



TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.

U.S.\$2,000,000,000

Global Medium Term Note Programme

Under this U.S.\$2,000,000,000 Global Medium Term Note Programme (the “Programme”), Türkiye Sınai Kalkınma Bankası A.Ş., a banking institution organised as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 42527 (the “Bank” or the “Issuer”), may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively “Bearer Notes” and “Registered Notes”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to: (a) one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an ongoing basis, and/or (b) one or more investors purchasing Notes directly from the Issuer. References in this Base Prospectus to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see “*Risk Factors*”.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended or superseded (the “Prospectus Directive”). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (the “EU”) law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market (the “Regulated Market”) of the Irish Stock Exchange plc trading as Euronext Dublin (“Euronext Dublin”) or on another regulated market for the purposes of Directive 2014/65/EU (as amended, “MiFID II”) and/or that are to be offered to the public in any member state of the European Economic Area (a “Member State”). Application will be made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the “Official List”) and trading on the Regulated Market. References in this Base Prospectus to the Notes being “listed” (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Regulated Market.

Application has been made to the Capital Markets Board of Turkey (the “CMB”), in its capacity as competent authority under Law No. 6362 (as amended, the “Capital Markets Law”) of the Republic of Turkey (“Turkey”) relating to capital markets, for the issuance and sale of Notes by the Issuer outside of Turkey. No Tranche (as defined in “*Terms and Conditions of the Notes*”) of the Notes can be sold before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) are obtained from the CMB. As a pre-condition to the CMB approval, an application has been made to the Banking Regulation and Supervision Agency (the “BRSA”) for the issuance of Notes to investors outside of Turkey.

The CMB approval relating to the issuance of Notes based upon which any offering of the Notes will be conducted was obtained on 28 December 2018 (the “CMB Approval”), and a written approval of the CMB relating to any issuance of Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or in any other form required under the applicable legislation) will be required to be obtained from the CMB on or before any sale and issuance of each Tranche of Notes denominated in a currency other than Turkish Lira. In order to issue any further Tranche of Notes on or after 27 December 2019 denominated in a currency other than Turkish Lira, the Issuer will be required to renew its CMB Approval which, in line with the relevant regulations, was granted for a one year period.

The BRSA approval relating to the issuance of Notes was obtained on 5 December 2018 and numbered 32521522-101.02.01[10]-E.15106 (the “BRSA Approval”, together with the CMB Approval, the “Programme Approvals”), which requires any issuance of Notes outside of Turkey to be denominated in a currency other than Turkish Lira. In order to issue Notes in Turkish Lira, the Issuer will be required to obtain a new BRSA approval.

Under current Turkish tax law, withholding tax may apply to payments of interest on the Notes. See “*Taxation – Certain Turkish Tax Considerations*”.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the “Final Terms”) which, with respect to Notes to be listed on Euronext Dublin, will be filed with the Central Bank of Ireland and Euronext Dublin. Copies of such Final Terms will also be published on the website of Euronext Dublin at <http://www.ise.ie/Market-Data-Announcements/Debt/>.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any U.S. State securities laws, and may be offered (a) for sale in the United States only in registered form to persons reasonably believed to be qualified institutional buyers (“QIBs”) as defined in and in reliance upon Rule 144A under the Securities Act (“Rule 144A”) and (b) for sale outside the United States to persons other than U.S. persons in reliance upon Regulation S under the Securities Act (“Regulation S”). See “*Form of the Notes*” for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

The Programme has been rated B+ (for long-term issuances) and B (for short-term issuances) by Fitch Ratings Limited (“Fitch”) and Notes issued under the Programme are expected to be rated B3 (for long-term issuances) and NP (for short-term issuances) by Moody’s Investors Service Limited (“Moody’s”, and together with Fitch, the “Rating Agencies”). The Issuer has also been rated by the Rating Agencies, as set out on page 230 of this Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under the Regulation (EC) No. 1060/2009 (as

amended) (the “CRA Regulation”). As such each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes may either be rated (including by either of the Rating Agencies) or unrated. Where a Tranche of Notes is so rated (other than unsolicited ratings), such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Moody’s, as the case may be. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes will be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “Benchmarks Regulation”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. Not every reference rate will fall within the scope of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms (or, if located outside the EU, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Bank does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

Arrangers

Citigroup

Commerzbank

Dealers

Bank ABC

BNP PARIBAS

Citigroup

Commerzbank

HSBC

ING

J.P. Morgan

SMBC Nikko

Société Générale

Standard Chartered Bank

Corporate & Investment Banking

UniCredit Bank

The date of this Base Prospectus is 17 July 2019.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive. This document does not constitute a prospectus for the purpose of Section 12(a)(2) of, or any other provision of or rule under, the Securities Act.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Base Prospectus.

To the fullest extent permitted by law, none of the Dealers accept any responsibility for the information contained in or incorporated by reference into this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any statement made, or purported to be made, by a Dealer or on its behalf in connection with the Programme. Each Dealer accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained or incorporated in this Base Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Base Prospectus nor (ii) any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws

and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in Turkey, the United Kingdom, the United States, the European Economic Area (the “EEA”), Japan, the Kingdom of Bahrain, Hong Kong, Switzerland, Singapore and Thailand (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”) or any other securities commission or other regulatory authority in the United States and, other than the approvals of the CMB, the Banking Regulation and Supervision Agency (the “BRSA”) and the Central Bank of Ireland described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in Turkey or any other jurisdiction, nor have the foregoing authorities (other than the Central Bank of Ireland to the extent described herein) approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary might be unlawful.

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Issuer has obtained the Programme Approvals required for the issuance of Notes under the Programme, save that in order to issue any Tranches of Notes denominated in a currency other than Turkish Lira on or after 27 December 2019, the Issuer will be required to renew its CMB Approval which, in line with the relevant regulations, was granted only for a one year period. In addition, the CMB introduced an amendment to the Capital Markets Law and Communiqué No. VII-128.8 on Debt Instruments (as amended, the “Communiqué on Debt Instruments”) on 18 February 2017 pursuant to which an issuer is required, using an electronic application platform, to apply to the CMB before any issue date to obtain the CMB’s approval in respect of each tranche of Notes to be issued. However, since the electronic application platform is yet to be established by the CMB as of the date of this Base Prospectus, a written approval from the CMB relating to the approval of the issue of any Notes is expected to be obtained on or before the relevant Issue Date. Consequently, the scope of the above-mentioned Programme Approvals may be amended and/or new approvals from the CMB and/or the BRSA may be obtained from time to time. Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, “Decree 32”), the Banking Law No. 5411 of 2005, as amended (the “Banking Law”) and its related legislation, the Capital Markets Law and the Communiqué on Debt Instruments or its related regulation.

In addition, the Notes may only be offered or sold outside of Turkey in accordance with the Programme Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no transaction that qualifies as a sale or offering of Notes in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decisions dated 6 May 2010 No. 3665 and dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis in both the primary and secondary markets. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes offshore on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should use licensed banks or licensed brokerage institutions when purchasing Notes and should transfer the purchase price through licensed banks authorised under BRSA regulations. Monies paid for the purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the “SDIF”).

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Securities Depository of Turkey (*Merkezi Kayıt Kuruluşu*) (the “CRA”) within three Turkish business days from the applicable Issue Date of a Tranche of Notes of the amount, issue date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian, currency of the Notes and the country of issuance.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "might", "will", "should" and any similar expressions generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Base Prospectus, including (without limitation) in the sections titled "*Risk Factors*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business of the Group*" and include, but are not limited to, statements regarding, the Group's strategy and objectives, as well as statements regarding the Group's intentions, believes or current expectations regarding future business, results of operations and financial condition, asset portfolios, loan loss reserves, capital spending, outcomes of legal proceedings and the degree of the Group's potential exposure to market risk and other risk factors.

A number of risks, uncertainties and assumptions could cause actual results to differ materially from those expressed in these forward-looking statements, including:

- credit risk in relation to the Group's borrowers and other counterparties;
- the Group's reliance on loans guaranteed by the Turkish government and financing by DFIs;
- risks related to the Group being controlled by İşbank;
- competition in the Turkish banking sector;
- the impact on profitability and profitability growth of the Group as a result of regulatory, competitive and other factors impacting the Turkish banking sector;
- potential volatility of fee income;
- the potential negative effect of volatility in interest rates and foreign currencies, and particularly volatility of the Turkish Lira;
- the Group's degree of exposure to project finance and energy loans and feed-in tariffs;
- the potential negative effect of the rapid growth of the Group's loan portfolio on asset quality;
- ability to meet minimum capital adequacy requirements;
- insufficiency of the value of the collateral securing the Group's loans and advances;
- sustainability of the level of earnings on the Group's securities portfolio;
- changes in applicable laws, regulations or interpretation and enforcement thereof;
- adequacy of internal policies and procedures to control money laundering, fraud and other operational risks;
- interruptions to, or the improper functioning of, the Group's IT systems;
- continued volatility of the Turkish banking sector; and
- a number of political, economic and legal risks related to Turkey.

The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and

projections reflected in its forward-looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise(s), including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted and those variations may be material.

There may be other risks, including some risks of which the Issuer is unaware, that could adversely affect the Group's results or the accuracy of forward-looking statements in this Base Prospectus. Therefore, potential investors should not consider the factors discussed under "*Risk Factors*" to be a complete discussion of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

U.S. INFORMATION

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder.

The Notes may be offered or sold within the United States or to, or for the account or benefit of U.S. persons, as defined in Regulation S ("U.S. person"), only to QIBs in registered form and in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each purchaser of Registered Notes that is a U.S. person or is in the United States is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Notes represented by a Rule 144A Global Notes or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The SEC has issued an order exempting the Bank from all provisions of the Investment Company Act of 1940, as amended (the “ICA”), in connection with the offer and sale of the Bank’s debt securities in the United States.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 17 July 2019 (the “Deed Poll”) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes to be transferred remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Product Classification pursuant to Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Law No. 5411 and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting principles announced by the BRSA (collectively, the “BRSA Principles”) and, to the extent they do not conflict with the BRSA Principles, Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority (the “POA”).

The Group’s consolidated and the Bank’s unconsolidated annual statutory financial statements as of and for the years ended 31 December 2016 (the “2016 BRSA Financial Statements”), 31 December 2017 (the “2017 BRSA Financial Statements”) and 31 December 2018 (the “2018 BRSA Financial Statements”) and as of and for the three months ended 31 March 2018 (the “Q1 2018 BRSA Financial Statements”) and 31 March 2019 (the “Q1 2019 BRSA Financial Statements”) and, together with the 2016 BRSA Financial Statements, the 2017 BRSA Financial Statements, the 2018 BRSA Financial Statements and the Q1 2018 BRSA Financial Statements, the “BRSA Financial Statements”) have each been prepared and presented in accordance with BRSA Principles. It is important to note that the consolidated BRSA Financial Statements are prepared with inclusion of only financial subsidiaries whereas other equity participations are included as noted in the following paragraph. When referenced with respect to a particular financial period, the BRSA Financial Statements shall be understood to refer to that particular financial period only.

The BRSA Financial Statements as of and for the three months ended 31 March 2019 are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial liabilities held for trading), financial assets at fair value through other comprehensive income, derivative financial instruments and financial equity participations, which are presented on a fair value basis if reliable measures are available, and (b) loans, investments categorised as financial assets measured at amortised cost and other financial assets, which are presented at amortised cost.

The BRSA Financial Statements as of and for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and as of and for the three months ended 31 March 2019 are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial liabilities held for trading), financial assets available for sale, derivative financial instruments and equity participations quoted on the stock exchanges, which are presented on a fair value basis if reliable measures are available, and (b) loans, investments categorised as held to maturity and other financial assets, which are presented at amortised cost.

The 2016 BRSA Financial Statements have been audited by *Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.* (the Turkish member firm of KPMG International Cooperative, a Swiss entity and the commercial title of the *Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.* was changed to *KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.* on 21 November 2017) (“KPMG”) in accordance with the “Regulation on Independent Audit of Banks” as published in the Official Gazette No. 29314 on 2 April 2015 by the BRSA and Independent Standards on Auditing, which are a component of the Turkish Accounting Standards published by the POA. The 2017 BRSA Financial Statements have been audited by *Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.* (a member firm of Ernst & Young Global Limited) (“EY”). The Q1 2018 BRSA Financial Statements and the Q1 2019 BRSA Financial Statements have been reviewed by EY in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. See KPMG’s and EY’s reports included with the BRSA Financial Statements incorporated by reference into this Base Prospectus. According to BRSA regulations, the Bank is required to rotate its external auditors. As a result, KPMG was appointed as the Bank’s external auditors as of 1 January 2010 through 31 December 2016. On 23 March 2017, EY was

appointed by the Bank's shareholders as the Bank's external auditor for a period of three years, including the years ending 31 December 2017, 2018 and 2019.

The Bank adopted the TFRS 9 Financial Instruments Standards ("TFRS 9") on 1 January 2018. For the impact of TFRS 9 on the Group, please refer to "*Section Three, Note 1 Basis of Preparation*" of the unaudited but reviewed interim consolidated financial statements of the Group as of and for the three months ended 31 March 2019 incorporated by reference herein and the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Classification and Measurement of Financial Assets*" of this Base Prospectus. TFRS 9 includes an exemption from the requirement to restate comparative information. The Bank used the exemption from restating comparative information and recognised any transition adjustments against the opening balance of equity as of 1 January 2018. The corresponding financial information as of and for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 included in this Base Prospectus has not been reclassified for the adoption of TFRS 9, and therefore may not be directly comparable with the financial information for the three months ended 31 March 2019.

Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements and has been extracted from the BRSA Financial Statements without material adjustment. The BRSA Financial Statements, all of which are in English, were prepared as convenience translations of the Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate). The English language BRSA Financial Statements were not prepared for the purpose of their inclusion in this Base Prospectus.

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than BRSA Principles, including under International Financial Reporting Standards ("IFRS"), the Bank's management has elected to publish for the Group audited annual consolidated and unaudited semi-annual consolidated financial statements that have been prepared in accordance with IFRS, with the most recent such financial statements being the Group's unaudited IFRS financial statements as of and for the six month period ended 30 June 2018. IFRS financial statements are not used for any regulatory purposes and the Bank's management uses the BRSA Financial Statements and related BRSA Principles for the management of the Bank and communications with investors. The Issuer's IFRS financial statements do not constitute a part of, and are not incorporated by reference into, this Base Prospectus.

Certain figures included in, or incorporated by reference into, this Base Prospectus have been subject to rounding adjustments (e.g., certain U.S. Dollar amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based upon best estimates and assumptions of the Bank's management. The Bank's management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank included herein, whether based upon external sources or based upon the Bank's internal research, constitute the best current estimates of the information described.

Except as expressly incorporated by reference into this Base Prospectus, the contents of any website referenced herein do not form part of (and are not incorporated into) this Base Prospectus.

Presentation of Non-GAAP Measures of Financial Performance or Alternative Performance Measures

To supplement the Group's consolidated financial statements presented in accordance with BRSA Principles, the Group uses certain ratios and measures included in this Base Prospectus that would be considered non-GAAP financial measures (as these measures are not defined under IFRS or BRSA Principles) and/or

Alternative Performance Measures (“APMs”) as defined in the European Securities and Markets Authority Guidelines (“ESMA Guidelines”). For the Group, these measures include (without limitation):

- *net interest margin*: for a particular period, this is: (a) the Bank-only net interest income (excluding interest from the Central Bank on reserves held thereat) for such period (and, when calculating for the interim period, the figure is annualised by multiplying the Bank-only net interest income for the indicated period of such year by 12 and divided by the number of months in such period) plus net trading income divided by (b) the Bank-only quarterly average interest earning assets (excluding reserves held at the Central Bank). The “quarterly average” interest earning assets for a period are calculated by averaging the amount of interest earning assets as of the balance sheet date immediately prior to the commencement of such period (e.g., for any year, 31 December of the previous year) and each intervening quarter-end date (i.e., 31 March, 30 June, 30 September and 31 December, as applicable);
- *cost-to-income ratio*: for a particular period, this is: (a) the “cost” (calculated as total operating expenses) for such period divided by (b) the “income” (calculated as total operating income) for such period;
- *free capital ratio*: as of a particular date, this is: (a) the Group’s total shareholders’ equity as of such date minus the Group’s tangible assets (net), intangible assets and goodwill (net), tax asset, investments in equity participations (i.e., the sum of investment in associates (net)), investment in subsidiaries (net) and jointly controlled entities (joint ventures) (net) and non-performing loans net of specific provisions as of such date as a percentage of (b) the Group’s total assets as of such date;
- *non-performing loans to total cash loans*: as of a particular date, this is: (a) non-performing loans as of such date divided by (b) the loans and receivables, as of such date;
- *compound annual growth rate (“CAGR”)*: CAGR is calculated by dividing the ending value by the initial value, raising the result to the power of one divided by the period length and subtracting one from the subsequent result.
- *cost to average total assets*: for a particular period, this is: (a) the “cost” (calculated as total operating expenses) for such period as a percentage of (b) the average total assets (determined on a quarterly basis);
- *average interest earning assets*: for a particular period, this is: the sum of the quarterly averages of loans and receivables (performing), total securities portfolio, banks and money market placements calculated by averaging the amount of interest earning assets as the balance sheet date immediately prior to the commencement of such period (i.e., for 31 December of the previous year) and each intervening quarter-end date (i.e., 31 March, 30 June, 30 September and 31 December, as applicable);
- *return on average total assets*: for a particular period, this is: (a) the net income for such period (and, when calculating for the interim period, the figure is annualised by multiplying the net income for the indicated period of such year by 12 and divided by the number of months in such period) as a percentage of (b) average total assets (determined on a quarterly basis);
- *liquid asset ratio* (post-1 January 2018): as of a particular date, this is: (a) total amount of cash and balances with the Central Bank of Turkey, banks, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost investments divided by (b) the Group’s total assets;
- *liquid asset ratio* (prior to 1 January 2018): as of a particular date, this is: (a) total amount of cash and balances with the Central Bank of Turkey, banks, financial assets at fair value through profit and loss, financial assets available for sale and held to maturity investments divided by (b) the Group’s total assets;

- *spread*: for a particular period, this is: the difference between (a) the average rate of interest earned on interest-earning assets and (b) the average rate of interest accrued on interest-bearing liabilities. Average balances are calculated from monthly balances and do not include interest accruals;
- *return on average shareholders' equity excluding minority interest*: for a particular period, this is: (a) the net income (when calculated for the Group, excluding minority interest) for such period (and when calculating for the interim period, the figure is annualised by multiplying the net income for the indicated period of such year by 12 and divided by the number of months in such period) as a percentage of (b) the average shareholders' equity (when calculated for the Group, excluding non-controlling interest);
- *average shareholders' equity*: for a particular period, unless stated otherwise, this is calculated by averaging the amount of shareholders' equity (when calculated for the Group excluding non-controlling interest) as of the balance sheet date immediately prior to the commencement of such period (e.g., for any year, 31 December of the previous year) and each intervening quarter-end date (i.e., 31 March, 30 June, 30 September and 31 December, as applicable) or year-end date, as applicable; and
- *average total assets*: for a particular period, this is the average of the amount of total assets as of the balance sheet date immediately prior to the commencement of such period (e.g., for any calendar year, 31 December of the previous year) and each intervening quarter-end date during such period.

A body of generally accepted accounting principles such as IFRS or BRSA Principles is commonly referred to as "GAAP". A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but that excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. These non-GAAP financial measures and APMs contained herein are not a substitute for GAAP measures, for which management has responsibility.

The APMs contained herein relate to past (and not future) reporting periods. Reconciliations contained herein are made to the BRSA Financial Statements and the notes thereto as at, and for the time period ending on, the date as of which the relevant APM is provided.

Refer to the "*Selected Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business of the Group*" sections of this Base Prospectus for an additional discussion of the specific adjustments applied in reconciliation to the directly comparable GAAP measures.

The non-GAAP measures and APMs included in this Base Prospectus are not in accordance with or an alternative to measures prepared in accordance with BRSA Principles and may not be comparable to similarly titled measures reported by other companies. The Bank's management believes that this information, along with comparable measures under BRSA Principles, is useful to investors because it provides a basis for measuring the Bank's organic operating performance in the years presented. These measures are used in internal management of the Group, along with the most directly comparable financial measures under BRSA Principles, in evaluating the Group's operating performance. Non-GAAP financial measures and APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles.

The Bank's management believes that these non-GAAP measures and APMs, when considered in conjunction with measures under BRSA Principles, enhance investors' and management's overall understanding of the Group's financial performance. In addition, because the Group has historically reported certain non-GAAP results to investors, the Bank's management believes that the inclusion of non-GAAP measures and APMs provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods.

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

- “Turkish Lira” and “TL” refer to the lawful currency for the time being of the Republic of Turkey;
- “euro” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended;
- “U.S. Dollars”, “U.S.\$” and “\$” refer to United States dollars; and
- “Sterling” and “£” refer to pounds sterling.

No representation is made that the Turkish Lira or Dollar amounts in this Base Prospectus could have been or could be converted into Dollars and Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see “*Risk Factors – Risks Related to the Group’s Business – The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank’s business, results of operation and financial condition*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”.

Certain Defined Terms, Conventions and Other Considerations in Relation to the Presentation of Information in this Base Prospectus

Capitalised terms which are used but not defined in any particular section of this Base Prospectus have the meaning attributed thereto in “*Terms and Conditions of the Notes*” or any other section of this Base Prospectus.

In this Base Prospectus, “Bank” means Türkiye Sınai Kalkınma Bankası A.Ş. on a standalone basis and “Group” means the Bank and its subsidiaries (and, with respect to consolidated accounting information, its consolidated entities).

In this Base Prospectus, any reference to Euroclear and/or Clearstream, Luxembourg and/or DTC (each as defined under “*Form of the Notes*”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

In this Base Prospectus, all average balance sheet amounts are calculated as the average of the opening and closing balances for the applicable period except to the extent specifically set forth herein.

All of the information contained in this Base Prospectus concerning the Turkish market and the Issuer’s competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading “*Book-Entry Clearance Systems*” has been extracted from information provided by the clearing systems referred to therein. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, so far as it is aware and is able to ascertain from the relevant published information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Issuer or any other party.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In particular, but without limitation, the titles of Turkish legislation and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translation of these titles and names are direct and accurate.

All data relating to the Turkish banking sector in this Base Prospectus have been obtained from the BRSA's website at www.bddk.org.tr, the Banks Association of Turkey's (the "BAT") website at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*), and all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("*TürkStat*") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "Central Bank") at www.tcmb.gov.tr, the website of the Turkish Ministry of Treasury and Finance (referred to herein as the "Turkish Ministry of Treasury and Finance" or "Turkish Treasury") where applicable, references to the Turkish Treasury shall be deemed to refer to the Undersecretariat of the Treasury, which was restructured to become part of the new Ministry of Treasury and Finance pursuant to Presidential Decree No. 1 dated 10 July 2018 published in the Official Gazette at www.hazine.gov.tr or the European Banking Federation's website at www.ebf-fbe.eu. Such data has been extracted from such websites without material adjustment, but may not appear in the exact same form on such websites or elsewhere. Such websites do not, and should not be deemed to constitute a part of, or be incorporated into, this Base Prospectus.

In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

Information regarding the Issuer's shareholders (including ownership levels and agreements) in this Base Prospectus has been based upon public filings and announcements by such shareholders.

TABLE OF CONTENTS

	Page
RISK FACTORS	16
ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS	49
DOCUMENTS INCORPORATED BY REFERENCE	51
OVERVIEW OF THE BANK	53
OVERVIEW OF THE PROGRAMME	56
FORM OF THE NOTES	62
APPLICABLE FINAL TERMS	67
TERMS AND CONDITIONS OF THE NOTES	82
USE OF PROCEEDS	122
SELECTED FINANCIAL AND OTHER INFORMATION	123
SELECTED BANK STATISTICAL AND OTHER INFORMATION	134
CAPITALISATION	146
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	147
BUSINESS OF THE GROUP	204
RISK MANAGEMENT	231
MANAGEMENT	243
OWNERSHIP	253
RELATED PARTY TRANSACTIONS	256
TURKISH BANKING SYSTEM	257
TURKISH REGULATORY ENVIRONMENT	261
BOOK-ENTRY CLEARANCE SYSTEMS	293
TAXATION	298
CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS	311
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS	313
GENERAL INFORMATION	325
APPENDIX 1 OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES	328

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Base Prospectus. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Risks Related to the Group's Business

The Group is subject to credit risk in relation to its borrowers and other counterparties

The Group is principally involved in promoting the development of the Turkish economy by providing long-term funds for the domestic and international investments of Turkish companies, primarily through foreign currency-denominated loans. As a result, the Group is subject to inherent risks concerning the credit quality of borrowers and other counterparties, which has affected and is expected to continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate. Changes in the credit quality of the Group's customers and counterparties and systemic risks in the Turkish and global financial systems can negatively affect the value of the Group's assets. As the volatility of the Turkish Lira may adversely impact the ability of the Group's borrowers to repay their foreign currency-denominated loans, the Group's credit risk is also impacted by adverse foreign exchange ("FX") movements. Adverse developments in the Turkish economy could also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of borrowers to service their debt, all of which negatively affect the Turkish banking sector, including the Group. The Group's exposure to credit risk could lead to a material adverse effect on the Group's business, financial condition and/or results of operations.

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account indicators of the payment ability and cash generating ability of the borrower in extending credit, the Group may not correctly assess the creditworthiness of its credit applicants or other counterparties (or their financial conditions might change). These risks are exacerbated by the significant and rapid increase in the Group's loan portfolio (including a significant portion of unseasoned loans) in previous years, which has increased the Group's credit exposure and requires continued monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management structure. As the Bank does not offer certain services (such as cash management, credit cards and point-of-sale machines), the Group's access to information regarding its borrowers and potential borrowers is limited compared to its commercial bank competitors, who are able to monitor the operating activities of their customers on a daily basis. As a result of such limited access, the Bank's ability to establish a potential borrower's creditworthiness might be impaired, which could result in material credit losses.

The Group is aiming to continue to diversify its loan portfolio and expects to focus on infrastructure, the Turkish Renewable Energy Resources Support Mechanism for renewable energy resources, energy and resource efficiency investments, as well as loans to small and medium-sized enterprises ("SMEs"), including financing

to promote inclusiveness through healthcare, education services and the empowerment of women. Uncertainty regarding counterparties active in these sectors and the sectors themselves due to the Group's lack of expertise in these sectors (as compared to the Group's expertise in the energy sector) could result in the Group's lending to counterparties that are not creditworthy. See "*Risk Management – Credit Risk*".

The ratio of non-performing loans ("NPLs") to total cash loans in the Turkish banking sector was 3.2 per cent. as of 31 December 2016, 3.0 per cent. as of 31 December 2017, 3.9 per cent. as of 31 December 2018 and 4.0 per cent. as of 31 March 2019 (with respect to the Group, 0.3 per cent., 0.2 per cent. and 2.1 per cent. and 2.1 per cent., respectively), with the Turkish banking sector's statistics being as reported in the BRSA's monthly statistical bulletin. Although the Group's NPL ratio is lower than the sector average, the Group, along with the sector, has experienced increasing NPL ratios in recent periods due to the deteriorating macroeconomic environment globally and in Turkey (for example, the Group's total NPLs increased from TL 53,575 thousand as of 31 December 2017 to TL 597,210 thousand as of 31 December 2018 due to provisioning related to a single syndicated loan financing of a hydropower plant project, and increased to TL 623,318 thousand as of 31 March 2019), and the Group expects that these increases may persist in the near to medium term. Some large corporate borrowers have entered into discussions with Turkish banks, including the Group, in connection with restructuring their loans, which are significant in principal amount. If a material volume of such loans and/or other loans becomes non-performing or there is a slowdown in economic conditions related thereto then this may have a material adverse effect on the asset quality of Turkish banks, including the Group.

For information on the Group's non-performing loans, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

The Bank obtains significant funding through loans guaranteed by the Turkish government, any change in the practices or creditworthiness of which could materially negatively impact the Bank and its funding from development financial institutions ("DFIs")

A significant portion of the Group's obligations are guaranteed by the Turkish Treasury (52.0 per cent. and 53.4 per cent. of its long-term loans including issuances of debt securities and 80.5 per cent. and 80.2 per cent. excluding issuances of debt securities as of 31 December 2018 and 31 March 2019, respectively), including all of its loans from the World Bank, which can only lend to companies that are beneficiaries of a sovereign guarantee. The Turkish government publishes an annual aggregate limit for government guarantees (U.S.\$4 billion for 2019) and allocates such amount among the Bank, state banks (such as Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank"), Türkiye Halk Bankası A.Ş. ("Halkbank"), T.C. Ziraat Bankası A.Ş. ("Ziraat"), Türkiye İhracat Kredi Bankası ("Eximbank") and Türkiye Kalkınma ve Yatırım Bankası A.Ş.) and state-owned public enterprises that can benefit from World Bank and other similar guaranteed financing. As a result of providing this support, the Turkish Treasury appoints a representative to the Bank's Board of Directors. Should the Turkish government cease to provide such guarantees, or become less creditworthy, the Bank would be unable to raise funding from the World Bank and other creditors that require such a guarantee, which could impact the Bank's ability to raise additional capital and refinance any existing debt.

