularly and in a format to be agreed with the World Bank.

The project will be managed under the coordination of Project Management Unit (PMU) that has been established in ILBANK International Relations Group. PMU is established under a Group Director as International Operations Department and Financial Institutions and Investor Relations Department.

PMU is responsible for coordination between the team responsible for Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project (TEFWER) in World Bank and ILBANK, execution of the preparatory work, cooperation with the assigned units of ILBANK, the selection of the Municipalities and/or Administrations, relations with the Presidency of Strategy and Budget and other public institutions. PMU executes the works related to procurement within the scope of projects, technical coordination of the sub-projects, and financial management of the loan.

2. ACCOUNTING POLICIES

PMU which is currently organized within the ILBANK International Relations Group and established as per the provisions of the Loan Agreement recorded the amounts withdrawn from the Loan and the amounts paid to the municipalities/administrations on "cash basis" in the ILBANK accounting system. On the other hand, PMU:

- The amount of World Bank loan,
- The amount withdrawn from the loan,
- The amount paid to the suppliers/contractors/consultants and to the Municipalities/Administrations to be paid to the tax offices on behalf of them as per the provisions of the Sub-Loan Agreements,
- Accrued amounts such as credit fees and interest.
- ILBANK Accounting and Financial Affairs Department maintains records in accounting software in order to monitor in terms of credit categories and expenditure items in Euro and contract currency.

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Acting Manager

INTERNATIONAL OPERATIONS DEPARTMENT
İLLER BANKASI ANONİM ŞİRKETİ
İLBANK

Gamze ASLAN
Head Of Department

TEFWER bookkeeping is done within ILBANK accounting system by Accounting and Financial Affairs Department. By the current software, the data of the progress payment are entered to the software by International Operations Group Staff and the system controls the calculations automatically. If the calculations are right, the staff enter the value dates and send the progress payment to the Accounting department for recognition.

The following policies shall be followed in accounting records of ILBANK:

a) ILBANK will use cash-based accounting related to the Project. According to cash basis accounting the withdrawals form the Loan to the Special Account are recorded as a "loan liability" in Euro.

b) The amount of payments to the suppliers/contractors/consultants upon the demand of the Municipalities/Administrations" as per the Sub-Loan Agreements will be debited to the loan account opened for each one of the Municipalities/Administrations, i.e. as a "receivable".

c) The amount determined after the required deductions for tax, stamp duty, decision tax, VAT withholding, etc., as per the local regulations and the conditions of the contract will be transferred directly to the account of the supplier/consultant/contractor providing the services/goods/works from the Special Account by International Operations Department PMU. The total amount of the deductions will be paid to the related account of the Municipality/Administrations who are responsible to pay to the tax offices on behalf of the contractor.

d) The payments by ILBANK PMU for the objectives of the Project will be recorded as "non-interest expenses" account in the ILBANK's accounts in local currency.

e) The amount of exchange rate gain or loss arising from the revaluation of the Euro dominated receivables and payables revalued using the Euro/TL exchange rate prevailing at the date of the balance sheet will be recorded as foreign exchange gain or loss.

f) The amount sub-loan used by the Municipalities/Administrations based on Sub-Loan Agreements will be recorded to the following account:

Funda ÇETİN
Acting Manager

İLLER BANKASI ANONİM ŞİRKETİ
INTERNATIONAL OPERATIONS DEPARTMENT
İLBANK

Gamze ASLAN
Head Of Department

1 - Loans

143 – Mid-Term and Long -Term Special Area Loan (Foreign Currency)

1430016–Türkiye Earthquake, Floods and Wildfires Emergency Reconstruction Project (TEFWER)

The total amount of expenses for the TEFWER is € 42.718.041,74 at the end of the year of 2025.

g) The disbursements related to the sub projects will be recorded into the legal books of ILBANK and the Municipality/Administrations which are using the loan proceeds. A copy of the disbursement is received and reviewed by ILBANK upon submission by the Municipality/Administrations. Because the disbursements/expenses belong to the agency (ie., Municipality/Administrations) they will be recorded as "loan receivable" in ILBANK's books by Municipality/Administrations.

h) The Special Account with T. Vakıflar Bank Turkish Joint Stock Company. The prevailing selling exchange rate for Euro/TL of T. Vakıflar Bank Turkish Joint Stock Company will be applied for the above-mentioned payments from the Special Account.

i) Accounting transactions will be recorded in Euro as the currency of Loan Agreement. The collection in local currency is converted into Euro at the rate of T. Vakıflar Bank Turkish Joint Stock Company prevailing at the date of collection for preparation of the source and use of the funds and cumulative investment table. The payments in Euro are recorded using the exchange rate of Euro/TL prevailing at the date of payment.