See also "*Claims of Noteholders under the Notes will be effectively subordinated to those of certain other creditors*" for a description of the priority that claims of the Turkish Treasury would have over claims under the Notes in case of the bankruptcy of the Bank.

The Group relies to a significant extent on DFIs for financing, which exposes the Group to significant risk should such funding cease to be available

As a result of the long-standing relationships that the Bank has sustained since its establishment, the Bank's primary source of funding comes from DFIs. As of 31 March 2019, 69.8 per cent. 70.2 per cent. and 72.2 per cent. as of 31 December 2018 and 2017, respectively) of the Group's foreign currency-denominated borrowing and 65.2 per cent. (66.7 per cent. and 66.9 per cent. as of 31 December 2018 and 2017, respectively) of the

Group's total borrowing was sourced from DFIs and the remaining amount was sourced from syndicated loans, bilateral loans, issuances of debt securities and money market as well as repurchase ("repo") transactions. Although the Bank has historically been able to extend the maturity profile of its funding base, there can be no assurance that it will be able to do so in the future at a price that the Group considers to be reasonable or at all. Should the Group's relationship with the World Bank and/or one or more of its other DFI partners deteriorate or be reduced or discontinued for any reason, the Group's ability to raise additional capital and refinance any existing debt could be negatively impacted and have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Bank is controlled by İşbank, whose interests may not be aligned with the interests of the investors in the Notes

As of 31 March 2019, Türkiye İş Bankası A.Ş. ("İşbank" and, together with its subsidiaries, "İşbank Group") directly and indirectly held a 50.92 per cent. interest in the Bank's common shares. As a result, İşbank has the voting power to influence the Bank's strategy and business significantly, including through its power to elect a majority of the Bank's Board of Directors and to determine the outcome of almost all matters to be decided by a vote of the Bank's shareholders. The interests of İşbank may differ from those of the investors in the Notes and İşbank may cause the Bank to take or refrain from taking certain actions (e.g., declaring dividends or entering into corporate transactions) that may adversely affect the Noteholders' investment in the Notes. See "Ownership".

Furthermore, government officials (including President Erdoğan) made statements regarding a potential transfer of Mustafa Kemal Atatürk's shares in İşbank to the Turkish Treasury. On 17 September 2018, İşbank announced that: (a) under Atatürk's will, any dividends on these shares are paid to two non-profit organisations, the Turkish Language Institute and the Turkish Historical Society, and (b) the İşbank Personnel Supplementary Fund, which appoints the majority of the members of İşbank's Board of Directors. The transfer of İşbank's shares to the Turkish Treasury may not be aligned with the interests of the Noteholders.

If İşbank were to sell (and/or cause any of its subsidiaries to sell) some or all of its shares in the Bank (whether in a secondary offering or a block sale to a strategic buyer), then the Bank may become controlled by a new party with different interests than İşbank. As the Conditions do not include an Event of Default or put option relating to a change in control of the Bank, investors in the Notes will not be entitled to have their Notes repaid as a result of any such change in control.

The Group faces intense competition in the Turkish banking sector

The Turkish banking sector is highly competitive and dominated by a small number of banks. As of 31 March 2019, there were 53 banks (including domestic and foreign banks, participation banks and two banks which are under the administration of the Savings Deposit Insurance Fund ("SDIF"), but excluding the Central Bank) licensed to operate in Turkey, with the top five banks (one of which is a state-controlled bank and none of which are participation banks) holding, in aggregate, approximately 53 per cent. of the Turkish banking sector's total loan portfolio and approximately 52 per cent. of the Turkish banking sector's total assets, according to the BRSA. The Bank offers pricing comparable to that of its competitors on financings but offers limited products compared to its commercial bank competitors. As a result, the Group could lose customers or be forced to reduce its margins, among other things. This, in turn, could negatively affect the Group's profitability.

In 2017, the Turkish government expanded the credit guarantee capacity of the Credit Guarantee Fund ("CGF") and simplified the operational process for application to the CGF and the valuation process of the guarantee support. As the Turkish banks, initially mostly private banks and subsequently state banks, utilised the CGF, local currency ("LC") denominated corporate loans increased by 33 per cent. during 2017 compared to 2016 and increased further by 5.7 per cent. in 2018 compared to 2017. According to Turkish banks' announcements, two state banks within the leading seven Turkish banks had approximately 21.4 per cent. market share in the

CGF supported loan allocations as of 31 March 2019, while the market share of the two state banks in total loans was 19.7 per cent. as of 31 March 2019. The competition of the leading Turkish banks in the government support schemes and their ability to adopt any new support schemes or to quickly adapt their lending procedures in light of any changes in the current legislation may limit the Group's market share in government supported lending activities. In addition to competition from private banks, the Group faces competition from state-controlled financial institutions, such as Ziraat, Vakıfbank and Halkbank. Such government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions may have access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which could result in a lower cost of funds that cannot be duplicated by private sector banks such as the Group. Such actions by government-controlled financial institutions, in addition to ongoing competitive pressures from private financial institutions, may cause net interest margins to decline across the Turkish banking market, which could adversely affect the Group's business, financial condition and/or results of operations.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, Industrial and Commercial Bank of China, Qatar National Bank, Commercial Bank of Qatar, BBVA, BNP Paribas, Citigroup, ING, Sberbank, Emirates NBD, Bank Hapoalim, Bank Audi sal, Burgan Bank, Bank of Tokyo-Mitsubishi UFJ, Bank of China and Intesa SanPaolo S.p.A. are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. Further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could increase competition in the market. Similarly, the expansion of foreign banks' presence in Turkey, in addition to direct investment, may lead to further competitive pressures. In addition, the Group may not be able to offset domestic and foreign competitive pressures in certain sectors.

In addition, Turkish banks traditionally have tended to hold a significant proportion of their assets in Turkish government securities. Due to the general trend of declining interest rates in Turkey after 2008, holding government bonds became a less profitable strategy for the banking sector. Banks have reacted by shifting funds towards higher-yielding assets, such as loans to customers (particularly to retail and SME customers). On the other hand, Turkish banks have utilized non-equity funds more to finance their asset growth. As the banks are facing an increasing funding cost both in local markets and in global markets in the recent years, net interest margins of the Turkish banks may decline to the extent increases in lending rates lag behind increases in funding costs. Notwithstanding the increased rate environment, if the trends towards increased competition for customers continues, the Group could experience a material adverse effect on its business, financial condition and/or results of operations.

The Group's profitability and profitability growth in recent years may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector

As of 31 March 2019, the Group's return on average total assets was 1.7 per cent. (compared to 0.3 per cent. for the sector according to the BRSA) and the return on its average equity was 16.1 per cent. (compared to 3.0 per cent. for the sector according to the BRSA) (2.0 per cent. and 17.0 per cent., respectively, for the Bank and 1.4 per cent. and 14.8 per cent., respectively, for the sector for the year ended 31 December 2018). The Group's profitability may be negatively affected as a result of a number of factors that are generally impacting the Turkish banking sector, including volatility in interest rates (see "*The Group may not be able to sustain the level of earnings on its securities portfolio obtained during recent years*" and "*The Group may be negatively affected by volatility in interest rates*" below), increased competition (particularly as it impacts net interest margins (see "*The Group faces intense competition in the Turkish banking sector*" above) and Central Bank and governmental actions that seek to limit the growth of Turkish banks and/or the Turkish economy through various conventional and unconventional policy measures, including increased reserve requirements, increased

general provisioning requirements and higher risk-weighting for general purpose loans (see “– *The activities of the Group are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group’s business*” in this section below and “*Political, Economic and Legal Risks Related to Turkey – Turkey’s high current account deficit may result in governmental efforts to decrease economic activity*”).

The Group’s fee income can be volatile

For the three months ended 31 March 2019, the Group’s net fee and commissions income (which excludes fee income generated from cash loans, which is booked under interest income) represented a 3.7 per cent. share in its total operating income (3.6 per cent., 4.0 per cent. and 3.3 per cent. for the years ended 31 December 2018, 2017 and 2016, respectively). The Group’s total fee income includes (among other items) commissions from brokerage services, corporate finance and non-cash loans. Commissions from investment banking, which includes brokerage services and corporate finance, constituted 62.3 per cent. of total fee income for the three months ended 31 March 2019 (74.1 per cent. and 70.9 per cent. for the year ended 31 December 2018 and 2017, respectively). Non-cash loans, which include letters of guarantee, letters of credit and export credit agency transactions, constituted 34.9 per cent. of total fee income for the three months ended 31 March 2019 (40.7 per cent. and 29.1 per cent. for the year ended 31 December 2018 and 2017, respectively).

While fee income has been stable for the years ended 31 December 2018, 2017 and 2016, the Group’s investment banking and other market-based activities are significantly affected by trends and market conditions, and an unfavourable market environment may have an adverse effect on the Bank’s fee income. Similarly, a significant portion of the Group’s fee income is derived directly or indirectly from its lending operations, and thus a decline in its lending (whether due to market conditions or otherwise) may have an adverse effect on the Group’s business, financial condition and/or results of operations.

The Group may be negatively affected by volatility in interest rates

The Group’s results of operations depend heavily upon the level of its net interest income, which is the difference between interest income from interest earning assets and interest expense on interest-bearing liabilities. The net interest margin could be affected, by among factors, changes in market interest rates. For instance, a significant decline in average interest rates charged on loans to customers may result in a decline in net interest margins as the Bank’s loan portfolio has a significantly lower duration than its funding (i.e. it re-prices more quickly, and is therefore more sensitive to interest rates movements in the short term), which could have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Net interest income (which also includes net income or losses from trading) contributed 100.6 per cent., 95.2 per cent. and 120.7 per cent. of the Group’s operating income for the years ended 31 December 2016, 2017 and 2018, respectively, and net interest margin as measured on a Bank-only basis was 3.5 per cent., 3.9 per cent. and 4.9 per cent., respectively, over the same periods. In the three months ended 31 March 2018 and 2019, net interest income contributed 89.4 per cent. and 117.2 per cent. of the Group’s operating income, respectively, and net interest margin as measured on a Bank-only basis was 4.1 per cent. and 4.5 per cent., respectively, over the same periods. Interest rates are highly sensitive to many factors beyond the Group’s control, including monetary policies pursued by the Central Bank and domestic and international economic and political conditions.

The years ended 31 December 2018, 2017 and 2016 and the three months ended 31 March 2019 were characterised by a high degree of volatility in interest rates, as a result of a number of factors, including continued global volatility as well as increased political tension in Turkey, which, among other factors, led Standard and Poor’s (“S&P”) and Moody’s to downgrade Turkey’s sovereign credit rating.

In order to cope with significant deterioration in the Turkish Lira exchange rate and the resulting pressure on inflation, the Central Bank increased overnight lending rate by 25 basis points and 75 basis points in November 2016 and January 2017, respectively.

Additionally, in order to relieve Turkish Lira volatility, the Central Bank took several actions in 2018, which could potentially lead to further interest rate volatility and impact the profitability of the Group. In response to high inflation and the depreciating Turkish Lira, in April 2018 the Central Bank announced a raise in the average cost of funding by a total of 500 basis points to 17.75 per cent., effective from June 2018, and announced the details of its simplification framework by which it started to use the one-week repo interest rate as its policy rate. Accordingly, the overnight borrowing and lending rates are determined at 150 basis points below/above the one-week repo rate. In the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate as the main lending rate. However, such measures are subject to further change and revision at any time, and the Group may be required to seek alternative sources of liquidity and funding, which may only be available at increased cost or have limited or no availability. On 13 September 2018, the Central Bank increased the policy rate by 625 basis points to 24 per cent. In 2019, through the date of this Base Prospectus, the Central Bank has continued to implement a tight stance by halting one week repo auction and/or through forward guidance indicating a monetary tightening (e.g., after the volatility seen in March 2019, the Central Bank paused one week repo auctions and provided funding through overnight lending, which had a cost of 150 basis points higher than the policy rate, until 8 April 2019).

In addition, the Group's income from financial operations is also directly affected by interest rate volatility. As of 31 March 2019, 97.0 per cent. of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 13.6 per cent. of the Group's total assets (97.0 per cent. and 13.0 per cent., respectively, as of 31 December 2018 and 94.2 per cent. and 14.6 per cent., respectively, as of 31 December 2017), approximately 20.5 per cent. of which consisted of fixed rate securities, the price of which changes in response to movements in interest rates. As a result, a significant portion of the Group's total assets is exposed to interest rate risk. Although the Group uses various instruments and measures to manage exposures to interest rate risk (see "*Risk Management – Interest Rate Risk*"), these instruments and measures may not protect the Group from the risks of changing interest rates. For more information on recent trends in Turkish interest rates, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting the Group's Financial Condition and Results of Operations – Market Environment, Interest Rates and Net Interest Income and Margin*".

A significant percentage of the Group's loan portfolio consists of project finance loans and energy loans

While in recent years the volume of smaller loans in the Group's loan portfolio has been increasing, significant concentrations still exist. As of 31 March 2019, 53.5 per cent. of the Group's loan portfolio consisted of project finance loans (55 per cent., 52.4 per cent. and 52.5 per cent. respectively, as of 31 December 2016, 2017 and 2018). As of 31 March 2019, 36 per cent. of the Group's project finance loans were attributable to energy production (e.g., renewable energy projects such as hydro, wind, geothermal, biomass and solar power plant projects (see "*Business of the Group – Overview – Diversified Loan Portfolio*")) and 10 per cent. of the Group's project finance loans were attributable to the finance sector.

Energy-related projects therefore represent the largest sector in the Group's loan portfolio with 85 per cent. of loans for the energy production sector consisting of renewable energy projects. Although 91 per cent. of the Group's renewable energy portfolio (in terms of credit risk) is supported by the Turkish government's feed-in tariff mechanism, which is set in U.S. dollars, for electricity generated using renewable energy resources ("YEKDEM"), the Group remains significantly exposed to the overall performance of the energy sector. A material change in the economic conditions of any of these customers or sectors, including declining production

volumes in the energy sector, could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition to these sectoral concentrations, the share of the Bank's receivables from the top 10 borrower groups in the Bank's overall cash loan portfolio was approximately 28 per cent. as of 31 March 2019 (20.1 per cent., 29.7 per cent. and 29 per cent., respectively, as of 31 December 2016, 2017 and 2018) while the top 20 constituted 46 per cent. of the Bank's loan portfolio as of the same date (32.9 per cent., 47 per cent. and 46 per cent., respectively, as of 31 December 2016, 2017 and 2018). Furthermore, all of the Group's operations and essentially all of its assets are in Turkey. As a result, the Group's business and results of operations are affected by general economic conditions in Turkey. See "*Political, Economic and Legal Risks Related to Turkey*".

A material change in the economic conditions of any of these customers or sectors could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group is subject to liquidity and financing risk

Liquidity risk relates to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and satisfy capital requirements. It includes the risk of lack of access to funding (other than from the reserves held with the Central Bank and limits granted to the Bank by the Central Bank both in Turkish Lira and foreign currency ("FC")), the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Group's inability to meet its net funding requirements due to inadequate liquidity could materially adversely affect its business, financial conditions and/or results of operations.

The Group, which is not legally empowered to receive deposits, relies primarily upon funds obtained from DFIs, which accounted for almost 64 per cent. of the Bank's borrowings as of 31 March 2019. The Bank also secures funds from other financial institutions in the form of syndicated loans, bilateral loans, short-term money markets and repo transactions. The Bank has also accessed the international debt capital markets by issuing Eurobonds since 2014. An inability on the Group's part to access funds or to access the markets from which it raises funds may put the Group's positions in liquid assets at risk and lead the Group to be unable to finance its operations and growth plans adequately. The Group may be unable to secure funding through sources such as its current loan facilities if conditions in these markets, or its creditworthiness, were to deteriorate.

A rising interest rate environment could compound the risk of the Group not being able to access funds at favourable rates or at all. As central banks unwind the expansive liquidity provided during the global financial crisis, competition among banks and other borrowers for the reduced global liquidity may result in increased costs of funding. This and other factors could lead creditors to form a negative view of the Group's liquidity, which could result in lower credit ratings, higher borrowing costs and/or less access to funds. In addition, the Group's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or negative views about the prospects of the sectors to which the Group lends or of the Turkish banking sector. While the Group aims to maintain at any given time an adequate level of liquidity reserves, and as of 31 March 2019 operated with a positive maturity mismatch (i.e., the average maturity of its receivables was less than the average maturity of its funding), future strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) could adversely affect the Group's business, financial condition and/or results of operations. For example, in case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which may adversely affect borrowing using certain capital market instruments (such as Eurobonds).

See also “– *The Group relies to a significant extent on DFIs for financing, which exposes the Group to significant risk should such funding cease to be available*” above.

Similarly, if the credit rating of Turkey and/or members of the Group is further downgraded, the Group may experience higher levels of cost of funding and difficulty accessing certain sources of international or wholesale funding. As of the date of this Base Prospectus, the rating of Turkey’s foreign currency-denominated long-term debt is “B1 (negative outlook)” from Moody’s and “BB- (negative outlook)” from Fitch. See also “– *The Bank obtains significant funding through loans guaranteed by the Turkish government, any change in the practices or creditworthiness of which could materially negatively impact the Bank and its funding from development financial institutions (“DFIs”)*” above.

The current credit ratings of Turkey and the Turkish banking sector are the result of a series of downgrades and negative actions taken by the credit agencies in 2018, which generally cited concerns over inflation and a widening current account deficit, the volatility of Turkey’s exchange rate and/or deteriorating operating environment for Turkish banks, with negative implications for their funding profiles. On 17 August 2018, S&P’s downgraded the Turkish sovereign rating from “BB-” to “B+” with a stable outlook and also revised the ratings of six Turkish banks. On the same day, Moody’s downgraded the Turkish sovereign rating from “Ba2” to “Ba3” and revised the outlook to negative. On 28 August 2018, following the downgrade of Turkey’s sovereign rating, Moody’s also downgraded the foreign-currency long-term debt ratings of 18 Turkish banks, including the Bank. On 1 October 2018, Fitch downgraded the long-term foreign-currency issuer default ratings of 20 Turkish banks and their subsidiaries, including the Bank. On 14 June 2019, Moody’s downgraded Turkey’s sovereign credit rating to B1, maintaining a negative outlook. On 18 June 2019, Moody’s downgraded the local currency long-term deposit ratings and the local and foreign currency senior unsecured and issuer ratings of 18 Turkish banks, which included a downgrade of the Bank’s baseline credit assessment from “b3” to “caal1” and a downgrade of the Bank’s long-term local and foreign currency issuer ratings from “B2” to “B3”. More recently, on 12 July 2019, Fitch downgraded Turkey’s sovereign long-term foreign-currency issuer default rating from “BB (negative outlook)” to “BB- (negative outlook)” citing the dismissal of the central bank governor, Murat Cetinkaya, in its decision for the downgrade.

Adverse developments in the global or Turkish financial markets, further adverse rating agency actions and other developments beyond the Group’s control could lead to the Group being unable to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group’s inability to refinance its current liabilities could result in its failure to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on the Group’s business, financial condition and/or results of operations. For further information on the Group’s liquidity risk management policy, see “*Risk Management – Liquidity Risk*”.

The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank’s business, results of operation and financial condition

A significant portion of the Group’s assets and liabilities are denominated in foreign currencies, particularly U.S. Dollars and Euro. For example, the Group had extended loans denominated in currencies other than Turkish Lira totalling the equivalent of TL 16,039 million, TL 20,088 million, TL 25,558 million and TL 26,767 million as of 31 December 2016, 2017, 2018 and 31 March 2019, respectively, representing 93.0 per cent., 89.9 per cent., 92.1 per cent. and 92.2 per cent., respectively, of the Group’s total loans at such dates. In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. As a result, and notwithstanding that the Group’s balance sheet is significantly

balanced from a currency perspective, the translation effects may affect in the Group's reported income statement. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

The value of the Turkish currency against the U.S. dollar has been volatile over the last years, having depreciated by 21.5 per cent., 7.9 per cent. and 38.1 per cent. against the U.S. dollar, in 2016, 2017 and 2018 respectively, mainly due to rising geopolitical risks and political developments on the perceived risks associated with investing in Turkey. On 13 August 2018, the Central Bank and the BRSA announced measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated by approximately 11 per cent., but has continued to exhibit substantial volatility with continuing downward pressure on exchange rates. In the first three months of 2019, the Turkish Lira depreciated by 5.3 per cent. against the U.S. dollar. The exchange rate amounted to TL 3.5382 per U.S. dollar as of 30 December 2016, TL 3.8173 per U.S. dollar as of 29 December 2017, TL 5.2704 per U.S. dollar as of 31 December 2018 and TL 5.5523 per U.S. dollar as of 29 March 2019.

Although the Group sets stringent limits and performs certain other measures aimed at reducing exchange rate risk, including but not limited to derivative transactions as well as strengthening its capital via retained earnings, there is no assurance that such measures will be successful. Further depreciation of the Turkish Lira against the U.S. dollar and other major currencies will increase the value of the Bank's foreign currency denominated liabilities, negatively affecting the Bank's financial condition and the cost of servicing foreign currency denominated debt, adversely affecting the Bank's results of operations. In addition, it may adversely impact some of the Bank's major borrowers, who are exposed to foreign exchange risk, which could result in an increase in NPLs, negatively affecting the Bank's business. Volatility of the Turkish Lira can also affect the Group's capital adequacy ratio (for example, if the Turkish Lira depreciates, foreign-currency denominated assets result in an increase in the Group's total assets upon translation into Turkish Lira, and then reduce the Group's capital adequacy ratio). If the Group's capital adequacy ratio declines below minimum levels, this could materially and adversely affect the Group's business, financial conditions and/or results of operations, and require it to raise additional capital.

The Group is exposed to market risk

The Group is subject to risks that arise from open positions in interest rate, currency and its equity portfolio, all of which are exposed to general and specific market movements. The Group seeks to manage its market risk exposure through a range of measures (see "*Risk Management – Market Risk*" for further information). Such measures may not be successful in mitigating market risk and the Group's exposure to market risks could lead to a material adverse effect on the Group's business, financial condition and/or results of operations. A number of these risks are described in greater detail below.

The Group may not be able to meet minimum capital adequacy requirements and/or might have difficulty raising capital on acceptable terms, if at all

By law, each of the Bank and the Group is required to maintain certain capital levels and capital ratios in connection with its business. Such capital ratios depend in part upon the level of risk-weighted assets. The Bank's management expects that any improvement in economic conditions could result in increased lending (in absolute terms) and, as a result, there will be a continuing increase in the Group's risk-weighted assets. The increase in lending may adversely affect the Group's capital adequacy ratios.

Potential changes in law may also affect the manner in which capital ratios are calculated. The Bank calculates its capital adequacy ratios according to the 2016 Capital Adequacy Regulation (as defined below), which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) when calculating its risk-weighted assets for capital adequacy purposes. As the Bank uses Fitch ratings

in capital adequacy ratios calculations, a downward change in the rating of Turkey published by this rating agency may negatively impact the Bank's applicable capital adequacy ratios.

Additionally, it is possible that the Bank's and/or the Group's capital levels could decline due to, among other things, credit losses, increased credit reserves or currency fluctuations (see "*Risks Related to the Group's Business – The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank's business, results of operation and financial condition*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations –Assets– Currency of loans*"). In addition, the Group may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets in order to remain competitive in the Turkish banking environment, particularly in line with the Group's growth strategy. Should the Group desire or be required to raise additional capital, that capital may not be available at a price that the Group considers to be reasonable or at all. If any or all of these risks materialise, this could have a material adverse effect on the Group's business, financial condition and/or results of operations. The Bank's asset composition is FX concentrated, which makes the Bank's capital adequacy ratio sensitive to currency volatilities. As of 31 March 2019, the FX-denominated assets accounted for 77.3 per cent. of the balance sheet whereas FX-denominated liabilities accounted for 84.6 per cent. of the balance sheet. On these figures, a 10 per cent. depreciation in TL would lead to a 80 basis points decrease in the capital adequacy ratio.

Turkish banks' capital adequacy requirements have been and will continue to be further affected by Basel III which is a comprehensive set of reform measures in banking prudential regulation developed by the Basel Committee on Banking Supervision (the "Basel Committee"), to strengthen the regulation, supervision and risk management of the banking sector, which are being phased in within the Turkish banking sector through 2019. Basel III includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("D-SIBs") regulation (the "D-SIBs Regulation"), which sets forth additional capital requirements for those banks classified as D-SIBs (as of the date of this Base Prospectus, the Bank is not identified as a D-SIB).

Given the financial volatility and higher exchange rates seen in Turkey during 2018, the BRSA introduced forbearance measures in August 2018 with respect to capital adequacy ratios for Turkish banks. These measures brought some relief for the banks' sector capital adequacy ratios. See "*Turkish Regulatory Environment – Capital Adequacy*".

If other capital adequacy-related revisions are adopted and the Bank and/or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The value of collateral securing the Group's loans and advances might not be sufficient

The Group may have difficulty realising on collateral or enforcing guarantees or other third-party credit support arrangements when its debtors default. In addition, the time and costs associated with enforcing security may make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses, although a significant portion of the Group's loans are collateralised.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets may reduce the value of collateral securing the Group's loans and advances, increasing the risk that the Group would not be able to recover the full amount of any such loans and advances in a default. In accordance with the Group's credit policies, if any collateral shortfall is identified during credit reviews, borrowers are required to provide

additional collateral sufficient to cover any shortfall; however, there can be no assurance such borrowers will be willing or able to post additional collateral. If the Group seeks to realise on any such collateral, it may be difficult to find a buyer and/or the collateral may be sold for significantly less than its appraised or actual value.

The Group's typical collateral for project finance loans includes share pledges, mortgages over immovable assets, commercial enterprise pledges, pledges over bank accounts, project completion guarantees and assignment of receivables. The Group also undertakes certain types of lending without tangible collateral, relying only upon guarantees, which may not be sufficient to cover the outstanding amount following a default. As a result of the above, the Group may not be able to realise adequate proceeds from collateral disposals to cover loan losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group may not be able to sustain the level of earnings on its securities portfolio obtained during recent years

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2016, 2017 and 2018 and the three months ended March 2018 and 2019 accounting for 25.1 per cent., 23.1 per cent., 24.5 per cent., 19.6 per cent. and 20.4 per cent., respectively, of its total interest income (and 25 per cent., 22.6 per cent., 25.8 per cent., 17.5 per cent. and 21.1 per cent., respectively, of its gross operating income before deducting interest expense and fee and commission expense). The CPI-linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in an inflationary environment, but their impact on the Bank's earnings will vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income could decline in coming years and have a material adverse effect on its business, financial condition and/or results of operations. See "*Political, Economic and Legal Risks Related to Turkey – The Group has a significant portion of its assets invested in Turkish government debt, making it highly dependent upon the continued credit quality of, and payment of its debts by, the Turkish government*" below.

The activities of the Group are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group's business

The Group is subject to a number of banking, competition, antitrust and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. Turkish banks' capital adequacy requirements will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are being phased in through 2019. See "*– The Group may not be able to meet minimum capital adequacy requirements and/or might have difficulty raising capital on acceptable terms, if at all*" above and "*Turkish Regulatory Environment – Capital Adequacy*".

As a result of the global financial crisis, policy makers in Turkey have enacted or proposed various new laws and regulations, and there is still uncertainty as to what impact these changes may have. In addition, the Turkish government (including the BRSA or the Central Bank) has introduced (and may introduce in the future) new laws and regulations that increase reserves, increase provision requirements for loans or otherwise negatively affect the Group's business and/or profitability. The Group may not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector (see "*Turkish Banking Sector – Competition*"). Accordingly, the Group may not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability may be materially adversely impacted.

Such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services or its growth plans. As a consequence of certain of these changes, the Group may be required to increase its capital reserves and may need to access more expensive sources of financing (including equity) to meet its funding requirements. Furthermore, development and investment banks (such as the Bank) are exempt from banking and insurance transaction tax for investment loans, according to the Turkish Expenditure Taxes Law (Law No. 6802). Any regulatory change that abolishes such exemption could have an adverse effect on the Group's loan volume, profitability and/or access to funds. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with regulatory requirements or laws could expose the Group to potential liabilities and fines and/or damage its reputation.

The Bank is exposed to risks related to doing business with related parties

The Banking Law places limits on a Turkish bank's exposure to related parties. Although development and investment banks (such as the Bank) are exempt from BRSA's requirements for exposures to related parties, the Group enters into banking transactions with its affiliates within the framework of the Banking Law and tax regulations. Although the Bank's management believes that these transactions are on an arm's length basis and in line with the Banking Law and tax regulations, and the Bank's exposure to related parties is not significant, the interests of the Group may not at all times be aligned with the interests of the Noteholders. For further information on the Group's transactions with its affiliates, see "*Business of the Group – Subsidiaries and Other Affiliates*".

Third parties may use the Group as a conduit for illegal or terrorist activities without the Group's knowledge

The Group has adopted policies and procedures and has put in place systems, including internal control, "know your customer" rules and transaction monitoring, aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish legislation and international standards aimed at preventing the Group being used as a vehicle for money laundering or terrorist financing. These policies and procedures may, nevertheless, not be completely effective. Although the Group does not accept deposits, the Group to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. Similar to other financial institutions, if the Group fails to comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing regulations and/or is associated with money laundering and/or terrorist financing (including any failure which results in the Group being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), its business, results of operations and/or financial condition could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions and could severely harm the Group's reputation.

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks. The Group's risk management and internal control policies and procedures may not adequately control, or protect the Group against, credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate.

Any material deficiency in the Group's risk management or other internal control policies or procedures could expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business, results of operations and/or financial condition. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Group may be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or third parties, unauthorised transactions by employees, lack or loss of skilled information technology ("IT") employees and operational errors (including clerical or record keeping errors and errors resulting from faulty IT or telecommunications systems). The Group is also subject to service interruptions from time to time for third party services, such as telecommunications, due to natural disasters or other causes which are beyond the Group's control. Such interruptions may disrupt the Group's operations and/or impact customer service. Errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. While the Group maintains a system of controls designed to monitor and control operational risk, the Group may suffer losses from such risks. Losses from the failure of the Group's system of internal controls to discover and rectify such matters could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish disclosure standards may differ in certain significant respects from those in certain other countries, leading to a lesser amount of information being available

Historically, the reporting, accounting and financial practices applied by Turkish banks have differed in certain respects from those applicable to similar banks in the European Union or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other similar markets, and information that is published may only be presented in Turkish. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the Official Gazette in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements, interim management reports and corporate governance compliance reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA Principles and only subsequently made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. In addition, banks that are listed on the Borsa İstanbul ("BİST"), such as the Bank, are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the price of the issuer's securities (both through the Turkish government's Public Disclosure Platform's website and the bank's own website). Nonetheless, investors may not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the European Union and other more-developed markets.

The Group maintains its accounting systems and prepares its accounts in accordance with the relevant legislation and publishes quarterly financial results in accordance with the BRSA Principles. With respect to IFRS, the Bank only publishes annual and semi-annual consolidated financial statements for the Group. There are differences between the BRSA Financial Statements and IFRS financial statements. The Group's and the Bank's IFRS financial statements are not incorporated by reference into and do not form a part of this Base Prospectus. A summary of the most material of such differences as they apply to the Group has been included

elsewhere in this Base Prospectus, including the differences described above and other potential differences that may materially affect the Group's results of operations and financial position (see Appendix 1 – “*Overview of Significant Differences between IFRS and BRSA Accounting Principles*”). Potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Base Prospectus.

The Group's operations could be adversely affected by interruptions to, or the improper functioning of, its IT systems

The Group's business services and functions rely upon certain IT services and applications that have been developed either in-house or by third-party providers. While the Group has implemented and has future plans for various projects to ensure the proper functioning of its IT systems, any significant inadequacy, disruption, breach, failure, performance issues or interruption of the Group's IT systems or any other systems in its network, operations or elsewhere, inadequate selection of new technology, delays caused by the implementation of new technology or incomplete integration of new technology into the existing IT systems could result in unforeseen expense and difficulties in conducting the Group's operations, which may have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, the Group uses a third party, Turkcell Superonline, to provide data storage services for the Group's critical systems at its data centre on the Asian side of İstanbul, and the Group's IT applications depend upon the proper functioning of this data centre. The Group also uses Turkcell Superonline to provide disaster recovery solutions for the Group's IT infrastructure; however, these recovery systems may not be adequate to ensure connectivity with the Bank's offices and protect the Group's IT systems and operations in the event of a disaster, natural or otherwise. For further information on the Group's IT systems, see “*Business of the Group – Information Technology*”.

The Group's continued success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff is very high and requires the Group to continually re-assess its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group may not continue with the Group. In addition, the Group's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Turkish banking sector has experienced significant volatility in the past and may experience significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (i.e. non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Group members may be unable to maintain or secure the necessary licenses for carrying on their business

All banks established in Turkey require licensing by the BRSA. Each of the Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable license for all of its banking and other operations. The Bank's management believes that the Bank and each of its subsidiaries is currently in compliance with its existing material license and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a future loss of a license, breach the terms of a license or fail to obtain any further required licenses, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The audit and review reports in relation to the Group's financial statements include a qualification

Certain of the Group's BRSA Financial Statements include a qualification about a free provision allocated by the Group, which was provided by the Bank's management as a conservative measure to take into consideration the possible result of negative circumstances that may arise from changes in economic or market conditions. The Group may have similar qualifications in the future. The auditor's statements on such qualification can be found in its letters included in each of such BRSA Financial Statements.

The auditor's audit reports in the Group's BRSA Financial Statements include: (a) a qualification in the Group's 2017 BRSA Financial Statements related to the free provision amounting to TL 190,000 thousand as of and for the year ended 31 December 2017, including a deferred tax asset based on this reserve amounting to TL 41,800 thousand, provided by the Bank's management for possible results of circumstances which may arise from possible changes in the economy and market conditions, (b) a qualification in the Group's 2018 BRSA Financial Statements related to the free provision amounting to TL 220,000 thousand as of and for the year ended 31 December 2018, including a reversal of a deferred tax asset in the amount of TL 41,800 thousand, which was accounted based on the free provision provided as of 31 December 2017 and (c) a qualification in the Group's Q1 2019 BRSA Financial Statements related to the free provision amounting to TL 240,000 thousand as of and for the three months ended 31 March 2019, of which TL 20,000 thousand and TL 220,000 thousand were provided in current and prior years respectively by the Bank's management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above mentioned items do not meet the requirements of TAS 37, the "Prior years' income/losses" as of 31 March 2019 is understated by TL 220,000 thousand and the "pretax income" is understated by TL 20,000 thousand. There was no free provision amount as of 31 December 2016.

The Bank's auditors have qualified their audit and review reports (as applicable) included in the BRSA Financial Statements as free provisions are not permitted under Turkish Accounting Standards 37 as set by the Public Oversight Accounting and Auditing Standards Authority ("POA"). As the provision does not meet the requirement of TAS 37, the "Prior years' income/losses" as of 31 December 2018 is understated by TL 148.2 million after deducting the tax effect and the "pretax income" is understated by TL 30 million. The Bank's management expects that similar qualifications will be included in the corresponding audit or review reports for future fiscal periods.

Such provision may be reversed, re-allocated or increased by the Group in future periods, which may cause the Group's net profit to be higher or lower in future periods than it otherwise would be in the absence of such reversal, re-allocation or increase. These provisions do not impact the Group's level of tax.

Political, Economic and Legal Risks Related to Turkey

Political developments in Turkey may negatively affect the Group's business, financial condition and/or results of operations

Negative changes in the government and political environment, including the failure of the government to devise or implement appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the more than 90 years since its formation Turkey has had numerous short-lived governments, with political disagreements frequently resulting in early elections. Furthermore, though its role has diminished in recent years, the Turkish military establishment has historically played a significant role in Turkish government and politics, intervening in the political process.

Since late 2013, Turkish politics have been particularly volatile. This volatile environment, which coincided with the U.S. Federal Reserve's decision to reduce monthly asset purchases, contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. While these circumstances have receded and the Bank's management does not believe that these events have had a material long-term negative impact on Turkey's economy or the Group's business, financial condition or results of operation, it is possible that these or other political circumstances could have such an impact and/or a negative impact on investors' perception of Turkey, the strength of the Turkish economy and/or the price of an investment in the Notes.

Early general elections in Turkey were held on 1 November 2015, which resulted in the ruling party receiving enough votes to regain its majority in parliament following the inconclusive general elections held on 7 June 2015, and thereby allowing it to form a single-party government. In July 2016, the Turkish government was subject to an attempted military coup by a group within the Turkish army. On 20 July 2016, the government declared a three-month state of emergency in the country, entitling the government to exercise additional powers. While the state of emergency was extended seven times for additional three month periods, it was lifted on 18 July 2018. Although the Bank's operations have not been materially affected by the attempted coup, the impact on political and social circumstances following the attempted coup and its aftermath (including rating downgrades of Turkey and the Bank) may have a negative impact on the Turkish economy and institutions and could have a material adverse effect on the Group's business, financial condition and/or results of operations.

On 16 April 2017, a majority of Turkish voters approved a referendum amending certain articles of the Turkish Constitution. The amendments included expanding the powers of the president to create an executive presidency. Following the entry into force of the constitutional amendments: (a) the current parliamentary system has been transformed into a presidential system, (b) the president is entitled to be the head of a political party and to appoint the ministers, (c) the office of the prime minister has been abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the ministers has been annulled, (e) the president is entitled to issue decrees as the head of the government and (f) the president is entitled to instigate general elections (together with presidential elections).

General elections, local elections and presidential elections were scheduled to be held in Turkey in 2019. However, with respect to the general elections (i.e. the parliamentary elections) and the presidential elections, snap elections were held on 24 June 2018, which were originally due to take place on 3 November 2019. President Erdoğan was subsequently re-elected in the presidential election with approximately 52.6 per cent. of the vote, followed by the main opposition candidate, Mr. Muharrem İnce, with approximately 30.7 per cent. of the vote. In the parliamentary elections, the People's Alliance (an electoral alliance between the AKP and the Nationalist Movement Party (the "MHP")) secured a majority with 344 seats out of 550 (with the AKP winning 295 seats and MHP winning 49 seats). Further, on 9 July 2018, President Erdoğan announced the new cabinet, including non-AKP members and Mr. Berat Albayrak as the new treasury and finance minister. On 10 July

2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, while this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requisite condition for deputy governors of the Central Bank to have at least 10 years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years. More recently, on 6 July 2019 President Erdoğan announced the removal of Murat Cetinkaya, the governor of the Central Bank, a year before his four-year term was scheduled to end. Murat Cetinkaya has been replaced by his former deputy, Murat Uysal. As such, uncertainty in relation to the independence of the Central Bank and/or the Ministry of Treasury and Finance continues and failure to implement effective monetary and fiscal policies might adversely affect the Turkish economy. Significant uncertainty remains regarding the economic agenda of the new government, the independence of the Central Bank, and whether reform plans will be accomplished, all of which could significantly impact investors' perceptions of Turkey and its future growth. Local elections took place on 31 March 2019. However, the Supreme Election Board in Turkey has cancelled the results of the elections in İstanbul (which showed a narrow lead for the opposition party). The local elections were held on 23 June 2019 and resulted in the transition of the İstanbul municipality from AKP to the opposition party. The events surrounding any future political developments could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions, which could in turn have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Turkish economy is subject to macro-economic risks

All of the Group's operations and essentially all of its assets are in Turkey. As a result, the Group's business and results of operations are affected by general economic conditions in Turkey. Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded positively to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits, and a considerable level of unemployment. While the Turkish economy has been significantly stabilised due, in part, to support from the International Monetary Fund (the last stand-by agreement with which terminated in 2008), Turkey may experience a further significant economic crisis in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkey's economy has, in particular, experienced significant volatility in recent periods. While GDP has grown continuously since 2010, exchange rate volatility and inflationary pressures have risen sharply in 2018, prompting the Central Bank to adopt stabilising measures and tighter monetary policy, which reduced growth outlook. In particular, (i) in April 2018, the Central Bank increased its highest interest band, the late-liquidity window lending rate, by 75 basis points to 13.5 per cent., (ii) on 23 May 2018, it increased the same rate to 16.5 per cent., (iii) on 28 May 2018, it announced the decision to set the one-week repo rate as the policy rate effective as of 1 June 2018, at a level equal to the then-current late-liquidity window lending rate, 16.5 per cent., as part of its efforts of simplifying the monetary policy, and (iv) on 7 June 2018, it raised that policy rate by 125 basis points to 17.75 per cent.

Furthermore, from 29 June 2018 to 14 August 2018, the Turkish Lira depreciated by 49.6 per cent. against the U.S. dollar, based on various factors, including: (i) the imposition of sanctions by the Office of Foreign Assets Control ("OFAC") over the detention of an American pastor, which included the freezing of assets of the Turkish Minister of Justice and Interior Minister and the doubling of U.S. tariffs on steel and aluminium imports from Turkey, and the possibility of further increases in political tension between the United States and Turkey, (ii) the tightening, and the potential of further tightening, of the monetary policy in the United States and Europe,

(iii) concerns over the external financing requirements of the Turkish Treasury's and certain Turkish companies' foreign- currency denominated debt, (iv) concerns around the Central Bank's interest rate policy, particularly in relation to real interest rates, and (v) investors' perception of the Turkish political and economic environment, especially with respect to the independence of Turkey's financial institutions, including the Central Bank. On 13 August 2018, the Central Bank announced certain Turkish Lira and foreign-currency liquidity management measures, including increasing the foreign-exchange deposit limits of the Turkish banks, in order to ensure the financial stability and the efficiency of the financial markets. Furthermore, on 14 August 2018, the Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements and (i) lowered the Turkish banks' Turkish Lira reserve requirement ratios by 250 basis points for all maturity brackets and all liabilities and (ii) lowered the reserve requirement ratios by 400 basis points for up to 3-year maturities, and all foreign-exchange liabilities other than deposits. In addition, in the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate, at 150 basis points above the one-week repo rate, as the main lending rate. The BRSA has also taken certain measures against the depreciation in the Turkish Lira, including the prevention of Turkish banks from using foreign-exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25 per cent. of the banks' regulatory capital, calculated daily on a standalone and consolidated basis. Following the announcement of these measures, the Turkish Lira appreciated against the U.S. dollar by approximately 15.7 per cent. from 13 August 2018 to 16 August 2018. On 13 September 2018, the Central Bank again adopted the one-week repo rate as its main policy rate and increased the policy rate by 625 basis points to 24 per cent. This rate remained the same following the monetary policy commission meeting in October 2018. In 2019, through the date of this Base Prospectus, the Central Bank has continued to implement a tight stance by pausing one week repo auction and/or through forward guidance indicating a monetary tightening (e.g., after the volatility seen in March 2019, the Central Bank paused one week repo auctions and provided funding through overnight lending, which had a cost of 150 basis points higher than the policy rate, until 8 April 2019). Following the depreciation of the Turkish Lira in early May 2019, the Central Bank again suspended its one week repo auctions from 9 May 2019 until 21 May 2019. On 9 May 2019, the Central Bank further reduced the upper limit of the foreign exchange maintenance facility within the Reserve Options Mechanism from 40 per cent. to 30 per cent. In addition, the Central Bank increased the reserve requirement ratios for foreign exchange liabilities by 100 basis points for all maturity brackets. On 27 May 2019, the Central Bank further increased the reserve requirement ratios for foreign exchange deposits by 200 basis points for all maturity brackets. As a result of the increases in the reserve requirement ratios on 9 May 2019 and 27 May 2019, the Central Bank expected to withdraw approximately U.S.\$3.0 billion and U.S.\$4.2 billion of liquidity, respectively, from the market. Implementation of these policies by the Central Bank and similar or other actions that it may take in the future are subject to a number of uncertainties and Turkish economy, inflation rates and foreign exchange rates may continue to experience difficult and volatile conditions in the future.

In September 2018, Mr. Berat Albayrak, the Minister of Treasury and Finance, announced the new three-year medium-term economic programme covering the years from 2019 to 2021 setting growth targets of 3.8 per cent., 2.3 per cent., 3.5 per cent. and 5 per cent. for each of 2018, 2019, 2020 and 2021, respectively, and inflation rates of 20.8 per cent., 15.9 per cent. and 9.8 per cent. and 6.0 per cent. for 2018, 2019, 2020 and 2021, respectively. There can be no assurance that such targets will be achieved or that the Turkish economy will not experience significant additional volatility, which will adversely affect the Group.

Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation ("CPI") rates as high as 69.7 per cent. in the early 2000s.

Inflation remains higher than certain emerging market peers and has been a key area of focus of the Central Bank. As of June 2019, CPI was at 15.7 per cent. in comparison to 19.7 per cent. as of March 2019. The decline in inflation as of June 2019 has mainly been driven by a drop in food prices as well as a supportive base effect. CPI was 20.3 per cent., 11.9 per cent. and 8.5 per cent. in 2018, 2017 and 2016, respectively. Producer price inflation was 33.6 per cent., 15.5 per cent., and 9.9 per cent. in 2018, 2017 and 2016, respectively. In 2018, inflation was driven by rising food prices and pass through effects from the depreciation of the Turkish Lira. In response to high inflation and the depreciating Turkish Lira, the Central Bank has implemented a number of stabilising measures and adopted a tighter monetary policy, increasing its main policy rate to 24 per cent. on 13 September 2018.

The Central Bank's measures are subject to further change and revision at any time and there can be no assurance that these measures will be successful. Inflationary pressures, and any further depreciation of the Turkish Lira may continue to result in Turkish inflation significantly exceeding the Central Bank's inflation target, which may cause the Central Bank to further tighten its monetary policy, which could in turn have a further adverse effect on the Turkish economy. If the recent high level of inflation in Turkey were to persist or increase further, this could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy

Turkish Lira-U.S. dollar exchange rate is subject to significant volatility, which has increased in recent periods. The Turkish Lira-U.S. dollar exchange rate was TL 3.5382 per U.S. dollar on 30 December 2016, and increased to TL 3.8173 per U.S. dollar on 29 December 2017, TL 5.2704 per U.S. dollar on 31 December 2018, and TL 5.5523 per U.S. dollar on 29 March 2019.

As a result of the rapid depreciation of the Turkish Lira over the first half of 2018, the Central Bank and the BRSA announced measures to support the financial markets and prevent volatility in the currency market. In the two days following these announcements, the Turkish Lira appreciated by approximately 11 per cent. but has continued to exhibit substantial volatility with continuing downward pressure. The Turkish Lira and foreign-currency liquidity management measures announced by the Central Bank on 13 August 2018 included increasing the foreign-exchange deposit limits of the Turkish banks (currently around U.S.\$50 billion), in order to ensure the financial stability and the efficiency of the financial markets. Furthermore, on 14 August 2018, the Central Bank introduced amendments to the Communiqué Regarding Reserve Requirements and lowered (i) the Turkish banks' Turkish Lira reserve requirement ratios by 250 basis points for all maturity brackets and all liabilities and (ii) the reserve requirement ratios by 400 basis points for up to 3-year maturities, and all non-core foreign-exchange liabilities. In addition, in the same week, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate, at 150 basis points above the one-week repo rate, as the main lending rate, thereby setting the daily bank funding at 19.25 per cent. from 17 August 2018. On 13 September 2018, the Central Bank further increased the policy rate by 625 basis points to 24 per cent.

The measures taken by the BRSA in August 2018 included the prevention of Turkish banks from using foreign-exchange currency swaps, forwards and similar transactions with residents abroad under which the Turkish banks provide Turkish Lira at the start of the transaction, to the extent that such transactions exceed 25 per cent. of the relevant bank's regulatory capital, calculated daily on a standalone and consolidated basis.

Overall, 2018, the Turkish Lira depreciated by 38.1 per cent. against the U.S. dollar.

Any further significant depreciation of the Turkish Lira against the U.S. dollar or other major currencies, or any additional actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) may adversely affect the financial condition of Turkey as a

whole, including its inflation rate, and may have a negative effect on the Group's business, financial condition and/or results of operations.

Turkey's high current account deficit may result in governmental efforts to decrease economic activity

In recent years, Turkey has had a significant current account deficit, which could leave its economy susceptible to declines in capital inflows and vulnerable to macroeconomic shocks. Moreover, Turkish policymakers may also take measures to decrease certain types of economic activity in an attempt to limit the current account deficit, which could have a negative impact on the Bank's customers and business.

Turkey's current account deficit was U.S.\$27.8 billion as at May 2016. However, by the third quarter of 2016, Turkey's yearly current account deficit increased to U.S.\$33.1 billion in 2016 due to the depreciation of Turkish Lira against the U.S. dollar. On a 12-month basis, Turkey's yearly current account deficit further increased to U.S.\$47.3 billion in 2017. As the economy slowed down throughout 2018, the current account deficit decreased to U.S.\$27.1 billion by the year end and to U.S.\$12.8 billion as of March 2019.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent on trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. A decline in demand for imports into the EU could have a material adverse effect on Turkish exports and on Turkey's economic growth, which would in turn result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit as described immediately above.

Turkey is an energy-dependent country, with U.S.\$37.2 billion of energy imports in 2017. In 2017, Turkey's current account deficit reached U.S.\$47.3 billion, with energy imports representing approximately 78.6 per cent. of the current account deficit. In 2018, Turkey's 12-months rolling current account deficit and energy imports stood at U.S.\$27.1 billion and U.S.\$43 billion, respectively. As a result, any geopolitical development impacting energy security could have a material impact on Turkey's current account balance. If Iraq were to export its oil reserves in Northern Iraq through Turkish territory, this could have a favourable impact on Turkey's energy costs. Turkey may also be able to diversify its energy suppliers and lower its energy costs as a result of the interim arrangement between the P5+1 countries and Iran. However, these developments are subject to significant political and other risks and may not result in lower energy costs for Turkey. Furthermore, Turkey's relationship with Saudi Arabia has recently experienced tensions as a result of disputes about the killing of Saudi journalist Jamal Khashoggi in the Saudi Arabian embassy in Istanbul. A deterioration of this relationship could have a detrimental impact on Turkey's ability to source energy from Saudi Arabia, which during 2017 accounted for approximately 5 per cent. of total oil imports into Turkey. This in turn could have an adverse effect on the Turkish economy. As of the date of this Base Prospectus, any implications of these events on the relationship between Turkey and Saudi Arabia are not clear or predictable.

If the current account deficit widens more than anticipated, financial stability in Turkey may deteriorate. Financing the high current account deficit may be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Turkey, and a failure to reduce the current account deficit could have a negative impact on Turkey's sovereign credit ratings. Any such difficulties may lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilise the Turkish financial system, and any such measures may adversely affect the Bank's business, financial condition and/or results of operations.

Turkey and its economy are subject to internal and external unrest and the threat of terrorism

Turkey is located in a region that has been subject to ongoing political and security concerns. Political uncertainty within Turkey and in certain neighbouring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks associated with an investment in Turkish securities. Regional instability has also resulted in an influx of displaced persons into Turkey, and thus the displaced person population has increased and is expected to increase. In recent years, political instability has at times increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Syria, Iraq, Libya, Tunisia, Egypt, Jordan, Bahrain and Yemen. Unrest in those countries may have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy.

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution are difficult to predict. Given Turkey's close proximity to the conflict zone, Turkey continues to deploy troops near the Syrian border. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey deems to be terrorist organisations. On 13 April 2018, the United States, the United Kingdom and France launched airstrikes against targets in Syria following a suspected chemical attack on civilians by the Syrian forces in Damascus, Syria, escalating tensions between Russia and the United States. Turkish government officials announced that they consider the United States-led operation to be an appropriate response to the suspected chemical attack. On 19 December 2018, the United States announced its intention to withdraw its nearly 2,000 troops stationed in Syria, but later announced its intention to maintain approximately 400 troops in Syria (200 of whom would be located in a safe zone near the Turkish border). Turkish officials declared that if there is to be a safe zone, it should be under Turkey's control. Any disagreements or similar operations in the future may result in a deterioration of the relationship between Turkey and the United States or Russia, but the impact of such operations, including on Turkey's relationship with the United States and Russia, is unknown. In the meantime, the Turkish military's operations against organisations that Turkey deems to be terrorist organisations continue in Syria.

On 24 November 2015, Turkey shot down a Russian military aircraft near Turkey's border with Syria claiming a violation of its airspace, leading to Russia implementing certain sanctions with regard to Turkey. While relations between Turkey and Russia have recently significantly improved, and no sanctions are currently in place, there can be no assurance that relationship between the two countries will not deteriorate in the future. Any further escalation of political instability or international military intervention in Syria and/or a more aggressive stance by the Syrian government's allies, Russia, Iran, and China against Turkey and supporters of the Syrian opposition forces may act as a destabilising factor for Turkey.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups as well as other political unrest within its territory. In particular, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by various states and organisations including Turkey, the EU and the United States). Turkey has from time to time been the subject of terrorist attacks, including bombings in recent years in its tourist and commercial centres in İstanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces. Several terrorist attacks carried out on Turkish soil in 2015, 2016 and 2017 have resulted in numerous civilian, police and military casualties.

Such circumstances have had and could continue to have a material adverse effect on the Turkish economy and/or the Group's business, financial condition and/or results of operations.

The Turkish economy is subject to geo-political risks

Turkey has experienced increasingly turbulent relations with the U.S. and other countries in recent years, which affected macro-economic stability of the Turkish economy as well as the Turkish lira exchange rate.

On 8 October 2017, the U.S. diplomatic mission in Turkey and the Turkish diplomatic mission in the United States suspended all non-immigrant visa services for the other country's citizens. The immediate response of the markets resulted in the depreciation of TL by approximately 6 per cent. against the U.S. dollar and a decrease on BIST-100 by approximately 3.3 per cent. On 6 November 2017 mutual visa services have resumed between the two countries. However, any similar events in the future may result in (or contribute to) a deterioration of the relationship between Turkey and the United States. Relations between the two countries had remained strained on various topics, including the detention of Andrew Brunson, an American pastor arrested in October 2016 while working in Turkey and the conviction of an executive of a state-controlled bank, Türkiye Halk Bankası A.Ş., for bank fraud and conspiracy to violate U.S. sanctions laws in assisting Iran to evade U.S. sanctions. As such, political uncertainty is likely to continue. Furthermore, in August 2018, the United States imposed personal sanctions on two Turkish ministers due to the detention of the American pastor working in Turkey, and also increased import taxes on Turkish steel and aluminium. Nonetheless, on 12 October 2018, a Turkish court released the detained pastor, and the United States removed the sanctions imposed on the Turkish ministers.

In December 2017, Turkey entered into an agreement with Russia for the purchase of S-400 missile defence systems independent of the North Atlantic Treaty Organization ("NATO"), prompting the U.S. to threaten possible sanctions against Turkey and a suspension of Turkey's subcontracting work on the F-35 fighter programme, unless Turkey cancelled the purchase. In July 2019, Turkey accepted the first shipment of the S-400 missile defence system and increased the risk of sanctions being imposed against Turkey by the U.S. It is uncertain how Turkey's purchase of such missile defence systems will impact its relationship with the United States or any other members of NATO. Disagreements with the U.S. and/or NATO, or economic sanctions that arise in relation to this agreement may result in (or contribute to) a deterioration in the relationship between Turkey and the United States or Russia and have a material negative impact on the Turkish economy.

On 2 October 2018, a Saudi journalist went missing after entering the Saudi consulate in Istanbul. The Istanbul prosecutors started a criminal investigation into the incident, and on 31 October 2018, the chief prosecutor of Istanbul issued a written statement about the investigation. According to such statement, evidence was found that the Saudi journalist was killed intentionally in the Saudi consulate and investigations are continuing. As of the date of this Base Prospectus, any implications of these events on the relationship between Turkey and Saudi Arabia remain unclear.

In addition, in the week of 2 November 2018, certain U.S. sanctions on Iranian financial and energy sectors and on certain other imports from Iran, were re-imposed. Nevertheless, the United States granted Turkey a partial exemption allowing it to import limited amounts of oil from Iran for six months. However, on 22 April 2019, the United States government announced that it does not intend to renew this exemption after the end of the allotted six month period. The impact of these circumstances may have a negative impact on the Turkish economy. Additionally, any similar events in the future may result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and may have a negative impact on the Turkish economy. Furthermore, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the above-described conviction of an executive of Türkiye Halk Bankası A.Ş.) may lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. As of the date of this Base Prospectus, the final outcome in relation to the conviction, including any appeal and whether any sanction, fine or penalty will be imposed by OFAC or any other U.S. regulatory body on Türkiye Halk Bankası A.Ş. or any other Turkish bank or person in connection with those matters, as well as the possible reaction of the financial markets to any such events or speculation regarding such events, is unknown.

Actual or perceived political instability in Turkey, escalating diplomatic and political tensions with the United States or other countries, and/or other political circumstances (and related actions, rumours and/or uncertainties)

could have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of the Notes.

Recent developments in the Middle East and North Africa may create regional volatility affecting the Turkish economy

As noted above, Turkey is located in a region that has been subject to ongoing political and security concerns. Political and economic uncertainty within neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has been one of the risks associated with investment in Turkish securities. Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Libya, Tunisia, Egypt, Syria, Iraq, Jordan, Bahrain, Yemen and Qatar. Unrest in those countries may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. For example, the conflict in Iraq could impact Turkey's exports and may increase oil prices and further negatively affect Turkey's current account deficit. Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East and North Africa and may experience negative effects of the upheavals in the region. Any of such circumstances could adversely affect the Group's business, financial condition and/or results of operations.