Funda ÇETİN
Acting Manager

İLLER BANKASI ANONİM ŞİRKETİ
INTERNATIONAL OPERATIONS DEPARTMENT
İLBANK

Gamze ASLAN
Head Of Department

3. STATEMENT OF FINANCE

The use of the funds in Special Account is limited by only project objectives in conformity with the provisions of the Loan Agreement between the World Bank and ILBANK. The unused project funds at the end of the project may be cancelled in accordance with the provisions of the related Loan Agreement. The assets obtained by using the Project funds are belong to the Municipality/Administrations and the usage of the assets limited by the project objectives until the project completion. The loan-user agencies keep the necessary records in accordance with the requirements of the Law no. 5018 to monitor/control the assets during period of the project and Sub-Projects.

4. LOAN

The debt service (principal, interest, front-end-fee) will be made by ILBANK in accordance with the provisions of the Loan Agreement that concluded on 30 December 2022 between World Bank and ILBANK.

ILBANK required from all the Municipality/Administrations to open an "Escrow Account" to fulfill the debt service liability according to the provisions of the Sub Loan Agreements. The Municipality/Administrations are required to deposit the amounts determined by applying the rates as indicated in the Sub-Loan Agreements to the amount of the water bills collected by both their own collection offices and/or via the banks. The balance of the Escrow Accounts cannot be withdrawn by the Municipality/Administrations without a written permission of ILBANK yet the Municipality/Administrations can use the account balances to earn revenues from the investment areas as specified in the Sub-Loan Agreement.

The required debt service shall be made by purchasing Euro with the amounts accumulated in the Escrow accounts and transferred to ILBANK before the due date of the debt service. In other words, in essence the revenues from the water bills of the Municipality/Administrations constitute the security of the loan. In the case in which the amount transferred to the Escrow Account is not sufficient to pay for the debt service

Funda ÇETİN
Acting Manager

INTERNATIONAL OPERATIONS DEPARTMENT
İLLER BANKASI ANONİM ŞİRKETİ
İLBANK

Hamza ASLAN
Head Of Department

ILBANK has the right to appeal to the Municipality/Administrations' general budget tax shares, rent incomes, etc. respectively.

5. EXPLANATION on REFUNDS to SPECIAL ACCOUNT

Following the interim payment made under the KONYA-G1 contract financed through Sub-loan No. 11 allocated to Konya Büyükşehir Belediyesi, it was established that the combined amount of the front-end fee collected and the disbursement effected under the interim payment exceeded the total allocated sub-loan ceiling of €1.000.000,00 by ***€2.500,00***. The excess amount was subsequently recovered from the Municipality and refunded accordingly.

Thus, there was not any additional fund transfer from the funding organization to the Special Account, and the aforementioned refunding also caused the difference between the expenditure amount in Statement of Uses of Funds and the expenditure amount in the Special account Statement.

6. CASH POSITION AT THE END OF THE FISCAL YEAR

The cash position on 31st of December 2025 indicates the balance between the withdrawals from the loan to the Special Account and the amount of disbursement from Special Account and it is €17.860.721,69. Project funds are held only in the T. Vakıflar Bank Turkish Joint Stock Company's Special Account, no other accounts or cash other than the Special Account is used.

T. VAKIFBANK T.A.O. SPECIAL ACCOUNT	
31.12.2025 Balance	€17.860.721,69

7. EXPLANATION on BUDGET REALIZATION

The expenditure projections prepared in accordance with our financial management procedures are attached to the Project Progress Reports prepared under the project.

Funda ÇETİN
Acting Manager

Gamze ASLAN
Head Of Department

INTERNATIONAL OPERATIONS DEPARTMENT
İLLER BANKASI ANONİM ŞİRKETİ
İLBANK

During the preparation of the relevant financial statements, the expenditure projections included in these reports are used as the basis for preparing the final budget section.

However, since the audit covering the period under review is the first audit conducted within the scope of the project, there is no Project Progress Report available for the beginning of the period. Therefore, the expenditure projection that was shared with the World Bank at the beginning of the period was used in preparing the final budget section.

In subsequent periods, the expenditure projections included in the Project Progress Reports will continue to be used as the basis for preparing the final budget section.

Funda ÇETİN
Acting Manager

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Gamze ASLAN
Head Of Department