The Group is subject to risks associated with doing business in an emerging market

The Group only operates in Turkey and derives almost all of its revenue from activities in Turkey. As a result, the Group's business, results of operations and financial condition are significantly affected by the overall level of economic activity and political stability in Turkey. Despite Turkey undergoing significant political and economic reform in recent years that increased stability and led to economic growth, Turkey is still considered by international investors to be an emerging market. Emerging markets are subject to greater risks than more developed markets and financial turmoil in any emerging market (or global markets generally) could disproportionately disrupt business in other emerging markets as well as causing a decline in the price of an investment in the Notes.

Investors' interest in Turkey may be negatively affected by events in other emerging markets or the global economy in general (for example, the global financial crisis or monetary policies in the United States or other major central banks, including, for example, the recent tightening of monetary policy by the U.S. Federal Reserve). An increase in the perceived risks associated with investing in emerging economies could adversely affect the Turkish economy, and the Notes may be subject to fluctuations in price that may not necessarily be related to economic conditions in Turkey or the financial performance of the Group. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect in which an entire region or class of investment is disfavoured by international investors, Turkey could be adversely affected by negative economic or financial developments in other emerging market countries. While the impact of the global financial crisis on Turkey was relatively limited, Turkey has been adversely affected by such contagion effects on a number of occasions in the past, including following the financial crises in 1994 and 2000 to 2001. Similar developments can be expected to affect the Turkish economy in the future, which could, in turn, have an adverse impact on prices of investments in Turkish capital markets issuances such as the Notes.

Turkey is located in a high-risk earthquake zone

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. On 17 August 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake occurred in the city of Düzce, between Ankara and İstanbul, resulting in significant financial costs to Turkey. More recently, on 8 March 2010, an earthquake measuring 6.0 on the Richter scale struck the

eastern province of Elazığ, and in October 2011 an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country, causing significant property damage and loss of life. A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the properties and business operations of the Group and its customers in Turkey are located in earthquake risk zones.

The Group maintains earthquake insurance but, as such insurance is not generally available in Turkey, does not have the wider business interruption insurance or insurance for loss of profits. The occurrence of a severe earthquake could adversely affect one or more of the Group's facilities, thereby causing an interruption in, and an adverse effect on, the Group's business. In addition, a severe earthquake could harm the Turkish economy in general and/or any of its customers, which could adversely affect the Group's business, financial condition and/or results of operations.

The Group has a significant portion of its assets invested in Turkish government debt, making it highly dependent upon the continued credit quality of, and payment of its debts by, the Turkish government

The Group has a significant exposure to Turkish governmental entities, which it is not required to account for in its reserves. As of 31 March 2019, 97.0 per cent. of the Group's total securities portfolio (equal to 14.0 per cent. of its total assets and 134.0 per cent. of its shareholders' equity) was invested in securities issued by the Turkish government (97.0 per cent., 14.3 per cent. and 131.2 per cent, respectively, as of 31 December 2018; and 95.8 per cent., 14.6 per cent. and 117.4 per cent., respectively, as of 31 December 2017). In addition to any direct losses that the Group may incur, although Turkey has never defaulted on its sovereign debt, a future default, or the perception of increased risk of a potential default, by Turkish governmental entities in making payments on their debt, or a further downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks Related to the Structure of a Particular Issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may similarly be true prior to any redemption period.

To the extent Notes have an optional redemption feature, the Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis may affect the secondary market and the market value of such Notes, as the change of interest

basis may result in a lower return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of the investment in the relevant Notes.

In certain circumstances, investors may need to open a bank account in the Specified Currency or payment may be made in a currency other than as elected by a Noteholder or the currency in which payment is made may affect the value of the Notes or such payment to the relevant Noteholder

In the case of Turkish Lira denominated Notes held other than through DTC, unless an election to receive payments in U.S. Dollars as provided in Condition 7.8 is made, holders of such Notes may need to open and maintain a Turkish Lira denominated bank account, and no assurance can be given that Noteholders will be able to do so either in or outside of Turkey. For so long as such Notes are in global form, any Noteholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Notes) from its account at Euroclear or Clearstream, Luxembourg to which any such payment is made.

For Notes in a Specified Currency other than U.S. Dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to open and maintain a bank account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on the Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. Dollars and the holders of such Notes will receive payment in U.S. Dollars. See “*Terms and Conditions of the Notes – Condition 7.9*”.

Under Condition 7.8, if the Fiscal Agent receives cleared funds in respect of Turkish Lira denominated Notes held other than through DTC from the Issuer after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. Dollar amounts Noteholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If it is not possible for the Fiscal Agent to purchase U.S. Dollars with any Turkish Lira funds received, the relevant payments in respect of the Notes will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira denominated Notes for the purposes of Condition 7.8 is irrevocable: (a) its exercise may (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, Noteholders will receive the relevant amount in Turkish Lira.

Noteholders will have no recourse to the Issuer, any Agent or any other person for any reduction in value to the holder of any relevant Notes or any payment made in respect of such Notes as a result of such payment being made in the Specified Currency or in accordance with any currency election made by that holder, including as a result of any foreign exchange rate spreads, conversion fees or commissions resulting from any exchange of such payment into any currency other than the Specified Currency. Such exchange, and any fees and commissions related thereto, or payment made in the Specified Currency may result in a Noteholder receiving an amount that is less than the amount that such Noteholder may have obtained had it received the payment in the Specified Currency and converted such payment in an alternative manner or if payment had been made in accordance with the relevant currency election.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks related to the Notes Generally

Set out below is a description of material risks relating to the Notes generally:

The Notes will constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will constitute unsecured obligations of the Issuer. The ability of the Issuer to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which could be affected by (*inter alia*) the circumstances described in these "Risk Factors".

Claims of Noteholders under the Notes will be effectively subordinated to those of certain other creditors

While the Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness, the Notes will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (as is the case for all Turkish banks, including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Issuer with the Central Bank, claims that the Central Bank may have against the Issuer with respect to certain loans made by it to the Issuer and certain "public claims"). Any such preferential claims may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Issuer and may result in an investor in the Notes losing all or some of its investment.

It is important for investors in the Notes to consider that, in case of the insolvency of the Issuer, the Turkish Treasury's reimbursement/subrogation claims relating to the guarantees it provides for other debt raised by the Issuer are qualified as "public claims" and, as such, are subject to special collection procedures that result in their ranking prior to claims under the Notes and other ordinary claims. As a result, the remaining value of the Issuer's assets after repayment of these preferred claims in an insolvency of the Issuer may be insufficient to pay investors in the Notes all or any portion of the amounts due to them.

The Issuer will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of levels, if any, applicable to interest or other payments on the Notes on the original Issue Date of such Notes

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14593 dated 12 January 2009 which has been amended by Decree No. 2010/1182 dated 20 December 2010, Decree No. 2011/1854 dated 26 April 2011 and Presidential Decree No. 842 dated 20 March 2019 (together, the "Tax Decrees"). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7 per cent., (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 3 per cent. and (c) with respect to bonds with a maturity of three years and more the withholding tax rate on interest is 0 per cent.

The Issuer will have the right to redeem a Series of Notes at any time at the Early Redemption Amount specified in the applicable Final Terms (including in the case of Floating Rate Notes) prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued Tranche of the relevant Series of Notes, on the next Interest Payment Date the Issuer would be required: (A) to pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 9 on account of any Taxes (as defined in Condition 9.1) and (B) to make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on the date on which agreement is reached to issue the most recently issued Tranche of the relevant Series of Notes, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption, investors in such Series of Notes may not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the redeemed Notes and, in the case of any Floating Rate Notes, the redemption could take place on any date during an Interest Period.

This redemption feature is also likely to limit the market value of the Notes at any time when the Issuer has the right to redeem them as provided above, as the market value at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in the period before such time when any relevant change in law or regulation is yet to become effective.

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Notes of a Series, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The same considerations apply in respect of resolutions passed by way of Written Resolution and via Electronic Consents. *See Condition 16 for further details.*

Transfers of interests in the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system

Although the Notes have been authorised by the CMB pursuant to Decree 32, the Capital Markets Law, the Communiqué on Debt Instruments and other related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See *"Subscription and Sale and Transfer and Selling Restrictions"*.

Because transfers of interests in the Global Notes can be effected only through book entries at DTC, Clearstream, Luxembourg and/or Euroclear (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg, Euroclear or DTC, as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. In the event of the insolvency of Euroclear, Clearstream, Luxembourg, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

The Issuer may issue further Notes of any Series, which would dilute the Noteholder's share of such Series

As permitted by Condition 17, the Issuer may from time to time without the consent of the Noteholders of a Series create and issue further Notes of such Series, so that such further Notes shall be consolidated and form a single series with such outstanding Notes; provided that it may only do so if such further Notes will be fungible with the existing Notes of such Series for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k). To the extent that the Issuer issues such further Notes of a Series, the existing Noteholder's share of such Series (e.g., in respect of any meeting or Written Resolution of holders of the Notes of that Series (see "*Majority Decisions – The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors*" above)) will be diluted.

It may not be possible for investors to enforce foreign judgments against the Issuer or its management

The Issuer is a public joint stock company organised under the laws of Turkey. All of the directors and officers of the Issuer reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Issuer are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In connection therewith, the Issuer has submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and New York State and U.S. federal courts sitting in the Borough of Manhattan, The City of New York, New York, and has appointed agents for the service of process in each of the aforementioned jurisdictions, all as more particularly described in Condition 19. See "*Terms and Conditions of the Notes – Condition 19*".

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than Turkey may not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey or between the United States and Turkey providing for reciprocal enforcement of judgments; however, Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom with respect to the enforcement of judgments of their respective courts. However, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. The same may apply for judgments obtained in other jurisdictions. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the U.S. federal or any other non-Turkish securities laws.

The designation in Condition 19.6 of the United States federal courts set forth therein as venues for proceedings relating to the Notes is subject to the power of United States federal courts to transfer proceedings pursuant to Section 1404(a) of Title 28 of the United States Code or to dismiss such proceedings on the grounds that such United States federal court is an inconvenient forum for such actions.

Furthermore, any claim against the Issuer which is denominated in a foreign currency would, in any bankruptcy of the Issuer, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency which is effective on the date when the relevant court's decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favourable to a Noteholder than the rate of exchange prevailing at the relevant time.

For further information, see "*Enforcement of Judgments and Service of Process*".

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase interests in Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if Notes in definitive form are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that interests in such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase or sell a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

Unless issued in definitive form, Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with or registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or may be deposited with or registered in the name of a nominee for DTC (each as defined under “*Form of the Notes*”). Except in the circumstances described in the applicable Global Note, investors in a Global Note will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Except in the case of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC has elected to receive any part of such payment in that Specified Currency, for so long as the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell their Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The market price of an investment in the Notes may be subject to a high degree of volatility

The market price of any investment in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other Notes or debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of an investment in the Notes without regard to the Issuer's financial condition or results of operations.

The market price of any investment in the Notes will also be influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investment in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including those issued by the Bank, which could adversely affect the market price of an investment in the Notes.

If an investor holds Notes which are not denominated in the investor's home currency, then such an investor will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in the

Specified Currency into the Investor's Currency, which could materially adversely affect the market value of the Notes. There may also be tax consequences for investors.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”

Interest rates and indices which are deemed to be “benchmarks”, including the London interbank offered rate (“LIBOR”) and the euro interbank offered rate (“EURIBOR”) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a “benchmark”. The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the United Kingdom Financial Conduct Authority (the “FCA”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcements”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“€STR”) as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent certain benchmarks will continue to be supported going forwards. This may cause such benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Condition 6.7 provides for certain fallback arrangements in the event that a relevant benchmark is discontinued or no longer published or a Benchmark Event otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the Conditions of the Notes) on the applicable Notes could be set by reference to a Successor Rate or an Rate (both as defined in the Conditions of the Notes) and that such Successor Rate or Alternative Rate may be adjusted (if required) as a result of the replacement of the relevant benchmark with the Successor Rate or Alternative Rate and amendments could also be made to the Conditions of the Notes and/or the Agency Agreement to ensure the proper operation of the Successor Rate or Alternative Rate, as the case may be, all as determined by the Issuer following consultation with an Independent Adviser (as defined in the Conditions of the Notes) and acting in good faith and in a commercially reasonable manner. Any Adjustment Spread (as defined in the Conditions of the Notes) that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of a Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result

in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory development, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark discontinuation provisions under Condition 6.7 in making any investment decision with respect to any Notes linked to or referencing a benchmark.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Issuer is a public joint stock company under the Turkish Commercial Code (No. 6102). Substantially all of the assets of the Issuer are located in Turkey. As a result, it may not be possible for investors to effect service of process upon the Issuer outside Turkey or to enforce against it in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

- (a) there is in effect a treaty between such country and Turkey providing for a reciprocal enforcement of court judgments,
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. Turkish courts have rendered at least one judgment confirming a *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the U.S. federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,
- (d) the judgment is not of a civil nature,
- (e) the judgment is clearly against public policy rules of Turkey,
- (f) the judgment is not final and binding with no further recourse for appeal or similar revision process under the laws of the country where the judgment has been rendered, or
- (g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In any lawsuit, debt collection proceeding or action against the Issuer in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*); provided that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be: (a) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574), except for legal entities incorporated under the laws of such

contracting states, or (b) a national of a state that has signed a bilateral treaty with Turkey that is duly ratified and contains (*inter alia*) a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis. In addition, if Turkish nationals do not deposit such a security in the country of the foreign plaintiff, then the relevant Turkish court may waive such requirement for security relying upon the *de facto* reciprocity. If the foreign plaintiff deposits such security and the proceeding ends in favour of such plaintiff, then such security will be returned to such plaintiff.

Furthermore, any claim against the Issuer which is denominated in a foreign currency would, in any bankruptcy of the Issuer, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency which is effective on the date when the relevant court's decision on the bankruptcy is rendered in accordance with Turkish law. See "*Risk Factors – Risks related to the Notes Generally– It may not be possible for investors to enforce foreign judgments against the Issuer or its management*" for further details.

Process may be served on the Issuer at Türkiye İş Bankası A.Ş., London Branch (with an address at the date of this Base Prospectus of 8 Princes Street, London EC2R 8HL, United Kingdom) in relation to any proceedings in England in connection with any Notes issued under the Programme.

In the case of any Series of Notes where some or all of the Notes of such Series have been offered by or on behalf of the Issuer in the United States or to U.S. persons, the Issuer will appoint an agent in the United States to accept service of process in any suit, action, or proceeding brought with respect to such Notes instituted in any state or federal court in the Borough of Manhattan, The City of New York, New York, as more particularly described in Condition 19.6. The name and address of such agent will be specified in the applicable Final Terms.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Base Prospectus:

- (a) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group as of and for the years ended 31 December 2018, 2017 and 2016;
- (b) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Issuer as of and for the years ended 31 December 2018, 2017 and 2016;
- (c) the independent auditors' review reports and unaudited consolidated BRSA Financial Statements of the Group as of and for the three months ended 31 March 2019 and 2018;
- (d) the independent auditors' review reports and unaudited unconsolidated BRSA Financial Statements of the Issuer as of and for the three months ended 31 March 2019 and 2018; and
- (e) the Terms and Conditions of the Notes contained in the Base Prospectus dated 2 April 2015 (on pages 68 to 101 (inclusive)), the Base Prospectus dated 19 April 2016 (on pages 70 to 103 (inclusive)), the Base Prospectus dated 20 December 2017 (on pages 78 to 112 (inclusive)) and the Base Prospectus dated 30 November 2018 (on pages 86 to 120 (inclusive)), each prepared by the Issuer in connection with the Programme.

The BRSA Financial Statements incorporated by reference into this Base Prospectus, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Issuer confirms were direct and accurate).

Copies of documents incorporated by reference in this Base Prospectus are available on the Issuer's website at the following links:

- (a) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group as of and for the years ended 31 December 2018 (http://www.tskb.com.tr/i/content/3483_1_TSKB%20KONS%20EN%2031.12.2018.pdf), 2017 (http://www.tskb.com.tr/i/content/3118_1_tskb-kons.pdf) and 2016 (http://www.tskb.com.tr/i/content/2966_1_2966_1_TSKB_CONS_EN_31122016.pdf);
- (b) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Issuer as of and for the years ended 31 December 2018 (http://www.tskb.com.tr/i/content/3483_1_TSKB%20SOLO%20EN%2031.12.2018.pdf), 2017 (http://www.tskb.com.tr/i/content/3118_1_tskb-solo.pdf) and 2016 (http://www.tskb.com.tr/i/content/2966_1_TSKB_UNCONS_EN_%2031122016.pdf);
- (c) the independent auditors' review reports and unaudited consolidated BRSA Financial Statements of the Group as of and for the three months ended 31 March 2019 (http://www.tskb.com.tr/i/content/4202_1_TSKB_KONS_EN_31.03.2019.pdf) and the three months ended 31 March 2018 (http://www.tskb.com.tr/i/content/3483_1_tskb-kons-en.pdf);
- (d) the independent auditors' review reports and unaudited unconsolidated BRSA Financial Statements of the Issuer as of and for the three months ended 31 March 2019 (http://www.tskb.com.tr/i/content/4202_1_TSKB_KONS_EN_31.03.2019.pdf) and three months ended 31 March 2018 (http://www.tskb.com.tr/i/content/3483_1_tskb-solo-en.pdf); and

- (e) the Terms and Conditions of the Notes contained in the Base Prospectus dated 2 April 2015 (on pages 68 to 101 (inclusive)) (<http://www.tskb.com.tr/i/assets/document/pdf/2-base-prospectus-dated-2-april-2015.pdf>), the Base Prospectus dated 19 April 2016 (on pages 70 to 103 (inclusive)) (<http://www.tskb.com.tr/i/assets/document/pdf/Base-Prospectus-dated-19-April-2016.pdf>), the Base Prospectus dated 20 December 2017 (on pages 78 to 112 (inclusive)) (<http://www.tskb.com.tr/i/assets/document/pdf/tskb-gmtn-2017-update-base-prospectus.pdf>) and the Base Prospectus dated 30 November 2018 (on pages 86 to 120 (inclusive)) (<http://www.tskb.com.tr/i/assets/document/pdf/icm-31521440-v1-tskb-base-prospectus-30-11-2018.pdf>), each prepared by the Issuer in connection with the Programme.

Any non-incorporated parts of a document referred to above are either irrelevant to an investor or covered elsewhere in this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus do not (and shall not be deemed to) form part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Notes, which supplement will be approved by the Central Bank of Ireland, all in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The contents of any website referenced in this Base Prospectus do not form part of (and are not incorporated into) this Base Prospectus.

OVERVIEW OF THE BANK

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Prospectus, including the BRSA Financial Statements. Prospective investors should see “Risk Factors” above for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein).

Overview

The Bank is a Turkish banking institution organised as a joint stock company under the Turkish Commercial Code (No. 6102). The Bank is the first privately owned development and investment bank in Turkey and, as of 31 March 2019, held a 14.6 per cent. share of the total assets among Turkish development and investment banks according to the BRSA. The Bank, largely in cooperation with DFIs, is principally involved in promoting the development of the Turkish economy by providing long-term funds for the domestic and international investments of Turkish companies, primarily through foreign currency-denominated loans. As well as supporting private sector investments (mostly in industrial sectors), part of the Bank’s original and continuing mandate and strategy is to assist domestic and foreign capital owners to finance the development of new businesses in Turkey and to contribute to improvements in Turkish capital markets.

The Group is also involved in capital market brokerage services, portfolio management and corporate finance advisory services. The Group’s investment banking activities include advisory services for public offerings, bond issuances and mergers and acquisitions. The Group’s strategic advisory activities include providing company appraisal services, feasibility studies and restructuring services. The Group also provides advisory services to domestic and foreign corporations, including locating strategic or financial partners and advising on company mergers and privatisations. The Bank operates in three main business segments: (a) Corporate Banking, which includes the Project Finance and Corporate Marketing departments, (b) Investment Banking and (c) Advisory Services. The Bank has one branch, in Ankara, as well as its principal İstanbul office.

The Bank is the first Turkish-owned bank certified to ISO 14001 (the International Organisation for Standardisation’s certificate for Environment Management Systems) based upon its environmental management system. The Bank’s dedication to sustainability dates back to 1980, when it introduced environmental standards in its credit evaluation process. In 2005, the Bank developed its own Environmental and Social Risk Evaluation tool (“ERET”) in order to rate projects irrespective of sector or loan size. The Bank has extended a large portfolio of loans to energy efficiency, resource efficiency and various types of renewable energy projects; however, the Bank is focused on further diversifying its loan portfolio. With its numerous environmental and renewable-energy related projects, the Bank is also the first and only Turkish bank to be granted the “*Financial Times* Sustainable Emerging Markets Bank of the Year” award for Eastern Europe.

In 2015, the Bank was awarded the Highest Corporate Report Transparency rating given to a bank by Transparency International. TSKB also joined the BIST (Borsa İstanbul) Sustainability Index that lists the companies operating in İstanbul with the highest corporate sustainability performances. As the first carbon neutral bank in Turkey, the Bank was also awarded the “CDP 2015 Climate Transparency Leadership Award of Turkey” by the Carbon Disclosure Project. Within the scope of the 2015 United Nations Climate Change Conference (“COP21”), the Bank signed the declaration on the transition to a low carbon economy with the members of the Association of European Long Term Investors (“ELTI”) and has signed on to the voluntary principles comprising the Climate Action initiated by the International Development Finance Club (“IDFC”), a network of national, regional and international development banks. In May 2015, the Bank hosted the third annual meeting of the National Financial Institutions of the G20 countries, also known as the D20. At the 2016 Corporate Management Awards organised by the Corporate Governance Association of Turkey (“TKYD”), the Bank received a rating of 9.52 in the BIST Corporate Governance Index, becoming the organisation with the second highest corporate management rating. TSKB has been added to the FTSE4Good Emerging Index which

assesses the sustainability of banks around the globe in terms of their environmental policies, social policies and governance.

In 2016, the Bank was awarded “EMEA Green/SRI Bond Deal of the Year” by GlobalCapital and “Sustainable Bond Award of the Year” by the International Financing Review Magazine (IFR)/Thomson Reuters. In addition, the Bank’s inaugural green/sustainable bond was named “Structured Finance Deal of the Year 2016” by Bonds & Loans Awards Turkey.

In 2017, the Bank was awarded the “Eastern and Central Europe Best Green Bond Deal” by EMEA Finance, the “Green Bond Deal of the Year” by the International Financing Review Magazine (IFR)/Thomson Reuters and the “Structured Finance Deal of the Year 2017”, the “Infrastructure Finance Deal of the Year” and the “Syndicated Loan Deal of the Year” by Bonds & Loans Awards Turkey. The Bank published the first Integrated Report in Turkey in March 2017. The Bank also published its first ever Impact and Allocation Report for the green/sustainable bond which was issued in 2016.

In September 2018, the Bank hosted the second annual meeting of the IDFC. The Bank’s 2018 financial, environmental and social performance was included in its first integrated annual report.

As of 31 March 2019, the Group had total assets of TL 41.1 billion, an increase of 7 per cent. from TL 38.3 billion as of 31 December 2018, which was an increase of 37 per cent. from TL 29.9 billion as of 31 December 2017, itself a 20.3 per cent. increase from TL 24.9 billion as of 31 December 2016. As of 31 March 2019, the Group had total shareholders’ equity of TL 4.3 billion, an increase of 3 per cent. from TL 4.2 billion as of 31 December 2018, which was an increase of 16 per cent. from TL 3.7 billion as of 31 December 2017, itself an increase of 18.1 per cent. from TL 3.1 billion as of 31 December 2016.

For the three months ended 31 March 2019, the Group’s net profit was TL 169.2 million, a 10.7 per cent. increase from TL 152.8 million for the three months ended 31 March 2018. For the year ended 31 December 2018, the Group’s net profit was TL 663.3 million, a 9.5 per cent. increase from TL 605.5 for the year ended 31 December 2017, itself a 38.9 per cent. increase from TL 435.9 million for the year ended 31 December 2016. For the three months ended 31 March 2019, the Group’s net interest income was TL 494.7 million, a 60 per cent. increase from TL 309.4 million for the three months ended 31 March 2018. For the year ended 31 December 2018, the Group’s net interest income was TL 1,728.7 million, a 70 per cent. increase from TL 1,017.3 million for the year ended 31 December 2017. The Group’s total operating income was TL 1,068.7 million in 2017, TL 1,431.9 million in 2018, and TL 442 million for the three months ended March 2019 (TL 346.2 million for the three months ended 31 March 2018), while its net period profit from continuing operations was TL 435.9 million in 2016, TL 605.5 million in 2017, TL 663.3 million in 2018 and TL 169.2 million in for the three months ended 31 March 2019 (TL 152.8 million for the three months ended 31 March 2018).

As of 31 March 2019, the Group’s total capital adequacy ratio was 15.7 per cent. and its Tier I capital adequacy ratio was 10.5 per cent., both as calculated in accordance with Basel III rules that came into effect on 1 January 2014. As of the same date, the Group’s shareholders’ equity was TL 4.3 million, its liquid asset ratio (being the total amount of cash and balances with the Central Bank of Turkey, banks, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost divided by the Group’s total assets) was 25 per cent. The Group’s net operating income was TL 514.8 million in 2016, TL 695.7 million in 2017, TL 822.9 million in 2018 and TL 230 million for the three months ended 31 March 2019 (TL 233.1 million for the three months ended 31 March 2018).

The Bank’s shares have been quoted on the BİST since 1986. As of 31 March 2019, 50.92 per cent. of the Bank’s shares were held by the İşbank Group (41.44 per cent. held directly by İşbank with the remainder held through its subsidiaries, comprising 5.80 per cent. held by Trakya Yatırım, 1.90 per cent. held by Milli Reasürans, 0.89 per cent. by Anadolu Sigorta and 0.89 per cent. held by Anadolu Hayat Emeklilik), 8.38 per cent. of the shares were held by Vakıfbank, 38.6 per cent. were traded publicly on the BİST (52.68 per cent. of

which were owned by foreign investors) and the remaining shares (2.10 per cent.) were owned by other institutional shareholders.

Strengths

The Bank's management believes that the Group has a number of key strengths that enable it to compete effectively in the Turkish banking sector, including:

- Strong relationships with the World Bank and other DFIs;
- Relationship with İşbank which provides access to significant expertise;
- Strong capital structure with conservative match-funding policy;
- Recognised and trusted banking brand in Turkey;
- Diversified loan portfolio;
- Prudent risk management;
- Independent process for appraising projects;
- Strong focus on employee training and development; highly skilled workforce;
- High standards of corporate governance and business ethics; and
- The Bank's regulatory burden is lower than that of its universal banking competitors.

See *"Business of the Group – Overview – Strengths"* for further details on the strengths of the Group.

Strategy

The Bank's overall strategic goal is to create value for the inclusive sustainable development of Turkey through the financing and consultancy solutions powered by experience in development and investment banking. It intends to achieve this goal by continuing to implement the following key strategies:

- Supporting sustainable development;
- Providing entrepreneurs with money and capital market brokerage and advisory support;
- Sustaining asset quality and avoiding risky loans;
- Maintaining access to medium and long-term funding from DFIs;
- Boosting the Bank's fee and commission income; and
- Continuing to attract and develop talent.

See *"Business of the Group – Overview – Strategy"* for further details on the strategy of the Group.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview only relates to the terms and conditions of the Notes as set out in this Base Prospectus. Notes may be issued under the Programme in a form other than that contemplated in such conditions, and where any such Notes are to be: (a) admitted to trading on the Regulated Market or another regulated market for the purposes of MiFID II or (b) offered to the public in the EEA in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this overview.

Issuer	Türkiye Sınai Kalkınma Bankası A.Ş.
Legal Entity Identifier (LEI)	549300MFCXK5HOOEWP84
Risk Factors	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include risks relating to the Group and its business, the Group’s relationship with the Issuer’s principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description	Global Medium Term Note Programme
Arrangers	Citigroup Global Markets Limited Commerzbank Aktiengesellschaft
Dealers	Arab Banking Corporation (B.S.C.) BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities plc SMBC Nikko Capital Markets Limited Société Générale Standard Chartered Bank UniCredit Bank AG and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or

reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale and Transfer and Selling Restrictions*”) including the below restrictions applicable at the date of this Base Prospectus.

Fiscal Agent	Citibank, N.A., London Branch
Programme Size	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution	Notes may be distributed by way of private or (other than in the United States) public placement and in each case on a syndicated or non-syndicated basis.
Currencies	<p>Notes may be denominated and payments in respect of the Notes may be made in Euro, Sterling, U.S. Dollars, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer, and as set out in the Conditions and specified in the applicable Final Terms.</p> <p>Each payment in respect of Notes denominated in Turkish Lira and held other than through DTC may be made in U.S. Dollars under Condition 7.8 if an irrevocable election to receive such payment in U.S. Dollars is made. See “<i>Terms and Conditions of the Notes – Condition 7.8</i>”.</p> <p>In the case of Notes held through DTC and denominated in a Specified Currency other than U.S. Dollars, payments will be made in U.S. Dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency. See “<i>Terms and Conditions of the Notes – Condition 7.9</i>”.</p>
Maturities	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on

redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Discontinuation

On the occurrence of a Benchmark Event for a Series of Floating Rate Notes, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate together, in either case, with the applicable Adjustment Spread and any Benchmark Amendments in accordance with Condition 6.7.

Redemption

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or as a result of an acceleration due to an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Denomination of Notes

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as

may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State in circumstances which require the publication of a prospectus under the Prospectus Directive will be not less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as of the applicable Issue Date).

Taxation

All payments in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”), imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See “*Taxation – Certain Turkish Tax Considerations*” and “*Terms and Conditions of the Notes – Condition 9*”.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.

Negative Pledge

The terms of the Notes will contain a negative pledge provision, as further described in Condition 4.

Certain Covenants

The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates, as further described in Condition 5.

Events of Default

The Notes will be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See “*Terms and Conditions of the Notes – Condition 11*”.

Status of the Notes

The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to

the extent permitted by applicable laws relating to creditors' rights.

Rating

The Programme has been rated “B+” (for long-term issuances) and “B” (for short-term issuances) by Fitch and Notes issued under the Programme are expected to be rated “B3” (for long-term issuances) and “NP” (for short-term issuances) by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

ERISA

Subject to certain conditions, the Notes may be invested in with the assets of an “employee benefit plan” as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), a “plan” as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include “plan assets” of any of the foregoing. See “*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*”.

Listing and admission to trading

Application will be made to Euronext Dublin for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on the Regulated Market, however, no assurance can be given that any such application will be accepted.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law

The Notes and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement are or will be (as applicable) governed by, and shall be construed in accordance with, English law.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Notes in Turkey, the United Kingdom, the United States, the EEA, Japan, the Kingdom of Bahrain, Hong Kong, Switzerland, Singapore and Thailand, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see “*Subscription and Sale and Transfer and Selling Restrictions*”.

United States Selling Restrictions

Regulation S (Category 2) and Rule 144A. Bearer Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”), unless (i) the applicable Final Terms states that such Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (“TEFRA C”) or (ii) the Bearer Notes are issued other than in circumstances under which the Bearer Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable. Such rules impose certain additional restrictions on transfers of Bearer Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S and Registered Notes will be issued both in “offshore transactions” to non-U.S. persons in reliance on the exemption from registration provided by Regulation S (“Regulation S Notes”) or to persons reasonably believed to be QIBs in reliance on Rule 144A (“Rule 144A Notes”).

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a “Temporary Bearer Global Note”) or, if so specified in the applicable Final Terms, a permanent global note (a “Permanent Bearer Global Note”) and, together with a Temporary Bearer Global Note, each a “Bearer Global Note”) which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in new global note (“NGN”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”); and
- (b) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the “Exchange Date”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the

Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Temporary Bearer Global Note or a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached if an Exchange Event occurs. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Notes represented by a Permanent Bearer Global Note in definitive form and the Issuer has elected to request the exchange of the Permanent Bearer Global Note. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event specified in (i) or (ii) of the definition of Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depository or the common safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes or Bearer Notes issued in compliance with TEFRA C) which have an original maturity of more than one year and on all receipts, interest coupons and talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections of the Code referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts, interest coupons or talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purposes of their immobilization in accordance with article 4 of the Belgian law of December 14, 2005.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global note in registered form (a "Regulation S Global Note") or, if so specified in the applicable Final Terms, by a registered note in definitive form (a

“Definitive Regulation S Registered Note”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, Registered Notes offered and sold in reliance on Regulation S (including Definitive Regulation S Registered Notes) or beneficial interests therein may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and such beneficial interests in a Regulation S Global Note (including one held by DTC or its nominee) may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Notes will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold by the Issuer or any person acting on its behalf in transactions exempt from the registration requirements of the Securities Act to QIBs in reliance on, and compliance with Rule 144A. Rule 144A Notes will be represented by a global note in registered form (a “Rule 144A Global Note” and together with a Regulation S Global Note, each a “Registered Global Note”). The Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Registered Global Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“DTC”) or (ii) deposited with a common depository or, if the Registered Notes are to be held under the New Safekeeping Structure (“NSS”), a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depository or common safekeeper, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for registered Global Notes to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes on the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached if an Exchange Event occurs. For these purposes, “Exchange Event” means that (a) an Event of Default has occurred and is continuing, (b) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (c) in the case of Notes registered in the name of a nominee for a common depository for Euroclear

and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (d) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Notes represented by the Registered Global Note in definitive form and the Issuer has elected to request the exchange of the Registered Global Note. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (d) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “*Subscription and Sale and Transfer and Selling Restrictions*”).

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes but is to be consolidated with such existing Tranche on a date after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CFI, FISN, CUSIP and CINS number which are different from the common code, ISIN, CFI, FISN, CUSIP and CINS (as applicable) assigned to Notes of any other Tranche of the same Series until such time as the further Tranche is so consolidated, which shall not be prior to the expiry of any applicable distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then, from 8.00 p.m. (London time) on such day, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the “Deed of Covenant”) dated 17 July 2019 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus or a supplement to the Base Prospectus,

if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

[MiFID II PRODUCT GOVERNANCE/ PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET– Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]²

[NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the Notes to be capital markets products other than ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the “MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]³

[Date]

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Legal Entity Identifier: 549300MFCXK5HOOEWP84

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the “Notes”)

under the U.S.\$2,000,000,000

Global Medium Term Note Programme

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document (“KID”) will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the “Prohibition of Sales to EEA Retail Investors” selling restriction should be specified to be “Applicable”.

² Legend to be included on front of the Final Terms if one or more of the Managers/Dealer in relation to the Notes is a MiFID regulated entity.

³ Legend to be included on front of the Final Terms if the Notes (i) are being sold into Singapore; and (ii) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated 17 July 2019 [and the supplement[s] to it dated [date] [and [date]] [which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus]⁴. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of Euronext Dublin at <http://www.ise.ie/Market-Data-Announcements/Debt/>.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Base Prospectus dated [date] [and the supplement[s] to it dated [date] and [date]] which are incorporated by reference in the Base Prospectus dated 17 July 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 17 July 2019 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Base Prospectus”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of Euronext Dublin at <http://www.ise.ie/Market-Data-Announcements/Debt/>.]

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

- | | | |
|---|--|--|
| 1 | Issuer: | Türkiye Sınai Kalkınma Bankası A.Ş. |
| 2 | (a) Series Number: | [●] |
| | (b) Tranche Number: | [●] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with <i>[identify earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]][Not Applicable] |
| 3 | Specified Currency: | [●] |
| 4 | Aggregate Nominal Amount: | |
| | (a) Series: | [●] |
| | (b) Tranche: | [●] |

⁴ Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [insert date] (if applicable)]
- 6 (a) Specified Denomination(s): [●] [and integral multiples of [●] in excess thereof]
(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed in the case of Bearer Notes:
“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)
- (b) Calculation Amount: [●]
(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
- 7 (a) Issue Date: [●]
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
- 8 Maturity Date: [Fixed rate – specify date/Floating rate – Interest Payment Date [falling in][nearest to] [specify month and year]]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[●] month
[[currency]LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/SIBOR/NIBOR/WIBOR]] +/-[●] per cent.
Floating Rate]
[Zero coupon]
(see paragraph [14]/[15]/[16] below)
- 10 Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
- 11 Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [●], paragraph [14/15] below applies, and, for the period from (and including) [●] up to (and including) the Maturity Date, paragraph [14/15] below applies]/[Not Applicable][●]

- 12 Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(see paragraph [17]/[18]/[19] below)]
- 13 Status of the Notes: Senior
- Date Board approval for issuance of Notes obtained: [●] [Not Applicable] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [●] per cent. per annum payable in arrear on [the/each] Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date/[specify other]
(Amend appropriately in the case of irregular coupons. In the case of Modified Fixed Rate Notes, insert regular interest payment dates and also complete paragraph (g) below as applicable. Paragraph (g) is not relevant to Fixed Rate Notes where Interest Periods and Interest Amounts are not subject to adjustment and either (a) a customary Following Business Day Convention is to apply in accordance with Condition 7.6 to any date for payment that is not a Payment Business Day or (b) such payment dates are not otherwise to be subject to adjustment by reference to any other Business Day Convention.)
- (c) Fixed Coupon Amount(s): [[●] per Calculation Amount] [Not Applicable]
(Applicable to Notes in definitive form. Not applicable to Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
(Applicable to Notes in definitive form. Not applicable to Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)
- (e) [Day Count Fraction: [30/360] [Actual/Actual (ICMA)]

(Delete this sub-paragraph in the case of Modified Fixed Rate Notes)

(f) [Determination Date(s):

[[●] in each year][Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

(Delete this sub-paragraph in the case of Modified Fixed Rate Notes)

(g) Modified Fixed Rate Notes:

[Applicable/Not Applicable]

(Modified Fixed Rate Notes are Fixed Rate Notes: (i) the terms of which provide for Interest Periods and Interest Amounts to be subject to adjustment or (ii) for which Interest Periods and Interest Amounts are not subject to adjustment but a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Interest Periods and Interest Amounts subject to adjustment:

[Applicable/Not Applicable]

(ii) Business Day Convention:

[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

(Only applicable where Interest Periods and Interest Amounts are subject to adjustment)

(iii) Specified Business Centre(s):

[●][Not Applicable]

(Only applicable where Interest Periods and Interest Amounts are subject to adjustment. This paragraph relates to Interest Period end dates and not the date of payment to which sub-paragraph (vi) below relates)

(iv) Day Count Fraction:

[30/360] [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

(v) Payment Business Day Convention:

[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

- (Only applicable where Interest Periods and Interest Amounts are not subject to adjustment and a specified Business Day Convention is to apply to any date for payment that is not a Payment Business Day)*
- (vi) Specified Financial Centres: [●][Not Applicable]
- (Only applicable if a Payment Business Day Convention is specified in sub-paragraph 14(g)(v), Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph (iii) above relates)*
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●], not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable
- (Specified Period(s)/Specified Interest Payment Dates may not be subject to adjustment in accordance with a Business Day Convention in the case of Modified Floating Rate Notes. In these circumstances only, paragraph (m) below will be applicable)*
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]⁵
- (Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
- (c) Specified Business Centre(s): [●][Not Applicable]⁶
- (Note that this paragraph relates to Interest Period end dates and not the date of payment to which paragraph 22 relates. Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [[●] (the “Calculation Agent”)]/[Not Applicable]
- (f) Screen Rate Determination: [Applicable][Not Applicable]

⁵ Only not applicable in the case of Modified Floating Rate Notes.

⁶ Only not applicable in the case of Modified Floating Rate Notes.

- Reference Rate: [●] month
[[currency]][LIBOR/EURIBOR/TRLIBOR/ROBOR/
PRIBOR /SIBOR/NIBOR/WIBOR]
 - Specified Time: [11.00 a.m.] [11.30 a.m.] [12.00 p.m.] [other]
*(11.00 a.m. in the case of LIBOR, EURIBOR,
ROBOR, PRIBOR, SIBOR and WIBOR, 11.30 a.m. in
the case of TRLIBOR and 12.00 p.m. in the case of
NIBOR)*
 - Relevant Financial Centre: [London] [Brussels] [Bucharest] [Istanbul] [Prague]
[Singapore] [Oslo] [Warsaw] [other]
 - Interest Determination Date(s): [●]
*(Second London business day prior to the start of
each Interest Period if LIBOR (other than Sterling or
euro LIBOR), first day of each Interest Period if
Sterling LIBOR, the second day on which the
TARGET2 System is open prior to the start of each
Interest Period if EURIBOR or euro LIBOR, the
second Istanbul business day prior to the start of
each Interest Period if TRLIBOR, the second
Bucharest business day prior to the start of each
Interest Period if ROBOR, the second Prague
business day prior to the start of each Interest Period
if PRIBOR, the second Singapore business day prior
to the start of each Interest Period if SIBOR, the
second Oslo business day prior to the start of each
Interest Period if NIBOR and the second Warsaw
business day prior to the start of each Interest Period
if WIBOR)*
 - Relevant Screen Page: [●]
*(In the case of EURIBOR, if not Reuters EURIBOR01
ensure it is a page which shows a composite rate or
amend the fallback provisions appropriately)*
- (g) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
*(In the case of a LIBOR or EURIBOR-based option,
the first day of the Interest Period)*
- (h) Linear Interpolation: [Not Applicable]/[Applicable – the Rate of Interest
for the [long/short] [first/last] Interest Period shall be
calculated using Linear Interpolation (*specify for
each short or long interest period*)]
- (i) Margin(s): [+/-] [●]% per annum

	(j) Minimum Rate of Interest:	[[●]% per annum][Not Applicable]
	(k) Maximum Rate of Interest:	[[●]% per annum][Not Applicable]
	(l) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)]
	(m) Modified Floating Rate Notes:	[Applicable/Not Applicable] <i>(Modified Floating Rate Notes are Floating Rate Notes: (i) the terms of which provide that Interest Periods and Interest Amounts are not subject to adjustment as provided in the italicised directions for completing paragraph (a) and the paragraphs that follow above and (ii) for which a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Payment Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
	(ii) Specified Financial Centre(s):	[●][Not Applicable]
16	Zero Coupon Note Provisions	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(a) Accrual Yield:	[●] per cent. per annum
	(b) Reference Price:	[●]
	(c) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
PROVISIONS RELATING TO REDEMPTION		
17	Issuer Call:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount:	[●] per Calculation Amount
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[●]

- | | | |
|----|--|---|
| | (ii) Maximum Redemption Amount: | [●] |
| | (d) Notice periods: | Minimum period: [●] days
Maximum period: [●] days
<i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i> |
| 18 | Investor Put: | [Applicable/Not Applicable]
<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i> |
| | (a) Optional Redemption Date(s): | [●] |
| | (b) Optional Redemption Amount: | [●] per Calculation Amount |
| | (c) Notice periods: | Minimum period: [●] days
Maximum period: [●] days
<i>(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)</i> |
| 19 | Final Redemption Amount: | [●] per Calculation Amount |
| 20 | Early Redemption Amount payable on redemption for taxation reasons or on event of default: | [●] per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|----|----------------|--|
| 21 | Form of Notes: | |
| | (a) Form: | [Bearer Notes:]
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes upon an Exchange Event]
[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] |

[Permanent Bearer Global Note exchangeable for Definitive Notes upon an Exchange Event]

[Definitive Bearer Notes]

[Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

(N.B. The option for an issue of Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].")

[Registered Notes:

[Regulation S Global Note registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes upon an Exchange Event]

[Rule 144A Global Note(s) registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes upon an Exchange Event]

[Definitive Regulation S Registered Note]

(b) [New Global Note:

[Yes][No]

22 Specified Financial Centre(s):

[●][Not Applicable]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the Interest Amount to which sub-paragraph 15(c) relates. Not applicable if sub-paragraphs 14(g)(vi) or 15(m)(ii) are completed)

23 Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

24 Name and address of US Process Agent (Condition 19.6):

[[●] of [●]][Not Applicable]

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

25 USD Payment Election: [Applicable/Not Applicable]
(Only applicable for Notes the Specified Currency of which is Turkish Lira)

THIRD PARTY INFORMATION

[[*Relevant third party information,*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of **TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the official list and admitted to trading on the regulated market of Euronext Dublin with effect from [●].]/[Not Applicable.]

(When documenting an issue of Notes that is to be consolidated and to form a single series with a previous issue, it should be indicated here that the original Notes are already listed and admitted to trading)

- (b) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].

[Each of [defined terms] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”).]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers /Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer of the Notes. The [Managers/Dealers] and/or their [respective] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

4 YIELD (*Fixed Rate Notes only*)

- Indication of yield: [●] per cent. per annum

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5 HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic

[[*currency*]]LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/SIBOR/NIBOR/WIBOR] rates can be obtained from [Reuters] at [●].

6 OPERATIONAL INFORMATION

- (a) ISIN: [●][Not Applicable]
- (b) Common Code: [●][Not Applicable]
- (c) CUSIP: [●][Not Applicable]
- (d) CFI: [[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (e) FISN: [[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (f) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (g) Delivery: Delivery [against/free of] payment
- (h) Names and addresses of additional Paying Agent(s) (if any): [●][Not Applicable]
- (i) Deemed delivery of clearing system notices for the purposes of Condition 15: [Any notice delivered to Noteholders of Notes held through a clearing system will be deemed to have been given on the [first] [second] [business] day after the day on which it was given to the relevant clearing system.][Not Applicable]
- (j) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [or registered in the name of a nominee of one of the ICSDs acting as common safekeeper] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may

then be deposited with one of the ICSDs as common safekeeper [or registered in the name of a nominee of one of the ICSDs acting as common safekeeper]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

- (k) Relevant Benchmark[s]:
- [[*LIBOR*][*EURIBOR*][*TRLIBOR*][*ROBOR*][*PRIBOR*][*SIBOR*][*NIBOR*][*WIBOR*] is provided by [*ICE Benchmark Administration Limited*][*European Money Markets Institute*][*Banks Association of Turkey*][*National Bank of Romania*][*Czech Financial Benchmark Facility*][*ABS Benchmarks Administration Co Pte Ltd*][*Norske Finansielle Referanser AS*][*Warsaw Stock Exchange*]. As at the date hereof, [[*ICE Benchmark Administration Limited*][*European Money Markets Institute*][*Banks Association of Turkey*][*National Bank of Romania*][*Czech Financial Benchmark Facility*][*ABS Benchmarks Administration Co Pte Ltd*][*Norske Finansielle Referanser AS*][*Warsaw Stock Exchange*] [appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation)/[As far as the Bank is aware, as at the date hereof, [*LIBOR*][*EURIBOR*][*TRLIBOR*][*ROBOR*][*PRIBOR*][*SIBOR*][*NIBOR*][*WIBOR*] does not fall within the scope of the Benchmarks Regulation)/[Not Applicable]

7 DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/give names]
- (c) Date of [Subscription] Agreement: [●]
- (d) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (f) U.S. Selling Restrictions: [Reg. S Compliance Category 2][Rule 144A][Rules identical to those provided in [TEFRA C][TEFRA D] applicable][TEFRA not applicable]
- (g) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged products” and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)

- (h) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)

8 REASONS FOR THE OFFER

Reasons for the offer

[●]

(See “Use of Proceeds” wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, unless otherwise agreed by the Issuer and the relevant Dealer(s) or Investor(s) at the time of issue, will be incorporated by reference into, or attached to, each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Final Terms” and “Form of the Notes” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Türkiye Sınai Kalkınma Bankası A.Ş. (the “Issuer”) pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” shall, unless the context otherwise requires, be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “Global Note”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an agency agreement dated 17 July 2019 (such agency agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) and made among the Issuer, Citibank N.A., London Branch as fiscal and principal paying agent and exchange agent (the “Fiscal Agent” and the “Exchange Agent”, which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Citibank N.A., London Branch as transfer agent (together with the Registrar (as defined below), the “Transfer Agents”, which expression shall include any additional or successor transfer agent) and Citigroup Global Markets Europe AG as registrar (the “Registrar”, which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note, which complete these Terms and Conditions (the “Conditions”). References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended or superseded) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State.

If so specified in the applicable Final Terms, the Issuer will also appoint a calculation agent with respect to a Series of Notes (the “Calculation Agent,” which expression shall include any successor calculation agent and any other calculation agent specified in such Final Terms).

Interest-bearing definitive Bearer Notes have interest coupons (“Coupons”) and, in the case of Notes which, when issued in definitive bearer form, have more than 27 interest payments remaining, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context

otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes (a) which are expressed in the applicable Final Terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the “Deed of Covenant”) dated 17 July 2019 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the “Deed Poll”) dated 17 July 2019 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the “Agents”). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc, trading as Euronext Dublin (“Euronext Dublin”) the applicable Final Terms will be published on the Issuer’s website (<http://www.tskb.com.tr>). If this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1 Form, Denomination and Title

1.1 Form and denomination

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and serially numbered in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*. The Notes are issued pursuant to the Turkish

Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and the Communiqué No. VII-128.8 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the “CMB”).

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

1.2 Title

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next two succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of a Registered Global Note, registered in the name of a nominee for a common depository or a common safekeeper, as the case may be, for Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking, S.A. (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall upon their receipt of such certificate or other document be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes and the bearer or registered holder of such Global Note shall be deemed not to be the holder for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

2 Transfers of Registered Notes

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes of the same Series in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case only in the Specified Denomination(s) (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Final Terms) (and provided that, if transferred in part, the aggregate nominal amount of the balance of that Registered Note not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (if so requested by the specified transferee and at the risk of such transferee), send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail to the transferor. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided in this Condition 2, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or any Agent may require the payment of a sum sufficient

to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3 Status of the Notes

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4 Negative Pledge

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "Security Interest") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness;
- (b) such Security Interest is terminated;
- (c) such other arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders; or
- (d) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to: (i) a bond, note or other indebtedness whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such bond, note or other indebtedness, a "Covered Bond"), or (ii) any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided* that the aggregate then-existing balance sheet value of assets or revenues subject to any Security Interest created in respect of: (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at the time of the incurrence thereof, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles).

4.2 Interpretation

For the purposes of these Conditions:

“BRSA” means the Banking Regulation and Supervision Agency (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*);

“BRSA Principles” means collectively the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 and numbered 26333, Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board, and the additional notes and explanations related thereto, and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the BRSA;

“Direct Recourse Securities” means securities (other than Covered Bonds) issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by a Security Interest or having the benefit of a Security Interest are to be discharged principally from such assets or revenues, or by direct unsecured recourse to the Issuer; and

“Relevant Indebtedness” means: (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market and having a maturity in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction and (b) any guarantee or indemnity of any such indebtedness.

5 Covenants

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, without limitation, with the CMB and the BRSA) for: (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant and the Notes or for the validity or enforceability thereof, or (b) save to the extent any failure to do so does not and would not have a material adverse effect on: (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer’s ability to perform its obligations under the Notes, the conduct by it of the Permitted Business.

5.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from or (d) enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an “Affiliate Transaction”) which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of U.S.\$10,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each

such other aggregated Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent for distribution to any Noteholder upon such Noteholder's written request to the Fiscal Agent:

- (a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with BRSA Principles, together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and
- (b) not later than four months after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such six month period, prepared in accordance with BRSA Principles, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by a review report of the auditors thereon.

5.4 Interpretation

For the purposes of these Conditions:

"Affiliate" means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural Person, any immediate family member of such Person. For purposes of this definition, control, as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise and the terms controlling, controlled by and under common control with shall have corresponding meanings.

"Material Subsidiary" means at any time a Subsidiary of the Issuer:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited BRSA Principles financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; *provided* that: (i) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries relate or (ii) in the case of any such Subsidiary for which its then latest relevant audited accounts, at the time of such acquisition, are not prepared in accordance with BRSA Principles, the reference to the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries and the relevant then latest audited BRSA Principles financial statements of such Subsidiary for the purposes of the calculation above shall, until consolidated or, as the case may be, BRSA Principles accounts for the financial period in which the acquisition is made have been prepared and

audited as aforesaid, be deemed to be a reference to such consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries as if such Subsidiary had been shown in those financial statements by reference to such Subsidiary's then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer (including to reflect a conversion of such accounts into BRSA Principles if the then latest relevant audited accounts of such Subsidiary were not prepared in accordance with BRSA Principles);

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer's next audited consolidated BRSA Principles financial statements unless it would then be a Material Subsidiary under sub-paragraph (a) above; or
- (c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of the Issuer's next consolidated audited BRSA Principles financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Permitted Business" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date.

"Person" means: (a) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (b) its successors and assigns.

"Subsidiary" means, in relation to any Person, any company: (a) in which such Person holds a majority of the voting rights, (b) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person. In relation to the consolidated financial statements of the Issuer, a Subsidiary shall also include any other Person that is (in accordance with BRSA Principles) consolidated with the Issuer.

6 Interest

6.1 Interest on Fixed Rate Notes

This Condition 6.1 applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 6.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction, any applicable Determination Date and whether the provisions relating to Modified Fixed Rate Notes will be applicable.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, the Interest Amount payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount, where a Fixed Coupon Amount is specified in the applicable Final Terms, to the Fixed Coupon Amount so specified; *provided* that the Interest Amount payable on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount and (if applicable) a Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes; or
- (b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency (with half of any such sub-unit being rounded upwards or otherwise in accordance with any other applicable market convention with the written consent of the Issuer).

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is greater than the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If Modified Fixed Rate Notes is specified as applicable in the applicable Final Terms and Interest Periods and Interest Amounts are specified as being subject to adjustment, a Business Day Convention shall also be specified in the applicable Final Terms and (where applicable) Interest Payment Dates shall be postponed or brought forward, as the case may be, in accordance with Condition 6.2(b) and the relevant

Interest Period and Interest Amount payable on the Interest Payment Date for such Interest Period will be adjusted accordingly.

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 6.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Specified Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates, the Day Count Fraction and whether the provisions relating to Modified Floating Rate Notes will be applicable. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date” for the purposes of such Floating Rate Note) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Fiscal Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), “Floating Rate”, Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, SIBOR, NIBOR or WIBOR as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Fiscal Agent or the Calculation Agent, as applicable, shall request each of the Reference Banks to provide the Fiscal Agent or the Calculation Agent, as applicable, with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent or the Calculation Agent, as applicable, with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent or the Calculation Agent, as applicable.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent or the Calculation Agent, as applicable, with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period

shall be the rate per annum which the Fiscal Agent or the Calculation Agent, as applicable, determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent or the Calculation Agent, as applicable, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent or the Calculation Agent, as applicable, with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent or the Calculation Agent, as applicable, it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Fiscal Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent or the Calculation Agent, as applicable, will calculate the Interest Amount payable on the Floating Rate Notes for the relevant Interest Period (or any other relevant period) by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is greater than the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

6.3 Notification of Rate of Interest and Interest Amounts

In the case of Floating Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are specified in the applicable Final Terms as being subject to adjustment, the Fiscal Agent or the Calculation Agent, as applicable, will cause, in the case of Floating Rate Notes, the Rate of Interest and, in either case, each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative

arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

6.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6, whether by the Fiscal Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent or the Calculation Agent as applicable, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption, unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note (or part thereof) have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

6.6 Day Count Fraction and Business Day Convention

- (a) Day Count Fraction

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x)

the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

- (ii) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated as follows:

(C) in the case of Fixed Rate Notes, on the basis of a year of 360 days with 12 30-day months; and

(D) in the case of Floating Rate Notes, on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of such period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of such period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

“D₁” is the first calendar day, expressed as a number, of such period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (iii) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365 (or, if any portion of such period falls in a leap year, the sum of (I) the actual number of days in that portion of the period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the period falling in a non-leap year divided by 365);

- (iv) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365;

- (v) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (vi) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360;
- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of such period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M1” is the calendar month, expressed as a number, in which the first day of such period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

“D1” is the first calendar day, expressed as a number, of such period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31, in which case D2 will be 30; and

- (viii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of such period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day of such period falls;

“M1” is the calendar month, expressed as a number, in which the first day of such period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

“D1” is the first calendar day, expressed as a number, of such period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in such period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(b) Business Day Convention

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in the case of Floating Rate Notes where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (C) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.7 Benchmark Discontinuation

(a) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part(s) thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6.7(b)) and, in each case, an Adjustment Spread (in accordance with Condition 6.7(c)) and any other required Benchmark Amendments (in accordance with Condition 6.7(d)).

An Independent Adviser appointed pursuant to this Condition 6.7 shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Paying Agents, the Calculation Agent, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 6.7.

(b) Successor Rate or Alternative Rate

Notwithstanding the provisions of Condition 6.2(b), if the Issuer, following consultation with an Independent Adviser pursuant to Condition 6.7(a) and acting in good faith and in a commercially reasonable manner, determines that a Benchmark Event has occurred and that:

- (i) there is a Successor Rate, then such Successor Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 6.7(c)) shall subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.7);
or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 6.7(c)) shall subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.7).

(c) Adjustment Spread

If a Successor Rate or Alternative Rate is determined in accordance with Condition 6.7(b), the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner shall determine an Adjustment Spread which may be expressed as a specified quantum, or a formula or methodology for determining the applicable Adjustment Spread and which Adjustment Spread may be positive, negative or zero and shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of the Rate(s) of Interest (or the relevant component(s) thereof) by reference to such Successor Rate or Alternative Rate, as applicable.

(d) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread is determined in accordance with the foregoing provisions of this Condition 6.7 and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or, in each case, Adjustment Spread (such amendments, the “Benchmark Amendments”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6.7(e), without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 6.7(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Notes are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread, and the specific terms of any Benchmark Amendments, each as determined under this Condition 6.7, will be notified promptly by the Issuer to the Calculation Agent and the Paying Agents and, in

accordance with Condition 15, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Prior to any Benchmark Amendments taking effect and no later than notifying the Calculation Agent of the same, the Issuer shall deliver to the Calculation Agent a certificate signed by two Directors of the Issuer:

- (i) confirming: (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) the applicable Adjustment Spread, and (D) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6.7; and
- (ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread.

The Calculation Agent shall display such certificate at its offices for inspection by the Noteholders at all reasonable times during normal business hours.

The Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and, in each case, the applicable Adjustment Spread and the Benchmark Amendments (if any)) be binding upon the Issuer, the Calculation Agent, the Paying Agents, the Noteholders and the Couponholders.

(f) Survival of Original Reference Rate and Fallback Provisions

Without prejudice to the obligations of the Issuer under the provisions of this Condition 6.7, the Original Reference Rate and the fallback provisions provided for in Condition 6.2(b) will continue to apply unless and until a Benchmark Event has occurred and the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the applicable Adjustment Spread and any Benchmark Amendments, in each case, in accordance with Condition 6.7(e).

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) and, in each case, no applicable Adjustment Spread is determined and notified to the Calculation Agent pursuant to this Condition 6.7, then the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 6.2(b) will (if applicable) continue to apply to such determination.

The preceding paragraph shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.7.

(g) Defined Terms

As used in this Condition 6.7:

“Adjustment Spread” means either a spread (which may be positive, negative or zero), or a formula or methodology for calculating a spread, in each case, to be applied to the Successor

Rate or the Alternative Rate (as the case may be) and which is the spread, formula or methodology that:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (ii) in the case of a Successor Rate where no such formal recommendation as described in clause (i) above has been made, or in the case of an Alternative Rate the Issuer determines, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is recognised or acknowledged as being in customary market usage in international debt capital market transactions that reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (iii) if the Issuer determines that neither (i) nor (ii) above applies, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative to the Original Reference Rate that the Issuer determines in accordance with Condition 6.7(b) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

“Benchmark Amendments” has the meaning given to it in Condition 6.7(d);

“Benchmark Event” means, with respect to an Original Reference Rate:

- (a) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;
- (b) the later of: (i) the date of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances in which no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (b)(i);
- (c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;
- (d) the later of: (i) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in (d)(i);
- (e) the later of: (i) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used (either generally or in respect of the Notes) or that its use will be subject to

restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (e)(i);

- (f) it has, or will prior to the next Interest Determination Date, become unlawful for the Calculation Agent, any other Paying Agent or the Issuer to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate; or
- (g) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used, in each case in circumstances where the same shall be applicable to the Notes;

“Calculation Agent” means the Fiscal Agent or, for any Series, such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s);

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 6.7(a);

“Original Reference Rate” means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part(s) thereof) in respect of any Interest Period(s) on the Notes, as specified in the applicable Final Terms (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term “Original Reference Rate” shall include any such Successor Rate or Alternative Rate);

“Relevant Nominating Body” means, in respect of an Original Reference Rate:

- (i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate; or
- (ii) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of: (i) the central bank for the currency to which such Original Reference Rate relates, (ii) any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate, (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof; and

“Successor Rate” means a successor to or replacement of the Original Reference Rate that is formally recommended by any Relevant Nominating Body.

6.8 Interpretation

In these Conditions:

“Business Day” means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency

deposits) in each Specified Business Centre (other than TARGET 2 System) specified in the applicable Final Terms;

- (b) if TARGET 2 System is specified as a Specified Business Centre in the applicable Final Terms, a day on which the TARGET 2 System is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open;

“Interest Amount” means the amount of interest;

“Interest Period” means the period means the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or, as the case may be, first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date;

“Reference Banks” means:

- (a) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market,
- (b) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market;
- (c) in the case of a determination of TRLIBOR, the principal İstanbul office of four major banks in the Turkish Lira interbank market;
- (d) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Romanian interbank market;
- (e) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague interbank market;
- (f) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market;
- (g) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian interbank market; and
- (h) in the case of a determination of WIBOR, the principal Warsaw office of four major banks in the Warsaw interbank market,

in each case as selected by the Issuer and unless otherwise specified in the applicable Final Terms;

“Reference Rate” means, unless otherwise specified in the applicable Final Terms: (i) the London interbank offered rate (“LIBOR”), (ii) the Euro-zone interbank offered rate (“EURIBOR”), (iii) the Turkish Lira interbank offered rate (“TRLIBOR”), (iv) the Romanian interbank offered rate (“ROBOR”), (v) the Prague interbank offered rate (“PRIBOR”), (vi) the Singapore interbank offered rate (“SIBOR”), (vii) the Norwegian interbank offered rate (“NIBOR”) or (viii) the Warsaw interbank offered rate (“WIBOR”);

“Relevant Period” means the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date;

“Specified Time” means, unless otherwise specified in the applicable Final Terms: (i) 11.00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, Romanian time, in the case of a determination of ROBOR, Prague time, in the case of a determination of PRIBOR, Singapore time, in the case of a determination of SIBOR and Warsaw time, in the case of a determination of WIBOR), (ii) 11.30 a.m. (İstanbul time, in the case of a determination of TRLIBOR), and (iii) 12.00 p.m. (Oslo time, in the case of a determination of NIBOR);

“sub-unit” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.; and

“TARGET 2 System” mean the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System.

7 Payments

7.1 Method of payment

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in any country in which the Specified Currency constitutes legal tender from time to time.

Payments in respect of principal and interest on the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

7.2 Presentation of definitive Bearer Notes and Coupons

Notwithstanding any other provision of the Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “Long Maturity Note” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid thereon after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified in Condition 7.2 in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against surrender or, as the case may be, presentation and endorsement, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

7.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (the “Register”) at (i) where in global form, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (in each case, the “Record Date”). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “Designated Account” means the account maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means any bank which processes payments in such Specified Currency.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on such Record Date and at that holder’s risk. Upon application of the holder to the specified

office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by any Agent in respect of any payments of principal or interest in respect of the Registered Notes, save as provided in Condition 7.9.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. Dollars in accordance with the provisions of the Agency Agreement and Condition 7.9.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for such person's share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Business Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder thereof shall not be entitled to payment until the next following Payment Business Day in the relevant place (except in the case of Modified Fixed Rate Notes and Modified Floating Rate Notes where a Payment Business Day Convention is specified in the applicable Final Terms, in which case, such holder will be entitled to payment on the Payment Business Day in the relevant place as determined in accordance with the Payment Business Day Convention so specified) and, in any such case, shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “Payment Business Day” means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Specified Financial Centre (if any) (other than TARGET 2 System) specified in the applicable Final Terms;
- (b) if TARGET 2 System is specified as a Specified Business Centre in the applicable Final Terms, a day on which the TARGET 2 System is open;
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and
- (d) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC (with an interest in such Registered Global Note) has not elected in accordance with Condition 7.9 to receive any part of such payment in that Specified Currency, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

“Payment Business Day Convention” means, if the Payment Business Day Convention is specified in the applicable Final Terms as the:

- (a) Following Business Day Convention, the next following Payment Business Day;
- (b) Modified Following Business Day Convention, the next day which is a Payment Business Day unless it would thereby fall into the next calendar month, in which event the holder shall be entitled to such payment at the place of presentation on the immediately preceding Payment Business Day; or
- (c) Preceding Business Day Convention, the immediately preceding Payment Business Day.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9;

- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.

7.8 U.S. Dollar exchange and payments on Turkish Lira-denominated Notes held other than through DTC

- (a) If “USD Payment Election” is specified as being applicable in the applicable Final Terms, the Specified Currency is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, then a Noteholder (in the case of a Series of Notes in registered form, as of the applicable Record Date) may, not more than 10 and not less than five Business Days before the due date (the “Relevant Payment Date”) for the next payment of interest and/or principal on a Note (such period, the “USD Election Period”), give an irrevocable election to any Agent to receive such payment in U.S. Dollars instead of Turkish Lira (each, a “USD Payment Election”). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Noteholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the “Lira Amount”) to be paid by the Issuer in respect of the Notes the subject of such USD Payment Elections and which is to be converted into U.S. Dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.8 and Clause 7 of the Agency Agreement.

Each USD Payment Election of a Noteholder will be made only in respect of the immediately following payment of interest and/or principal on the Notes the subject of such USD Payment Election and, unless a USD Payment Election is given in respect of each subsequent payment of interest and principal on those Notes, such payments will be made in Turkish Lira.

- (b) Upon receipt of the Lira Amount from the Issuer and by no later than 11.00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall purchase U.S. Dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees, commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the “Applicable Exchange Rate”). In no event shall any Agent be liable to any Noteholder, the Issuer or any third party for the conversion rate so used.

The Issuer’s obligation to make payments on Notes the Specified Currency of which is Turkish Lira is limited to the specified Turkish Lira amount of such payments and, in the event that it fails to make any payment on the Notes in full on its due date, its obligation shall remain the payment of the relevant outstanding Turkish Lira amount and it shall have no obligation to pay any greater

or other amount as a result of any change in the Applicable Exchange Rate between the due date and the date on which such payment is made in full.

- (c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 7.8 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount of U.S. Dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. Dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer on the Relevant Payment Date by no later than 10.00 a.m. (London time) in the case of a payment of interest or principal becoming due in order to make any payments to Noteholders on such Relevant Payment Date, including any such payments in U.S. Dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. Dollar amounts) as soon as reasonably practicable thereafter.

- (d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. Dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with Condition 15 and all payments on the Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 7.8, irrespective of any USD Payment Election made.
- (e) To give a USD Payment Election:
 - (i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 7.8 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable U.S. Dollar payment is made; and
 - (ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Notwithstanding any other provision in the Conditions to the contrary: (i) all costs of the purchase of U.S. Dollars *with* the Lira Amount shall be borne *pro rata* by the relevant Noteholders relative to the Notes of *such* Noteholders the subject of USD Payment Elections, which *pro rata* amount will be deducted from the U.S. Dollar payment made to such Noteholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, commissions or expenses or to indemnify any Noteholder against any

difference between the U.S. Dollar amount received by such Noteholder and the portion of the Lira Amount that would have been payable to the Noteholder if it had not made the relevant USD Payment Election and (iii) the Issuer shall not have any liability or other obligation to any Noteholder with respect to the conversion into U.S. Dollars of any amount paid by it to the Fiscal Agent in Turkish Lira or the payment of any U.S. Dollar amount to the applicable Noteholders.

7.9 Payments on Notes held through DTC in a Specified Currency other than U.S. Dollars

In the case of any Notes represented by a Registered Global Note registered in the name of DTC or its nominee and denominated in a Specified Currency other than U.S. Dollars, payments in respect of such Notes will be made in U.S. Dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

8 Redemption and Purchase

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

8.2 Redemption for tax reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued Tranche of the Notes (which shall, for the avoidance of doubt and for the purposes of this Condition 8.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:
 - (i) pay additional amounts as provided or referred to in Condition 9; and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the most recently issued Tranche of the Notes; and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of

independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

8.3 Redemption at the option of the Issuer (Issuer Call)

This Condition 8.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons pursuant to Condition 8.2), such option being referred to as an “Issuer Call”. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if applicable) with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes under this Condition 8.3, the Notes to be redeemed (“Redeemed Notes”) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

8.4 Redemption at the option of the Noteholders (Investor Put)

This Condition 8.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an “Investor Put”. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, then upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together (if applicable) with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.4 in any Specified Denomination.

To exercise the right to require redemption of this Note:

- (a) if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, then the holder of this Note must deliver, at the specified office of any Paying Agent

(in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to such Paying Agent’s order or under its control, and

- (b) if this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, as applicable, the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be (which may include notice being given on such holder’s instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, given by a holder of any Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price;

- “AY” means the Accrual Yield expressed as a decimal; and
- “y” is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

8.6 Purchases

The Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the Issuer or any such Subsidiary (as the case may be) for those Notes held by it, surrendered to any Paying Agent and/or the Registrar for cancellation.

8.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.6 above (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be held, reissued or resold.

8.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to the foregoing provisions of this Condition 8 or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, then the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9 Taxation

9.1 Payment without Withholding

All payments in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the Republic of Turkey; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder or, as the case may be, Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 7.6).

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “FATCA Withholding”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

In these Conditions:

- (i) the “Relevant Date” means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders or the Couponholders, as the case may be, by the Issuer in accordance with Condition 15.
- (ii) “Relevant Jurisdiction” means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or Coupons.

9.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 9.

10 Prescription

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest with respect thereto are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

11 Events of Default

11.1 Events of Default

The holder of any Note may give notice to the Issuer that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its Early Redemption Amount, together with interest accrued to (but excluding) the date of repayment, if any of the following events (each, an “Event of Default”) shall have occurred and be continuing:

- (a) if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if: (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any originally applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period; *provided* that the aggregate principal amount of: (A) such Indebtedness for Borrowed Money of the Issuer or the relevant Material Subsidiary in the case of subparagraphs (i), (ii) and/or (iii) above, and/or (B) the maximum amount payable by the Issuer or the relevant Material Subsidiary under such guarantee and/or indemnity of the Issuer or the relevant Material Subsidiary in the case of sub-paragraph (iv) above, exceeds U.S.\$15,000,000 (or its equivalent in other currencies); or
- (d) if:
 - (i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or
 - (ii) the Issuer ceases or threatens to cease to carry on the whole or a substantial part, or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save for the purposes of reorganisation on terms

approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries suspends or threatens to suspend payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated, declared or found by a competent authority to be (or becomes) bankrupt or insolvent; or

- (iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or
- (iv) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken or legal proceedings are started: (x) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) or (y) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (B) shall or propose to make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors,

in each case in sub-paragraphs (i) to (iv) above, save for the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or transfer of the whole or substantially the whole of its business and/or assets to, the Issuer or one or more other Subsidiaries of the Issuer; or

- (e) if the banking licence of the Issuer is temporarily or permanently revoked.

11.2 Interpretation

For the purposes of this Condition 11:

“Indebtedness for Borrowed Money” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

- (a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or
- (b) any borrowed money; or
- (c) any liability under or in respect of any acceptance or acceptance credit.

12 Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13 Agents

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Fiscal Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be, in the case of Bearer Notes a Paying Agent (which may be the Fiscal Agent) and, in the case of Registered Notes, a Transfer Agent (which may be the Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and
- (d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall as soon as practicable appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15 Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language newspaper of general circulation in London. It is anticipated that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading, including publication on the website of the relevant stock exchange or relevant authority as required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) of such Registered Notes at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

There may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16 Meetings of Noteholders and Modification

16.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more person(s) holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Agency Agreement provides that: (a) a resolution in writing signed on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding (whether such resolution in writing is contained in one document or several documents in the same form, each signed on behalf of one or more Noteholders) or (b) consent given by way of electronic consents through the relevant clearing systems by or on behalf of Noteholders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding will, in each case, take effect as if it were an Extraordinary Resolution and shall be binding upon all Noteholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders and Couponholders as soon as practicable thereafter in accordance with Condition 15.

17 Further Issues

The Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided that such further notes will be fungible for U.S. federal income tax purposes.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing Law and Submission to Jurisdiction

19.1 Governing law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) is to have (subject to Condition 19.6) exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales

in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as “Proceedings”) arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions to the extent allowed by law.

19.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Notes and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

19.4 Appointment of Process Agent

The Issuer shall irrevocably and unconditionally appoint Türkiye İş Bankası A.Ş., London Branch at 8 Princes Street, London EC2R 8HL, United Kingdom as its agent for service of process in respect of any Proceedings in England and the Issuer undertakes that in the event of such agent being unable or unwilling for any reason so to act, it will as promptly as practicable appoint another person as its agent for that purpose.

19.5 Other Documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent in England for service of process, in terms substantially similar to those set out above.

19.6 Submission to the jurisdiction and courts of New York

This Condition 19.6 shall apply only in respect of any Series of Notes where some or all of the Notes of such Series have been offered by or on behalf of the Issuer in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933).

The Issuer expressly submits to the jurisdiction of New York State and U.S. federal courts sitting in the Borough of Manhattan, The City of New York, New York (including the New York State Supreme Court, New York County, the United States District Courts for the Southern District of New York, plus the

appellate courts therefrom: the New York State Supreme Court, Appellate Division, the New York Court of Appeals, the United States Court of Appeals for the Second Circuit, and the United States Supreme Court), with respect to any suit, action, or proceeding in connection with any Notes issued under the Programme.

The Issuer will appoint an agent in the United States to accept service of process in any suit, action, or proceeding brought with respect to such Notes instituted in any state or federal court in the Borough of Manhattan, The City of New York, New York (including the New York State Supreme Court, New York County, the United States District Courts for the Southern District of New York, plus the appellate courts therefrom: the New York State Supreme Court, Appellate Division, the New York Court of Appeals, the United States Court of Appeals for the Second Circuit, and the United States Supreme Court).

The Issuer will waive the defense of forum non conveniens to the maintenance of any such action or proceeding. Such appointment of an agent to accept service of process and such consent to jurisdiction shall be irrevocable until all amounts due and to become due in respect thereof have been paid. No such submission to jurisdiction or appointment of agent for service of process shall affect the right of a holder of any such Notes to bring suit in any court which shall have jurisdiction over the Issuer by virtue of the offer and sale of such Notes or otherwise.

USE OF PROCEEDS

The Issuer will incur various expenses in connection with the issuance of each Tranche of the Notes, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, unless otherwise specified in the applicable Final Terms.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth, for the periods indicated, selected historical consolidated financial and other information about the Group which, unless otherwise specified, have been extracted from the BRSA Financial Statements without material adjustment. Such financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the BRSA Financial Statements, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and other relevant information included elsewhere in (or incorporated by reference into) this Base Prospectus. The BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with BRSA Principles described in more detail in the accounting principles included in the notes to the BRSA Financial Statements incorporated by reference into this Base Prospectus and in “*Presentation of Financial Information*”.

The BRSA Financial Statements as of and for the year ended 31 December 2016 has been audited by KPMG. The BRSA Financial Statements as of and for the years ended 31 December 2017 and 31 December 2018 have been audited by EY and the BRSA Financial Statements as of and for the three months ended 31 March 2017 and 31 March 2018 have been reviewed by EY.

Balance sheet data

	As of 31 December	As of 31 March
	2018⁽¹⁾	2019⁽¹⁾
	<i>(TL thousands)</i>	
Assets		
Financial Assets (Net)	6,823,382	8,149,452
Cash and Cash Equivalents	2,123,572	3,059,722
Cash and Balances with Central Bank	743,228	794,672
Banks.....	807,231	1,282,800
Money Market Placements.....	573,613	982,888
Expected Credit Losses (-)	500	638
Financial Assets at Fair Value Through Profit or Loss	300,519	317,842
Government Debt Securities	8	8
Equity Instruments	1	4,063
Other Financial Assets	300,510	313,771
Financial Assets at Fair Value Through Other Comprehensive Income ...	3,420,070	3,654,579
Government Debt Securities	3,173,453	3,397,642
Equity Instruments	94,029	90,910
Other Financial Assets	152,588	166,027
Derivative Financial Assets	979,221	1,117,309
Derivative Financial Assets at Fair Value Through Profit or Loss	979,221	1,117,309
Derivative Financial Assets at Fair Value Through Other Comprehensive Income.....	—	—

	As of 31 December	As of 31 March
	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>	
Financial Assets Measured at Amortised Cost	29,706,395	31,213,452
Loans	27,935,319	29,525,502
Lease Receivables	133,929	135,201
Factoring Receivables	—	—
Other Financial Assets Measured at Amortised Cost	2,154,941	2,188,921
Government Debt Securities	2,154,941	2,188,921
Other Financial Assets	—	—
Expected Credit Losses (-)	517,794	636,172
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	1	1
Held for Sale Purpose	1	1
Related to Discontinued Operations.....	—	—
Equity Investments	435,915	430,579
Investments in Associates (Net)	429,546	424,210
Accounted Under Equity Method	428,490	423,154
Unconsolidated Associates.....	1,056	1,056
Subsidiaries (Net)	4,609	4,609
Unconsolidated Financial Subsidiaries	—	—
Unconsolidated Non-Financial Subsidiaries	4,609	4,609
Entities under Common Control (Joint Venture) (Net)	1,760	1,760
Joint Ventures Valued Based on Equity Method	—	—
Unconsolidated Joint Ventures.....	1,760	1,760
Tangible Assets (Net)	292,651	292,331
Intangible Assets (Net)	4,872	5,223
Goodwill	1,005	1,005
Other	3,867	4,218
Investment Property (Net)	247,793	247,999
Current Tax Asset	3,575	2,723
Deferred Tax Asset	3,844	8,396
Other Assets	751,012	780,081
Total Assets	38,269,440	41,130,237

	As of 31 December	As of 31 March
	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>	
Liabilities		
Deposits	—	—
Funds Borrowed	23,819,670	25,281,304
Money Market Balances	402,278	1,014,973
Marketable Securities Issued (Net)	6,949,189	7,478,528
Bills	—	—
Assets Backed Securities	—	—
Bonds	6,949,189	7,478,528
Borrower Funds	32,529	22,635
Borrower Funds	32,529	22,635
Other	—	—
Financial Liabilities at Fair Value Through Profit or Loss	—	—
Derivative Financial Liabilities	792,340	731,860
Derivative Financial Liabilities at Fair Value Through Profit or Loss	792,340	731,860
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	—	—
Factoring Liabilities	—	—
Lease Liabilities	—	358
Provisions	261,276	271,730
Restructuring Provisions	—	—
Reverse for Employee Benefits	15,054	16,846
Insurance Technical Provisions (Net)	—	—
Other Provisions	246,222	254,884
Current Tax Liability	94,104	62,632
Deferred Tax Liability	—	—
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	—	—
Held for Sale Purpose	—	—
Related to Discontinued Operations	—	—
Subordinated Debt Instruments	1,549,774	1,645,500
Loans	—	—
Other Debt Instruments	1,549,774	1,645,500
Other Liabilities	184,204	321,715

	As of 31 December	As of 31 March
	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>	
Shareholders' Equity	4,184,076	4,299,002
Paid-in capital	2,800,000	2,800,000
Capital Reserves.....	890	898
Share Premium.....	516	524
Share Cancellation Profits.....	—	—
Other Capital Reserves.....	374	374
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	284,370	279,430
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss.....	(139,563)	(185,520)
Profit Reserves	529,059	1,226,535
Legal Reserves	272,773	306,633
Status Reserves	75,641	75,641
Extraordinary Reserves	177,725	841,341
Other Profit Reserves	2,920	2,920
Profit Or Loss.....	670,698	143,994
Prior Years' Profit/Loss	(58)	(26,414)
Current Year Profit/Loss.....	670,756	170,408
Non-Controlling Interests.....	38,622	33,665
Total Liabilities and Equity	38,269,440	41,130,237

Note:

- (1) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the BRSA on 1 February 2019.

	As of 31 December	
	2016 ⁽¹⁾	2017 ⁽¹⁾
	<i>(TL thousands)</i>	
Balance Sheet Data:		
Cash and balances with the Central Bank	778,076	847,135
Financial assets at fair value through profit or loss (Net)	387,037	336,093

	As of 31 December	
	2016⁽¹⁾	2017⁽¹⁾
	<i>(TL thousands)</i>	
Banks.....	497,949	493,687
Money Market Placements.....	254,934	3
Financial Assets Available For Sale (Net).....	3,068,412	3,091,372
Loans.....	17,336,045	22,337,230
Factoring Receivables	—	—
Held To Maturity Investments (Net)	1,375,729	1,532,047
Investments In Associates (Net).....	324,477	375,481
Investments In Subsidiaries (Net).....	1,609	1,609
Entities Under Common Control (Joint Venture) (Net).....	1,760	1,760
Lease Receivables (Net).....	3,792	63,410
Derivative Financial Assets for Hedging Purposes	272	—
Tangible Assets (Net)	231,328	245,798
Intangible Assets (Net).....	3,098	3,585
Investment Property (Net).....	231,323	243,145
Tax Assets	21,214	45,338
Other assets	358,431	299,943
Total Assets	24,875,486	29,917,636
Deposits.....	—	—
Derivative Financial Liabilities Held-for-Trading	320,797	232,403
Funds Borrowed.....	16,127,496	19,001,627
Money Market Balances	1,256,234	1,311,922
Debt Securities Issued (Net).....	3,486,732	3,746,229
Funds.....	5,317	12,901
Miscellaneous Payables ⁽²⁾	193,612	75,095
Other Liabilities ⁽²⁾	—	115,927
Derivative Financial Liabilities for Hedging Purposes	51,433	78,682
Provisions.....	279,033	431,625
Tax Liabilities	11,779	53,648
Total Liabilities	21,732,433	26,206,295
Paid-in Capital.....	2,050,000	2,400,000
Capital Reserves.....	132,324	187,486
<i>Share Premium</i>	428	428
<i>Marketable Securities Value Increase Fund</i>	(69,896)	(28,638)

	As of 31 December	
	2016⁽¹⁾	2017⁽¹⁾
	<i>(TL thousands)</i>	
<i>Tangible Assets Revaluation Differences</i>	201,168	215,352
Other Capital Reserves.....	624	344
Profit Reserves	408,096	441,740
Profit or Loss.....	494,664	629,396
Non–Controlling Interests	57,969	52,719
Total Equity	3,143,053	3,711,341
Total Liabilities and Equity	24,875,486	29,917,636

Notes:

- (1) From 1 January 2018, the Bank has prepared its financial statements in accordance with TFRS 9. Accordingly, the BRSA Financial Statements for the three months ended 31 March 2019 and for the year ended 31 December 2018 are not directly comparable to the BRSA Financial Statements for the years ended 31 December 2017 and 2016.
- (2) As of 31 December 2017, the classification of certain items was changed to “Other Liabilities” from “Miscellaneous Payables”. If such items had been so classified as at 31 December 2016, Other Liabilities would have been TL 96,741 and Miscellaneous Payables would have been TL 96,871.

INCOME STATEMENT DATA

	For the three months ended	
	31 March	
	2018	2019
	<i>(TL thousands)</i>	
Income Statement Data:		
Interest Income.....	584,278	881,873
Interest Expense	(274,881)	(387,193)
Net Interest Income	309,397	494,680
Net Fees and Commissions Income	13,106	15,770
Dividend Income.....	4,158	4,202
Trading Income (Net).....	(32,256)	(79,319)
Other Operating Income.....	84,276	24,197
Total Operating Income	378,681	459,530
Expected Credit Losses.....	(94,445)	(150,935)
Other Provision Expenses	—	(20,000)
Personnel Expenses.....	(32,467)	(37,537)
Other Operating Expenses.....	18,621	21,086

	For the three months ended 31 March	
	2018	2019
	<i>(TL thousands)</i>	
Net Operating Income/(Loss)	233,148	229,972
Profit/Loss on Equity Method	19,456	(6,660)
Profit/Loss on Continued Operations before Tax	252,604	223,312
Tax Provision for Continued Operations	99,794	54,130
Net Period Profit/Loss from Continuing Operations	152,810	169,182
Net Period Profit/Loss	152,810	169,182

	For the year ended 31 December
	2018
	<i>(TL thousands)</i>
Income Statement Data:	
Interest Income	3,110,109
Interest Expense	(1,381,391)
Net Interest Income	1,728,718
Net Fees and Commissions Income	51,398
Personnel Expenses	133,604
Dividend Income	5,525
Trading Income (Net)	(329,200)
Other Operating Income	109,093
Total Operating Income	1,431,930
Expected Credit Loss	532,649
Other Operating Expenses	(76,340)
Net Operating Income/ <i>(Loss)</i>	822,941
Profit/Loss on Equity Method	90,705
Profit/Loss on Continued Operations before Tax	913,646
Tax Provision for Continued Operations	250,333
Net Period Profit/Loss from Continuing Operations	663,263
Net Period Profit/Loss	663,263

**For the year ended 31
December**

	2016	2017
	<i>(TL thousands)</i>	
Income Statement Data:		
Interest Income.....	1,409,679	1,873,822
Interest Expense.....	(650,876)	(856,543)
Net Interest Income.....	758,803	1,017,279
Net Fees and Commissions Income.....	25,017	42,622
Dividend Income.....	11,486	5,421
Trading Income (Net).....	(67,771)	(65,028)
Other Operating Income.....	26,643	68,409
Total Operating Income.....	754,178	1,068,743
Provision for Loan Losses and Other Receivables.....	(70,499)	(202,826)
Other Operating Expenses.....	(168,863)	(170,186)
Net Operating Income.....	514,816	695,731
Profit/Loss on Equity Method.....	38,805	43,861
Profit/Loss on Continued Operations before Tax.....	553,621	739,592
Tax Provision for Continued Operations.....	(117,708)	(134,117)
Net Period Profit/Loss from Continuing Operations.....	435,913	605,475
Net Period Profit/Loss.....	435,913	605,475

KEY RATIOS AND OTHER DATA

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
Key Ratios:					
Net interest margin ⁽¹⁾⁽²⁾	3.5%	3.8%	4.4%	3.8%	4.5%
Spread ⁽³⁾	3.4%	3.6%	5.2%	3.9%	5.1%
<i>Turkish Lira</i> ⁽⁴⁾	6.7%	9.4%	9.2%	6.6%	6.6%
<i>Foreign Currency</i> ⁽⁵⁾	2.2%	2.1%	2.3%	2.3%	2.5%
Cost-to-income ratio ⁽⁶⁾	22.4%	15.9%	14.3%	17.2%	13.1%
Free capital ratio ⁽⁷⁾	10.3%	10.2%	9.0%	9.6%	8.7%
Non-performing loans to total cash loans.....	0.3%	0.2%	2.1%	0.2%	2.1%
Cost to average total assets ⁽¹⁾⁽⁸⁾	0.7%	0.6%	0.6%	0.6%	0.6%
Return on average shareholders' equity excluding minority interest ⁽¹⁾⁽⁹⁾	15.0%	17.8%	17.0%	17.0%	16.1%

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
Return on average total assets ⁽¹⁾⁽¹⁰⁾	1.9%	2.2%	2.0%	2.0%	1.7%
Equity to assets ratio ⁽¹⁾⁽¹¹⁾	12.2	12.2	12.3	11.7	12.8
Capital Adequacy:					
Tier I regulatory capital/risk-weighted assets and market risk ⁽¹²⁾	13.8%	12.7%	11.0%	11.4%	10.5%
Total regulatory capital/risk-weighted assets and market risk ⁽¹²⁾	14.6%	17.0%	16.0%	15.8%	15.7%
Other Information:					
Average employees during the period.....	483	619	578	535	525

Notes:

- (1) Calculated on quarterly averages.
- (2) This is: (a) the Bank-only net interest income (excluding interest from the Central Bank on reserves held thereat) for the relevant periods (and, when calculating for the interim period, the figure is annualised by multiplying the Bank-only net interest income for the indicated period of such year by 12 and divided by the number of months in such period) plus net trading income *divided by* (b) the Bank-only quarterly average interest-earning assets (excluding reserves held at the Central Bank). The “quarterly average” interest earning assets for a period are calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (e.g., for any year, 31 December of the previous year) and each intervening quarter-end date (i.e., 31 March, 30 June, 30 September and 31 December, as applicable).
- (3) Spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities. Average balances are calculated from monthly balances and do not include interest accruals.
- (4) This is the difference between the average rate of interest earned on TL interest-earning assets (TL denominated loans, TL denominated securities, banks and money market placements) and the average rate of interest accrued on money market balances and equity. Average balances are calculated from monthly balances and do not include interest accruals.
- (5) This is the difference between the average rate of interest earned on foreign currency interest-earning assets (foreign currency denominated loans, foreign currency denominated securities, banks and money market placements) and the average rate of interest accrued on foreign currency funds borrowed and debt securities. Average balances are calculated from monthly balances and do not include interest accruals.
- (6) This is: (a) the “cost” (calculated as total operating expenses) for the periods specified *divided by* (b) the “income” (calculated as total operating income) for such period.
- (7) This is: (a) the Group’s total shareholders’ equity as at the relevant dates specified minus the Group’s tangible assets (Net), intangible assets and goodwill (Net), tax asset, investments in equity participations (i.e., the sum of investment in associates (net)), investment in subsidiaries (Net) and jointly controlled entities (joint ventures) (Net) and non-performing loans net of specific provisions as of such date *as a percentage of* (b) the Group’s total assets as of such date.
- (8) This is: (a) the “cost” (calculated as total operating expenses) for the relevant period specified *as a percentage of* (b) average total assets (determined on a quarterly basis).
- (9) This is: (a) the net income (when calculated for the Group, excluding minority interest) for the relevant periods (and when calculating for the interim period, the figure is annualised by multiplying the net income for the indicated period of such year by 12 and divided by the number of months in such period) *as a percentage of* (b) the average shareholders’ equity (when calculated for the Group, excluding non-controlling interest).
- (10) This is: (a) the net income for the relevant periods (and, when calculating for the interim period, the figure is annualised by multiplying the net income for the indicated period of such year by 12 and divided by the number of months in such period) *as a percentage of* (b) the average total assets (determined on a quarterly basis).
- (11) Calculated as average shareholders’ equity divided by average total assets.
- (12) Calculated in accordance with BRSA regulations.

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
<i>(TL thousands, except percentages)</i>					
Liquid Asset Ratio					
Cash and Balances with the Central Bank	778,076	847,135	742,985	1,086,817	794,423
Financial Assets at Fair Value through Profit and Loss.....	387,037	336,093	989,080	429,528	1,435,151
Banks.....	497,949	493,687	806,997	557,528	1,282,426
Financial Assets Available for Sale	3,068,412	3,091,372	3,420,070	3,309,303	3,654,579
Held to Maturity Investments (Net).....	1,375,729	1,532,047	2,153,313	1,562,131	2,186,517
Total Liquid Assets	6,107,203	6,300,334	8,112,445	6,945,307	9,353,096
Total Assets	24,875,486	29,917,636	38,269,440	32,130,260	41,130,237
Liquid Asset Ratio	24.6%	21.1%	21.2%	21.6%	22.7%

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
<i>(TL thousands, except percentages)</i>					
Free Capital Ratio					
Total Shareholders' Equity	3,143,053	3,711,341	4,184,076	3,726,797	4,299,002
Investments in Associates (Net).....	(324,477)	(375,481)	(429,546)	(376,834)	(424,210)
Investments in Subsidiaries (Net).....	(1,609)	(1,609)	(4,609)	(1,609)	(4,609)
Jointly Controlled Partnerships (Joint Ventures) (Net).....	(1,760)	(1,760)	(1,760)	(1,760)	(1,760)
Tangible Assets (Net)	(231,328)	(245,798)	(292,651)	(244,933)	(292,331)
Intangible Assets and Goodwill (Net).....	(3,098)	(3,585)	(4,872)	(3,670)	(5,223)
Tax Asset.....	(21,214)	(45,338)	(7,419)	(24,951)	(11,119)
Free Capital	2,559,567	3,037,770	3,443,219	3,073,040	3,559,79
Total Assets	24,875,486	29,917,636	38,269,440	32,130,260	41,130,237
Free Capital Ratio	10.3%	10.2%	9.0%	9.6%	8.7%

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
<i>(TL thousands, except percentages)</i>					
CI Ratio					
Other Operating Expenses	168,863	170,186	209,944	51,088	58,623

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
	<i>(TL thousands, except percentages)</i>				
Insurance and Reinsurance Companies' Expenses.....	—	—	—	—	—
Costs	168,863	170,186	209,944	51,088	58,623
Total Operating Income.....	754,178	1,068,743	1,431,930	459,530	378,681
Insurance and Reinsurance Companies' Expenses.....	—	—	—	—	—
Income	754,178	1,068,743	1,431,930	459,530	378,681
Cost-to-Income Ratio.....	22.4%	15.9%	14.2%	11.1%	13.0%

SELECTED BANK STATISTICAL AND OTHER INFORMATION

The following tables present certain of the Group's selected statistical and other information for the periods indicated. The following information should be read in conjunction with the BRSA Financial Statements, as well as the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations". The statistical information and discussion and analysis presented below as of and for the years ended 31 December 2016, 2017 and 2018 is presented solely for the convenience of the reader for analytical purposes and on the basis of Industry Guide 3 under the Securities Act (Statistical Disclosure by Bank Holding Companies ("Guide 3")). Foreign currency indexed loans in this section have been notionally converted into Turkish Lira in the manner described in the consolidated BRSA Financial Statements as of and for the year ended 31 December 2018. Certain amounts and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different contexts may vary slightly and figures in certain other contexts may not be an exact arithmetic result of the figures shown herein.

I. Distribution of Assets, Liabilities, Stockholders' Equity, Interest Rates and Interest Differentials

A. Average Balance Sheet and Interest Rate Data

The following tables set forth information on the Group's average balances of assets and liabilities and related interest rates for the three months ended 31 March 2019 and 2018 and for the years ended 31 December 2018, 2017 and 2016 based on the BRSA Financial Statements. For the purpose of the tables below and otherwise throughout this "Selected Bank Statistical and Other Information" section, and unless otherwise stated, the term "average" with respect to the three months ended 31 March 2019 and 2018 means the average of the quarterly end period balances of the applicable item, as presented in the BRSA Financial Statements. The term "average" with respect to the year ended 31 December 2018, 2017 and 2016 means the average of the year end period balances of the applicable item, as presented in the BRSA Financial Statements. If such information has been calculated on a weighted average or daily basis, material differences may have resulted.

	2018				2019			
	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid
(TL thousands)								
Interest-earning assets								
Total cash.....	576,018	498,077	2,013	1.3%	445,554	434,481	2,225	2.2%
Total banks	533,823	504,011	22,822	5.0%	1,238,158	994,172	13,516	1.9%
Total government debt securities(1)	4,795,015	4,672,677	114,610	10.1%	5,750,186	5,614,772	179,656	13.3%
Total money market placements	2,151	1,077	26,553	12.9%	982,873	778,232	113,212	23.2%
Total performing loans and lease receivables	23,721,727	23,029,479	417,347	6.3%	29,026,935	28,435,339	569,030	7.2%
Others	523,129	460,806	933	15.5%	1,430,827	1,209,228	4,234	10.3%
Total interest earning assets	30,151,863	29,166,126	584,278	6.8%	38,874,533	37,466,223	881,873	8.4%
Non-interest earning assets.....	1,978,397	1,857,823	—	—	2,255,704	2,233,616	—	—
Total Assets	32,130,260	31,023,948	584,278	6.8%	41,130,237	39,699,839	881,873	8.4%
Interest bearing liabilities								
Total deposits.....	—	—	—	—	—	—	—	—
Funds borrowed	20,037,219	19,519,423	(104,863)	1.9%	25,281,304	24,550,487	(170,393)	2.4%
Money market balances.....	967,379	1,139,651	(74,406)	10.2%	1,014,973	708,626	(74,252)	17.2%

Closing balances for three months ended 31 March

	2018				2019			
	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid
	<i>(TL thousands)</i>							
Marketable securities issued (net) ..	6,465,340	5,678,903	(95,392)	5.7%	9,124,028	8,811,496	(141,412)	5.7%
Others	450,313	387,150	(220)	0.8%	793,801	809,428	(1,136)	2.1%
Total interest-bearing liabilities..	27,920,251	26,725,126	(274,881)	3.4%	36,214,106	34,880,036	(387,193)	3.7%
Non-interest-bearing liabilities	4,210,009	4,298,823	—	—	4,916,131	4,819,803	—	—
Total liabilities.....	32,130,260	31,023,948	(274,881)	3.4%	41,130,237	39,699,839	(387,193)	3.7%

Note:

- (1) Includes “financial assets at fair value through profit or loss,” “financial assets at fair value through other comprehensive income,” and “financial assets measured at amortised cost”.

Closing balances for year ended 31 December

	2016				2017				2018			
	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid
	<i>(TL thousands)</i>											
Interest-earning assets												
Total cash.....	413,451	501,206	3,371	0.9%	420,135	444,142	5,617	1.0%	423,408	503,947	10,258	1.7%
Total banks	497,940	612,170	32,686	4.5%	474,198	593,616	65,034	9.9%	750,186	635,747	78,878	7.4%
Total government debt securities ⁽¹⁾ ..	4,172,608	4,071,857	353,658	8.9%	4,550,339	4,312,709	432,988	9.4%	5,479,358	5,012,687	762,490	11.6%
Total money market placements	254,934	1,073,820	162,976	11.6%	3	83,484	51,435	12.3%	573,590	116,631	107,098	24.6%
Total performing loans and lease receivables	17,336,045	14,884,487	856,136	5.3%	22,337,230	19,753,297	1,316,459	5.9%	27,843,742	26,765,538	2,139,412	6.8%
Others	591,750	280,814	852	9.9%	398,483	390,561	2,289	11.9%	987,628	889,288	11,973	21.1%
Total interest earning assets ...	23,266,728	21,424,354	1,409,679	6.2%	28,180,388	25,577,809	1,873,822	6.5%	36,057,912	33,923,839	3,110,109	7.5%
Non-interest earning assets	1,608,758	1,428,852	—	—	1,737,248	1,616,570	—	—	2,211,528	2,168,378	—	—
Total Assets	24,875,486	22,853,206	1,409,679	6.2%	29,917,636	27,194,378	1,873,822	6.5%	38,269,440	36,092,217	3,110,109	7.5%
Interest-bearing liabilities												
Total deposits.....	—	—	—	—	—	—	—	—	—	—	—	—
Funds borrowed ..	16,127,496	14,198,029	(263,391)	1.6%	19,001,627	17,121,831	(339,360)	1.7%	23,819,670	22,757,503	(581,108)	2.1%
Money market balances	1,256,234	2,279,619	(237,442)	8.6%	1,311,922	1,285,075	(253,328)	10.8%	402,278	812,816	(307,521)	13.7%
Marketable securities issued (net)	3,486,732	2,714,623	(149,831)	5.7%	4,892,465	4,477,764	(262,943)	5.7%	8,498,963	7,426,876	(491,351)	5.7%
Others	377,547	243,980	(212)	0.8%	323,986	338,175	(912)	0.8%	825,055	761,736	(1,411)	0.8%

Closing balances for year ended 31 December

	2016				2017				2018			
	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid	Closing spot balance	Average balance	Interest income /(expense)	Average yield/rate paid
	<i>(TL thousands)</i>											
Total interest-bearing liabilities.....	21,248,009	19,436,251	(650,876)	3.0%	25,530,000	23,222,846	(856,543)	3.4%	33,545,966	31,758,931	(1,381,391)	3.3%
Non-interest-bearing liabilities	3,627,477	3,416,956	—	—	4,387,636	3,971,532	—	—	4,723,474	4,333,286	—	—
Total liabilities..	24,875,486	22,853,206	(650,876)	3.0%	29,917,636	27,194,378	(856,543)	3.4%	38,269,440	36,092,217	(1,381,391)	3.3%

Note:

- (1) Includes “financial assets at fair value through profit or loss,” “financial assets at fair value through other comprehensive income,” and “financial assets measured at amortised cost”.

B. Net Changes in Interest Income and Expense – Volume and Rate Analysis

The following table provides a comparative analysis of changes in the Group’s interest income and interest expense for the three months ended 31 March 2019 and 2018, and the years ended 31 December 2018, 2017 and 2016. Changes in interest income or interest expense are attributed to either (i) changes in average balances (volume change) of interest-earning assets or interest-bearing liabilities or (ii) changes in average rates (rate change) at which interest income was earned on such assets or at which interest expense was incurred on such liabilities. Volume change is calculated as the change in volume multiplied by the current rate, while the rate change is calculated as the change in rate multiplied by the previous volume.

	For the three months ended 31 March						For the year ended 31 December					
	2019 vs 2018			2018 vs 2017			2017 vs 2016					
	Change in interest income/(expense)	Change in volume	Change in rates	Change in interest income/(expense)	Change in volume	Change in rates	Change in interest income/(expense)	Change in volume	Change in rates			
	<i>(TL thousands)</i>											
Interest-earning assets												
Total cash	212	(63,596)	0.9%	4,641	59,805	0.7%	2,246	(57,064)	0.7%			
Total banks	(9,306)	490,161	(3.1)%	13,844	42,131	2.5%	32,348	(18,554)	(2.5)%			
Total securities	65,046	942,095	3.2%	329,502	699,978	2.2%	79,330	240,852	(2.2)%			
Total money market placements.....	86,559	777,155	10.3%	55,663	33,147	12.3%	(111,512)	(990,336)	12.3%			
Total loans and lease receivables.....	151,683	5,405,860	0.9%	822,953	7,012,241	0.9%	460,323	4,868,810	0.9%			
Others	3,301	748,422	(5.2)%	9,684	498,727	9.2%	1,408	109,747	9.2%			
Total interest earning assets.....	297,595	8,300,097	1.6%	1,236,287	8,346,030	1.0%	464,143	4,153,455	1.0%			
Interest-bearing liabilities												

Total deposits	—	—	—	—	—	—	—	—	—
Funds borrowed.....	(65,530)	5,031,064	0.5%	(241,748)	5,635,672	0.4%	(75,969)	2,923,802	0.1%
Money market balances	154	(431,025)	7.0%	(54,193)	(472,259)	2.9%	(15,886)	(994,544)	2.2%
Marketable securities issued (net)	(46,020)	3,132,593	0%	(228,408)	2,949,112	0.0%	(113,112)	1,763,141	0.0%
Others	(916)	422,278	1.3%	(499)	423,561	0.0%	(700)	94,195	0.0%
Total interest-bearing liabilities	(112,312)	8,154,910	0.3%	(524,848)	8,536,085	(0.1)%	(205,667)	3,786,595	0.4%

II. Investment Portfolio

Prior to 1 January 2018, the Group's securities portfolio comprised trading securities (i.e. debt and equity securities that the Group principally held for the purpose of short-term profit taking, which were reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities (i.e. held to maturity securities and available for sale securities).

Since 1 January 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories: a) financial assets measured at fair value through profit/loss; b) financial assets measured at fair value through other comprehensive income; and c) financial assets measured at amortised costs.

The Group also enters into purchases (sales) of securities under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price (i.e., repos). Securities sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate.

The Group also pledges securities to acquire funding under security repurchase agreements. The Group's repurchase agreements are based on the Eurobonds and government bonds issued by the Republic of Turkey Undersecretariat of Treasury. Marketable securities subject to repurchase agreements are classified under assets at fair value through profit or loss, assets at fair value through other comprehensive income or assets measured at amortised costs.

A. Book Value of Investments

The following table provides a breakdown of securities (on a book-value basis) held by the Group as of the dates indicated:

	As of 31 December			As of 31
	2016	2017	2018	March
	(TL thousands)			
Financial assets at fair value through profit and loss				
TL denominated.....	13,001	9,305	9,859	10,836
Foreign currency denominated	—	—	—	—
Total financial assets measured at fair value through profit and loss	13,001	9,305	9,859	10,836
Financial assets at fair value through other comprehensive income⁽¹⁾				

	As of 31 December			As of 31 March
	2016	2017	2018	2019
TL denominated.....	2,048,308	2,052,830	2,212,499	2,395,143
Foreign currency denominated	1,020,104	1,038,542	1,207,814	1,259,436
Total financial assets measured at fair value through other comprehensive income.....	3,068,412	3,091,372	3,420,313	3,654,579
Financial assets at amortised cost⁽²⁾				
TL denominated.....	1,188,990	1,334,721	1,735,521	1,744,076
Foreign currency denominated	186,739	197,326	419,420	444,845
Total financial assets measured at amortised cost	1,375,729	1,532,047	2,154,941	2,188,921
Total.....	4,457,142	4,632,724	5,584,870	5,854,336

Notes:

- (1) Prior to the implementation of TFRS 9, these were classified as “financial assets available for sale (net).”
- (2) Prior to the implementation of TFRS 9, these were classified as “held-to-maturity investments.”

The following table sets out the Group’s total consolidated investment securities portfolio in Turkish currency and in foreign currencies as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
		<i>(TL thousands)</i>		
Turkish Lira-denominated securities	3,250,299	3,396,856	3,957,636	4,150,055
Foreign currency-denominated and indexed securities	1,206,843	1,235,868	1,627,234	1,704,281
Total securities	4,457,142	4,632,724	5,584,870	5,854,336

1. Financial Assets Measured at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets other than the ones that are managed within a business model that aims to collect contractual cash flows or a business model that aims to collect both the contractual cash flows and cash flows arising from the sale of assets. Financial assets at fair value through profit or loss also consist of cases whereby the contractual terms of financial assets do not lead to cash flows representing solely payments of principal and interest at a certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming for short-term profit making.

The Group classifies certain loans and securities issued at their origination dates, as financial assets or liabilities at fair value through profit or loss, irrevocably, in order to eliminate any accounting mismatch in compliance with TFRS 9.

The following table sets out a breakdown of the Group’s financial assets measured at fair value through profit or loss as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
<i>(TL thousands)</i>				
Government debt securities⁽¹⁾				
TL denominated.....	5,947	—	8	8
Foreign currency denominated	—	—	—	—
Total government debt securities⁽¹⁾	5,947	—	8	8
Equity instruments				
TL denominated.....	980	21	1	4,063
Foreign currency denominated	—	—	—	—
Total equity instruments	980	21	1	4,063
Other financial assets				
TL denominated.....	6,074	9,284	9,850	6,765
Foreign currency denominated	—	—	—	—
Total other financial assets.....	6,074	9,284	9,850	6,765
Total.....	13,001	9,305	9,859	10,836

Note:

(1) Government debt securities include government bonds, treasury bills and Eurobonds.

2. Financial Assets Measured at Fair Value through Other Comprehensive Income

Following the implementation of TFRS 9, the TAS 39 measurement category of “financial assets available for sale” was replaced by “financial assets measured at fair value through other comprehensive income.” In this Base Prospectus, the figures for “Financial Assets at Fair Value Through Other Comprehensive Income” for the three months ended 31 March 2019 and the year ended 31 December 2018 correspond to the figures for “Available for Sale Financial Assets” for the years ended 31 December 2017 and 2016. Accordingly, the terms “Financial Assets at Fair Value Through Other Comprehensive Income” and “Available for Sale Financial Assets” have been used interchangeably as appropriate.

Financial assets measured at fair value through other comprehensive income comprise assets with contractual terms that do lead to cash flows that are solely payments of principal and interest at certain dates. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income is measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to the Group’s income statement.

The following table sets out a breakdown of the Group’s financial assets measured at fair value through other comprehensive income as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Government debt securities⁽¹⁾				
TL denominated.....	1,823,078	1,821,667	2,008,419	2,179,277
Foreign currency denominated	967,854	1,009,955	1,165,034	1,218,365
Total government debt securities⁽¹⁾	2,790,932	2,831,622	3,173,453	3,397,642
Equity instruments				
TL denominated.....	28,081	45,259	52,251	50,939
Foreign currency denominated	18,582	27,821	41,778	39,971
Total equity instruments	46,663	73,080	94,029	90,910
Other financial assets				
TL denominated.....	197,149	185,904	151,829	164,927
Foreign currency denominated	33,668	766	1,002	1,100
Total other financial assets.....	230,817	186,670	152,831	166,027
Total.....	3,068,412	3,091,372	3,420,313	3,654,579

Note:

(1) Government debt securities include government bonds, treasury bills and Eurobonds.

3. Financial Assets Measured at Amortised Cost

Following the implementation of TFRS 9, TAS 39 measurement category of “held-to-maturity securities” was replaced by “financial assets measured at amortised cost.” In this Base Prospectus, the figures for “Financial Assets Measured at Amortised Cost” for the three months ended 31 March 2019 and the year ended 31 December 2018 correspond to the figures for “Held to Maturity Investments” for the years ended 31 December 2017 and 2016. Accordingly, the terms “Financial Assets Measured at Amortised Cost” and “Held to Maturity Investments” have been used interchangeably as appropriate.

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost. Financial assets measured at amortised cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortised cost by using effective interest rate method. Interest income obtained from financial assets measured at amortised cost is accounted in the Group’s income statement. All loans of the Group are classified under financial assets measured at amortised cost after passing the test of whether the cash flows from contracts are made only by interest and principal during the period.

The following table sets out a breakdown of the Group's financial assets measured at amortised cost as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Government debt securities⁽¹⁾				
TL denominated.....	1,188,990	1,334,721	1,735,521	1,744,076
Foreign currency denominated	186,739	197,326	419,420	444,845
Total government debt securities⁽¹⁾	1,375,729	1,532,047	2,154,941	2,188,921
Other financial assets				
TL denominated.....	0	0	0	0
Foreign currency denominated	0	0	0	0
Total other financial assets.....	0	0	0	0
Total.....	1,375,729	1,532,047	2,154,941	2,188,921

Note:

(1) Government debt securities include government bonds, treasury bills and Eurobonds.

B. Maturity of Investments

The following table presents the maturities of the Group's securities in the Group's securities portfolio as at 31 March 2019:

	As at 31 March 2019								Total
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Sub-total >12 months	No fixed maturity	
	<i>(TL thousands)</i>								
Turkish Lira denominated									
Trading securities.....	4,224	248	—	3,018	3,346	—	3,346	—	10,836
Investment securities.....	—	—	296,722	746,514	2,729,444	315,600	3,045,044	50,939	4,139,219
Total Turkish Lira denominated	4,224	248	296,722	749,532	2,732,790	315,600	3,048,390	50,939	4,150,055
Foreign Currency denominated									
Trading securities.....	—	—	—	—	—	—	—	—	—
Investment securities.....	—	29,062	—	168,366	985,356	481,526	1,466,882	39,971	1,704,281
Total Foreign Currency denominated	—	29,062	—	168,366	985,356	481,526	1,466,882	39,971	1,704,281
Total.....	4,224	29,310	296,722	917,898	3,718,146	797,126	4,515,272	90,910	5,854,336

III. Loan Portfolio

A. Types of Loans

The Group offers a wide range of credit instruments to entities and individuals, including letters of credit and short-term and long-term loans. The Group has not granted any commercial loans with instalments or any corporate credit cards. The following table provides details of the Group's loan portfolio, classified by economic sector, as of each of the indicated dates:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>							
Agriculture	10,451	0.06	48,888	0.22	87,024	0.31	84,625	0.29
Industry	11,286,976	65.11	13,570,355	60.75	16,527,344	59.82	17,412,554	60.25
Mining and Quarrying.....	86,024	0.50	167,945	0.75	536,815	1.94	504,280	1.74
Manufacturing.....	3,493,627	20.15	4,378,004	19.60	4,885,753	17.68	4,996,756	17.29
Electricity, Gas, Water.....	7,707,325	44.46	9,024,406	40.40	11,104,776	40.19	11,911,518	41.21
Construction	174,517	1.01	1,107,468	4.96	1,295,699	4.69	1,387,891	4.80
Services ⁽¹⁾	5,702,091	32.89	7,391,451	33.09	9,152,483	33.13	9,688,981	33.52
Wholesale and Retail Trade	208,416	1.20	460,116	2.06	523,657	1.90	721,321	2.50
Hotel and Restaurant Services.....	641,500	3.70	914,299	4.09	1,107,042	4.01	1,123,044	3.89
Transportation and Communication.....	826,437	4.77	1,049,549	4.70	1,953,834	7.07	1,892,769	6.55
Financial Institutions.....	2,304,919	13.30	2,795,084	12.51	2,986,797	10.81	3,044,064	10.53
Real Estate and Rental Services.....	1,055,310	6.09	1,223,032	5.48	1,516,248	5.49	1,741,198	6.02
Self-Employed Services.....	40,578	0.23	19,626	0.09	36,465	0.13	32,769	0.11
Educational Services.....	138,353	0.80	120,045	0.54	156,837	0.57	194,786	0.67
Health and Social Services	486,578	2.81	809,700	3.62	871,603	3.15	939,030	3.25
Other	162,010	0.93	219,068	0.98	566,219	2.05	328,133	1.14
Performing Loans	17,366,045	100.00	22,337,230	100.00	27,628,769	100.00	28,902,184	100.00
Leasing Receivables.....	3,792	—	63,410	—	133,929	—	135,201	—
Non-performing Loans.....	51,615	—	53,575	—	597,210	—	623,318	—
Total Loans and Advances to Customers	17,417,660	—	22,454,215	—	28,359,908	—	29,660,703	—
Allowance for Loan Losses	51,615	—	53,575	—	516,166	—	633,768	—
Net Loans and Advances to Customer	17,366,045	—	22,400,640	—	27,843,742	—	29,026,935	—

Note:

- (1) Services includes the sum of wholesale and retail trade, hotel and restaurant services, transportation and communication, financial institutions, real estate and rental services, self-employed services, educational services and health and social services.

The following table sets out an analysis by currency of the exposure of the Group's cash and non-cash loan portfolio (including interest and other accruals) as of the dates indicated:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	<i>(TL thousands, except percentages)</i>							
Cash Loans								
Turkish Lira	1,297,355	7.48%	3,995,707	12.15%	4,042,513	13.99%	4,014,011	13.89%
Foreign Currency ⁽¹⁾	16,038,690	92.52%	18,341,523	55.76%	23,586,256	81.61%	24,888,173	86.11%
U.S. Dollars	9,490,700	54.75%	10,256,433	31.18%	12,654,876	43.79%	13,732,833	47.51%
Euro	6,547,990	37.77%	8,085,090	24.58%	10,931,380	37.82%	11,155,340	38.60%
Other.....	—	—	—	—	—	—	—	—
Total Cash Loans	17,336,045	100.00%	22,337,230	100.00%	27,628,769	100.00%	28,902,184	100%
Non-cash Loans.....								
Letters of Guarantee.....	975,391	58.43%	1,475,645	37.38%	1,582,993	43.23%	1,630,147	44.52%
Turkish Lira	210,448	12.61%	562,998	14.26%	487,945	13.33%	467,666	12.77%
Foreign Currency.....	764,943	45.83%	912,647	23.12%	1,095,045	29.90%	1,162,480	31.75%
Acceptance Credits	17,450	1.05%	18,763	0.48%	—	—	66,240	1.81%
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	17,450	1.05%	18,763	0.48%	—	—	—	—
Letters of Credit.....	676,367	40.52%	1,079,303	27.34%	1,590,814	43.44%	1,965,446	53.67%
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	676,367	40.52%	1,079,303	27.34%	1,590,814	43.44%	1,965,446	53.67%
Other Guarantee.....	—	—	—	—	—	—	—	—
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	—	—	—	—	—	—	—	—
Total Non-cash Loans	1,669,208	100.00%	2,573,711	100.00%	3,173,807	100.00%	3,661,833	100.00%
Total Loans.....	19,005,253	100.00%	24,910,942	100.00%	30,802,577	100.00%	32,564,018	100.00%

Note:

(1) Foreign currency loans include foreign currency indexed loans.

The following table provides details of the Group's domestic and foreign loans as of each of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Domestic loans	17,263,913	22,229,418	27,529,071	28,793,677
Foreign loans	72,132	107,812	99,698	108,507
Total.....	17,336,045	22,337,230	27,628,769	28,902,184

B. Maturities of Investments

The following table provides details of the maturity profile of the Group (based upon scheduled repayments) as of the date indicated, including accrued interest.

As at 31 December 2018

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	<i>(TL thousands)</i>					
Domestic loans	1,602,212	1,351,028	4,824,575	13,855,981	5,895,275	27,529,071
Foreign loans	—	—	2,263	23,248	74,187	99,698
Total	1,602,212	1,351,028	4,826,838	13,879,229	5,969,462	27,628,769

C. Risk Elements

For information related to the Group’s loan classification and provisioning policy, portfolio supervision and non-performing loans, see “*Business of the Group — Lending Policies and Procedures – Loan Classification and Provisioning Policy*”, “*Business of the Group — Lending Policies and Procedures – Portfolio Supervision and Non-Performing Loans (“NPLs”)*” and “*Turkish Regulatory Environment – Loan Loss Reserves*”.

IV. Deposits

The Group is not authorised to accept deposits.

V. Return on Equity and Assets

For information related to the Group’s return on equity and assets, see “*Selected Financial and Other Information— Key Ratios and Other Data*”.

VI. Short-Term Borrowings

The following table sets out a breakdown of loans (and, prior to implementation of TFRS 9, loans and advances) to the Group from banks outstanding as of the dates indicated by source and maturity profile (including accrued interest):

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Short-term borrowings.....	—	69,430	5,003	98,258
Long-term debts (short-term portion)	1,113,070	1,604,103	1,292,281	1,435,829
Long-term debts (medium and long-term portion)	14,195,666	16,314,816	21,520,917	23,922,810
Total	15,308,736	17,988,350	22,818,202	25,456,897

The following table sets out certain information as to the currency of the Group’s borrowings outstanding (including accrued interest) as of the dates indicated:

	As of 31 December				As of 31 March			
	2016		2017		2018		2019	
	<i>(TL thousands, except percentages)</i>							
Turkish Lira	944,584	5%	843,155	4%	163,550	1%	1,520,763	4%

	As of 31 December			As of 31 March	
	2016	2017	2018	2019	
	<i>(TL thousands, except percentages)</i>				
Foreign Currency	19,288,61 3	95% 22,398,12 3	96% 30,540,65 8	99% 34,480,55 8	96%
Total	20,233,19 7	100% 23,241,27 8	100% 30,704,20 8	100% 36,001,32 1	100%

The following table sets out certain information as to the maturity profile of the Group's borrowings outstanding (including accrued interest) as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Short-term borrowings.....	905,498	882,751	184,104	1,777,843
Long-term debts (short-term portion)	1,113,070	1,604,103	1,292,281	1,435,829
Long-term debts (medium and long-term portion)	18,214,629	20,754,423	29,227,922	32,787,650
Total	20,233,197	23,241,278	30,704,208	36,001,321

CAPITALISATION

The following table sets forth the medium- and long-term indebtedness and equity of the Group as at 31 March 2019.

	As at 31 March 2019
	<i>(in thousands of TL)</i>
Medium and long-term indebtedness:	
Medium and long-term funding loan	21,093,748
Medium and long-term debt securities in issue ⁽¹⁾	7,171,871
Total medium- and long-term indebtedness	28,265,619
Equity:	
Paid-in Capital	2,800,000
Capital Reserves	374
Share premium	524
Share Cancellation Profits	0
Tangible Assets Revaluation Differences	261,494
Other	1,236,610
Total equity	4,299,002
Total capitalisation	32,564,621

Note:

- (1) As of 28 March 2017, the Bank issued the sustainable subordinated debt instruments which have nominal value of U.S.\$300 million, redemption date of 29 March 2022 with fixed interest rate of 7.625 per cent., semiannual coupon payment. The value of the borrowing instrument as of 31 March 2019 is TL 1,645,500.

As of the date hereof, there has been no significant change in total capitalisation since 31 March 2019.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the three months ended 31 March 2018 and 2019 and the financial years ended 31 December 2016, 2017 and 2018. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements for such years or periods without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the notes thereto and the other financial information included in (or incorporated by reference into) this Base Prospectus (including the section entitled “*Presentation of Financial Information*” and “*Selected Statistical Information*”). The BRSA Financial Statements for such periods have been prepared in accordance with BRSA regulations as described in “*Presentation of Financial Information*”. For a discussion of significant differences between the BRSA Principles and IFRS, see “*Appendix I – Overview of Significant Differences Between IFRS and BFRS Accounting Principles*”.

The BRSA Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA financial statements (which translations the Bank confirms were direct and accurate). The English language BRSA Financial Statements were not prepared for the purpose of their incorporation by reference into this Base Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Base Prospectus includes “forward-looking statements”. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled “*Cautionary Statement Regarding Forward-Looking Statements*”.

The Group’s financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Turkey and prospective investors should consider the factors set forth under “*Risk Factors — Risks Related to the Group’s Business*” and “*Risk Factors — Political, Economic and Legal Risks Related to Turkey*”.

The discussion and analysis of the financial position and results of operations of the Group in this Base Prospectus are based upon the BRSA Financial Statements. As elsewhere in this Base Prospectus, the term “Group” is used in this section to denote the Group on a consolidated basis and the term “Bank” in this section indicates that the context refers to the Bank on a stand-alone basis.

Overview

The Group provides a wide range of banking and advisory services, only in Turkey, including corporate banking, investment banking and advisory services. The Group is a development and investment bank and is not authorised to accept deposits or engage in retail banking activities. The Group operates in a highly competitive banking market in Turkey.

As of 31 March 2019, 53 banks (including domestic and foreign banks, including participation banks, but excluding the Central Bank) were operating in Turkey, 34 of which were deposit-taking banks, 13 of which (including the Bank) were development and investment banks and 6 of which were participation banks, which conduct their business under different legislation in accordance with Islamic banking principles. Of the deposit-taking banks, 21 were private foreign banks, 9 were private domestic banks, 3 were government-controlled banks and 1 was under the administration of the Savings Deposit Insurance Fund (“SDIF”). The Bank has one branch, in Ankara, as well as its principal İstanbul office.

As of 31 March 2019, the Group's total capital adequacy ratio was 15.7 per cent. and its Tier I capital adequacy ratio was 10.5 per cent., both as calculated in accordance with Basel III rules that came into effect on 1 January 2014. See “— *Capital Adequacy*” below. As of the same date, the Group's shareholders' equity was TL 4,299 million and its liquid asset ratio (being (a) total amount of cash and balances with the Central Bank of Turkey, banks, derivative financial assets, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost divided by (b) the Group's total assets) was 25.1 per cent. The Group's net operating income was TL 515 million in 2016, TL 696 million in 2017 and TL 823 million in 2018 (TL 233 million for the three months ended 31 March 2018 and TL 230 million for the three months ended 31 March 2019) while its net period profit from continuing operations was TL 436 million in 2016, TL 605 million in 2017 and TL 663 million in 2018 (TL 153 million for the three months ended 31 March 2018 and TL 169 million for the three months ended 31 March 2019).

As of 31 March 2019, the Group had total assets of TL 41.1 billion, an increase of 7.5 per cent. from TL 38.3 billion as of 31 December 2018, which was an increase of 27.9 per cent. from TL 29.9 billion as of 31 December 2017, itself a 20.3 per cent. increase from TL 16.4 billion as of 31 December 2016.

The Group's loan portfolio grew from TL 17.3 billion as of 31 December 2016 to TL 22.4 billion as of 31 December 2017, to TL 28.2 billion as of 31 December 2018 and to TL 29.8 billion as of 31 March 2019, a growth rate of 29.2 per cent in 2017, 25.8 per cent. in 2018 and 4.6 per cent. for the three months ended 31 March 2019. The Group's policy is to comply with the provisioning levels required by law. For additional information on regulatory requirements for provisioning, see “*Business of the Group — Lending Policies and Procedures – Loan Classification and Provisioning Policy*”, “*Risk Factors — The activities of the Group are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group's business*” and “*Turkish Regulatory Environment — Loan Loss Reserves*”. The Bank's NPL ratios were 0.3 per cent., 0.2 per cent., 2.1 per cent. and 2.1 per cent. as of 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

As of 31 March 2019, 92.2 per cent. of the Group's performing loans and 97.0 per cent. of the Group's total funds borrowed were denominated in foreign currencies, principally U.S. Dollars and Euro.

Effects on equity with TFRS 9 transition

The TL 28,679 thousand remeasurement difference between the provision for impairment as of 31 December 2017 and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as “Prior years' income/losses” under Shareholders' Equity.

As stated in the Communiqué on “Uniform Chart of Accounts and Prospectus” issued on 20 September 2017 published in the Official Gazette No. 30186 and dated 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages) deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 33,112 thousand have been reflected as of 1 January 2018 and the related amount has been classified under “Prior years' income/losses” in shareholders' equity in the 2018 BRSA Financial Statements.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's business, financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under “*Cautionary Statement*

Regarding Forward-Looking Statements” and *“Risk Factors”*. The following describes the most significant of such factors since the beginning of 2016.

Turkish Economy and Monetary Policy

All of the Group’s operations (and almost all of its loans) are in Turkey. Accordingly, the Group’s results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation, fluctuations in exchange and interest rates and the Central Bank’s monetary policy. Turkey’s economy has experienced significant volatility in recent periods. The years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 were characterised by a high degree of volatility in interest rates, which rose particularly sharply in 2018, as a result of a number of factors, including continued global volatility as well as increased political tension in Turkey, which, among other factors, led S&P and Moody’s to downgrade Turkey’s sovereign credit rating.

Furthermore, from 29 June 2018 to 14 August 2018, the Turkish Lira depreciated by 49.6 per cent. against the U.S. dollar, based on various factors, including: (i) the imposition of sanctions by OFAC over the detention of an American pastor, which included the freezing of assets of the Turkish Minister of Justice and Interior Minister and the doubling of U.S. tariffs on steel and aluminium imports from Turkey, and the possibility of further increases in political tension between the United States and Turkey, (ii) the tightening, and the potential of further tightening, of the monetary policy in the United States and Europe, (iii) concerns over the external financing requirements of the Turkish Treasury’s and certain Turkish companies’ foreign-currency denominated debt, (iv) concerns around the Central Bank’s interest rate policy, particularly in relation to real interest rates, and (v) investors’ perception of the Turkish political and economic environment, especially with respect to the independence of Turkey’s financial institutions. The Central Bank’s monetary policy stance evolved in response to these economic developments during the periods under review. In 2016, the Central Bank continued the trend of cutting rates it had started in 2014, with 75 basis points cut from the one week repo rate and 50 basis points cut from the overnight lending rate. The Central Bank did not change the one week repo rate until November 2016, when it increased the rate by 50 basis points, from 7.50 per cent. to 8.0 per cent. The Central Bank also cut the overnight lending rate by 250 basis points, from 10.75 per cent. to 8.25 per cent. between March and September 2016. In November 2016 and January 2017, the Central Bank increased overnight lending rate by 25 basis points and 75 basis points, respectively, in order to cope with significant deterioration in the Turkish Lira exchange rate and the resulting pressure on inflation.

Additionally, in order to relieve Turkish Lira volatility, the Central Bank took several actions in 2018, which could potentially lead to further interest rate volatility and impact the profitability of the Group. In response to high inflation and the depreciating Turkish Lira, in April 2018 the Central Bank announced an increase in the average cost of funding by a total of 500 basis points to 17.75 per cent., effective from June 2018, and announced the details of its simplification framework by which it started to use the one-week repo interest rate as its policy rate. Accordingly, the overnight borrowing and lending rates will be determined at 150 basis points below/above the one-week repo rate. In the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate, instead adopting the overnight borrowing rate as the main lending rate. However, such measures are subject to further change and revision at any time, and the Group may be required to seek alternative sources of liquidity and funding, which may only be available at increased cost or have limited or no availability. On 13 September 2018, the Central Bank increased the policy rate by 625 basis points to 24 per cent. In 2019, through the date of this Base Prospectus, the Central Bank has continued to tighten its policy by halting one week repo auction and/or through forward guidance indicating a monetary tightening. For example, after the volatility seen in March 2019, the Central Bank paused one week repo auctions and provided funding through overnight lending, which had a cost of 150 basis points higher than the policy rate, until 8 April 2019). The Central Bank paused the auctions once more on 10 May 2019 only to reinstate them on 21 May 2019.

The Central Bank's efforts to tighten its policies has limited direct impact on the Group's financial performance during the periods under review as the Group relies principally on long-term funding from DFIs, and its dependence on short-term TL funding is negligible. Nevertheless, the Central Bank's monetary policy has a significant effect on the economic conditions in Turkey, stability of the Turkish Lira and, in turn, many of the Group's borrowers. The following table provides certain macro-economic indicators for Turkey, including real GDP, inflation rates and the Central Bank's overnight TL interest rate and repo rate for each of the indicated periods:

	As of (or for the year ended)			As of (or for the three months ended)	
	31 December			31 March	
	2016	2017	2018	2018	2019
Nominal GDP at current prices (TL millions).....	2,608,526	3,106,537	3,700,989	788,833	914,699
Real GDP growth.....	3.2%	7.4%	2.6%	7.4%	(2.6)%
Deficit/surplus of central gov budget/GDP..	(1.1)%	(1.5)%	(1.9)%	2.6	(4.0)%
Consumer Price Inflation.....	8.5%	11.9%	20.3%	10.23%	19.71%
Producer Price Inflation.....	9.9%	15.5%	33.6%	14.3%	29.6%
Central Bank overnight TL interest rate, period-end ⁽¹⁾	7.25%	7.25%	22.50%	7.25%	22.50%
Central Bank weekly TL repo rate, period-end.....	8.00%	8.00%	24.00%	8.00%	24.00%
Refinancing rate of the Central Bank, period-end ⁽²⁾	8.50%	9.25%	25.50%	9.25%	25.5%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar ⁽³⁾	(21.5)%	(7.9)%	(38.1)%	(8.5)%	(42.5)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100).....	(5.6)%	(7.7)%	(11.8)%	(6.4)%	(11.7)%
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions).....	106,101	107,651	91,930	110,046	96,241

Sources: TurkStat for nominal GDP at current prices, real GDP growth and inflation; Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit/surplus of consolidated budget; and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar, real effective exchange rate, total gross gold and international currency reserves.

Notes:

- (1) The overnight borrowing rate announced by the Central Bank.
- (2) The overnight lending rate, marginal funding rate, announced by the Central Bank. 2018 data shows the rate implemented as of 21 November 2018.
- (3) According to Central Bank buying rates.

Market Environment, Interest Rates and Net Interest Income and Margin

The Group's results of operations depend heavily upon the level of its net interest income, which is the difference between interest income from interest earning assets and interest expense on interest-bearing liabilities. Net interest income (which also includes net income or losses from trading) contributed 100.6 per cent., 95.2 per cent. and 120.7 per cent. of the Group's operating income for the years ended 31 December

2016, 2017 and 2018, respectively, and net interest margin as measured on a Bank-only basis was 3.5 per cent., 3.9 per cent. and 4.9 per cent., respectively, over the same periods. In the three months ended 31 March 2018 and 2019, net interest income contributed 89.4 per cent. and 117.2 per cent. of the Group's operating income, respectively, and net interest margin as measured on a Bank-only basis was 4.1 per cent. and 4.5 per cent., respectively, over the same periods.

The Group's interest income primarily comprises: (a) interest earned on its loan portfolio (TL 2.1 billion, or 68.6 per cent. of total interest income, in 2018 (TL 416 million and 71 per cent. for the three months ended 31 March 2018 and TL 567 million and 64.3 per cent. for the three months ended 31 March 2019)) and (b) interest earned from its securities portfolio (TL 762 million, or 24.5 per cent. of total interest income, in 2018 (TL 114 million and 20 per cent. for the three months ended 31 March 2018 and TL 180 million and 20.4 per cent. for the three months ended 31 March 2019)). For further information on the Group's securities portfolio, see "*Securities Portfolio*".

In 2016, 2017 and 2018, the net interest margin of the Bank was 3.5 per cent., 3.9 per cent. and 4.9 per cent., respectively, and in the three months ended 31 March 2018 and 2019 it was 4.1 per cent. and 4.5 per cent., respectively. The net interest margin earned by the Bank is primarily affected by (1) the Bank's funding rates, including repo rates and cost of funding from the Bank's other sources of funding; (2) composition of the Bank's loan and securities portfolio, including currency mix and mismatch between fixed and floating rates for its assets compared to liabilities; (3) lending rates, which are in turn affected by the competitive environment; and (4) market conditions that affect the pricing of the Group's securities portfolio. The Group's primary sources of funding for the periods under review have been funds borrowed from DFIs, Eurobonds, syndication loans, repo transactions with banks, including the Central Bank when it was applicable, and certain other money market transactions. The Group's reliance on long-term funding from DFIs denominated in foreign currencies, to a large degree, insulates its costs of funding to the influences of near-term macroeconomic developments in Turkey and the monetary policy implementation by the Central Bank of Turkey. Further, the Bank's loan portfolio has a significantly lower duration than its funding and therefore re-prices more quickly, and is therefore more sensitive to interest rates movements in the short term.

The level of, and fluctuations in, interest rates in Turkey influence the return on the Group's securities portfolio and its loan rates as well as the Bank's cost of funding.

Interest earned and paid on the Group's assets and liabilities reflects, to a certain degree, actual inflation, inflation expectations, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates (with respect to the Group's foreign currency-denominated liabilities), including similar changes in global markets. Although the impact of decreasing interest rates earned on assets during the periods under review has had a direct and material impact on the Group's profitability, and the Group has been further negatively affected by competitive pressures from both the public and private sector banks, the Group has utilised low cost and long-term sources for raising funds, thereby mitigating this competitive pressure.

Turkish Lira interest rates affect the cost of the Bank's daily repo funding, which is affected by the Central Bank's policy actions. See "*Turkish Economy and Monetary Policy*" above. The Group's average cost of Central Bank funding was 24 per cent. as of 31 March 2019. As the average maturity of the Bank's Turkish Lira loan book is relatively short and a majority of the securities portfolio is formed of floating rate notes, the impact of higher Turkish Lira interest rates generally has a positive effect on the Bank in the short term.

The Group's strategy is to hedge any interest rate mismatch with derivative instruments and, as a result, the interest rates on the Group's loans and funds are very closely matched. Due to the natural hedge in the Bank's assets and liabilities, as supplemented by such hedges, the Group's existing loan portfolio is not materially affected by changes in interest rates. The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demand. As a result, due to the highly competitive

banking environment, the Group's ability to change the naturally established composition of loans and funding base is limited. On the other hand, the Group tries to diversify its securities portfolio in terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet.

In addition, 46.6 per cent. of the Group's securities portfolio consisted of floating rate notes and CPI-linked securities as of 31 March 2019; however the remaining securities portfolio, consisting of fixed rate notes, may create a negative or positive effect on the Group's equity as a result of changes in market interest rates. Further, as of 31 March 2019, the remaining 53.4 per cent. of the Group's securities portfolio consisting of fixed rate notes had an average maturity of 3.1 years. In addition, rising interest rates are expected to reduce the value of the Group's existing securities investment portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio. However, only 34.5 per cent. of the Group's TL-denominated securities portfolio consists of fixed rate securities as at 31 March 2019. The remaining 65.5 per cent. of the Group's TL-denominated securities portfolio as at 31 March 2019 (of which more than 40 per cent. is linked to CPI), is composed of floating rate notes which makes the Group's portfolio more resilient to interest rate volatility.

As of 31 December 2016, 2017, 2018 and 31 March 2019, respectively, approximately 68 per cent., 61 per cent., 62 per cent. and 62 per cent. of the Bank's loans and 65 per cent., 57 per cent., 56 per cent. and 53 per cent. of the Bank's interest-earning assets were at floating rates.

Among the most significant drivers of the movements in interest rates as they affect the Group is the competitive environment, which has, in recent years, put pressure on net interest margins in the Turkish banking sector as a whole. The loan to deposit spread of the sector widened in 2016. The annual loan to deposit spread for the sector increased by 22 basis points year-on-year to 4.5 per cent. as of 31 December 2016. The net interest margin for the sector has also increased by 43 basis points to 3.8 per cent. during the same period, primarily as a result of increased trade activities related to the sector-wide increase in the loan to deposit spread, increase in profitability of the securities portfolio and declining net trade and swap losses (which generally reduced net trading income) in the period. The annual loan to deposit spread of the sector has been narrowing since early 2017 after increasing to 4.7 per cent. as of 30 April 2017. The annual loan to deposit spread was 4.51 per cent. as of 31 December 2017, with a negligible improvement compared to such spread as of 31 December 2016. The spread has further narrowed by 36 basis points year on year to 4.15 per cent. as of 31 December 2018. The net interest margin of the sector has contracted 15 basis points from 31 December 2016 to 3.65 per cent. as of 31 December 2017, with increased trade and swap losses and has expanded 21 basis points to 3.86 per cent. as of 31 December 2018 following the recovery of the yearly loan to deposit spread and the increasing securities portfolios gains attributed to CPI linked securities. The sector's year to date net interest margin was 3.56 per cent. while the yearly net interest margin was 3.84 per cent as of 31 March 2019.

As a result of these sector developments, the Group's management expects the Bank's net interest margin to decline to between 3.5 per cent. and 3.8 per cent. in the year ending 31 December 2019, compared to 4.9 per cent. in 2018.

Fees and Commissions

The Group's profitability is affected by the level of fees and commissions that it earns. In order to diversify its sources of revenue and obtain income in a capital efficient manner, the Group has been focusing more on advisory services. and incentivising its employees to increase the Group's fee and commission income. The share of net fees and commissions to total operating income has been 3.3 per cent., 4.0 per cent., 4.8 per cent. and 3.8 per cent. respectively, for 2016, 2017, 2018 and for the three months ended 31 March 2019 (5.6 per cent. for the three months ended 31 March 2018). The Group expects its fees and commissions growth for the year ending 31 December 2019 to be above 35 per cent. for the year ending 31 December 2019. A significant portion of the Group's fee and commission income is derived from its non-cash loan business and investment

banking services as well as consultancy services. In order to increase fee and commissions income from consultancy services the Bank also targets expanding its client base. The Group's investment banking activities are operated by the Bank's Corporate Finance Department, Treasury Marketing Unit and its subsidiary Yatırım Finansman Menkul Değerler A.Ş. ("Yatırım Finansman"), a local brokerage house, as described in greater detail below. The Group's ability to increase its fee and commission income is also dependent upon the Bank's Corporate Finance Department, which is active in initial public offerings, bond offerings, mergers and acquisitions and providing advisory services. As with these investment banking revenues, the commissions generated by the Bank's corporate finance department are dependent upon the economic and political environment in Turkey.

A second significant influence on the Group's ability to earn fee and commission income is the level of domestic competition, which has been significant during all macro-economic conditions. Competitive pressures from other banks to reduce fees on loan products and banking services require the Group either to lower its own fees (including waiving them in certain circumstances) in order to be competitive in the applicable business segment and/or to seek to develop new products that can earn additional fees and commissions within a prudent risk management context. The Bank's management believes that this competitive pressure will continue in all of the Group's business segments, particularly as other Turkish banks have increased their focus on fee and commission income as the current environment of low interest rates has impacted net interest income.

Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As of 31 March 2019, 77.3 per cent. of the Group's total assets and 84.6 per cent. of the Group's total liabilities and shareholder's equity were denominated in foreign currencies.

While the Group monitors its net position in foreign currencies (i.e. the amount by which its foreign currency risk-bearing assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency-denominated assets and liabilities. The foreign currency position limit imposed by the BRSA is defined as an amount plus/minus 20 per cent. of the total capital used in the calculation of regulatory capital adequacy ratios.

Historically, the Bank has sought to maintain a balance between such assets and liabilities based upon the actual composition of its balance sheet and off-balance sheet positions at any time and, as a general matter, does not enter into any speculative positions. Under BRSA rules, any foreign exchange gains and losses are accounted for together with any gains and losses from the Group's investment in foreign exchange-based derivative financial instruments.

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

The Group recorded a net foreign exchange loss of TL 72.5 million in 2016, a gain of TL 138.9 million in 2017 and a gain of TL 284.9 million in 2018. In the three months ended 31 March 2019, the Group recorded a loss of TL 186.2 million compared to a loss of TL 29.0 million in the same period in 2018. In addition, a certain amount of foreign exchange liquidity is transferred into TL by short-term swaps, which are used in TL liquid assets for arbitrage and TL loan generation purposes. The expenses of these transactions are booked in trading income/(loss) item while the revenues are booked in interest income.

Exchange rate movements also affect the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

Securities Portfolio

The Group maintains a securities portfolio that consists primarily of Turkish government debt securities. The Group's investment securities portfolio amounted to TL 5.8 billion as of 31 March 2019, compared to TL 5.5 billion as at 31 December 2018, TL 4.6 billion as at 31 December 2017 and TL 4.4 billion as at 31 December 2016. Of this amount, as at 31 December 2018, TL 3.6 billion, or 62 per cent., was classified as financial assets at fair value through other comprehensive income, TL 2.2 billion, or 38 per cent. was classified as financial assets measured at amortised cost, with the remainder held in the trading securities portfolio. Interest income derived from the Group's trading and investment securities amounted to TL 179.7 million for the three months ended 31 March 2019, accounting for 20.4 per cent. of total interest income for the period (TL 114.6 million and 19.6 per cent. for the three months ended 31 March 2018), TL 762.5 million for the year ending 31 December 2018, accounting for 24.5 per cent. of total interest income for the period, TL 433.0 million for the year ended 31 December 2017, accounting for 23.1 per cent. of total interest income for the period, and TL 353.7 million for the year ended 31 December 2016, accounting for 25.1 per cent. of total interest income for the period. In addition to the Group's receipt of interest income, net interest margin (which includes net trading income) impacts the Group's securities portfolio. The Group funds its securities portfolio with available equity capital (which bears no interest cost) and, as a result, earnings from the securities portfolio make a disproportionately positive contribution to the Group's net interest income. Notwithstanding the changes in interest rates during recent years and specifically the volatility within the most recent quarters, the Group's earnings from its securities portfolio have consistently represented a significant portion of the Group's earnings.

Although the size of the Group's securities portfolio will depend on the Group's strategy as to its asset allocation between loans and liquid assets, as well as its overall risk appetite, the Bank expects that interest income derived from the Group's investment securities portfolio will continue to be a significant contributor to the Group's total interest income.

Critical Accounting Policies

The Group's accounting policies are integral to understanding its results of operations and financial condition presented in the BRSA Financial Statements and the notes thereto. The Group's critical and other significant accounting policies are described in Section Three to the 2018 BRSA Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. The Bank's management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The Group's actual results may differ from the estimates under different assumptions, judgments or conditions.

The Bank's management believes that the following significant accounting policies require critical judgments or estimates or involve a degree of complexity in application that affects the Group's financial condition and results of operation.

IFRS 9 Implementation

Disclosure of IFRS 9 Financial Instruments

From 1 January 2018, the Group has applied the IFRS 9 Financial Instruments Standards (“IFRS 9”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 in lieu of TAS 39 Financial Instruments: “Accounting and Measurement”. IFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to paragraph 15 of Article 7 of IFRS 9, it is not compulsory to restate prior period information in accordance with IFRS 9 and, if the prior period information is not revised, the difference between the book value as of 1 January 2018 and the book value as at the date of application of IFRS 9 should be reflected in the opening balance of equity. Further details regarding the impact of IFRS 9 on the presentation of shareholders’ equity is set out below.

The table below shows the reconciliation of the provision for impairment of the Group as of 31 December 2017 and the provision for the expected loss model as measured in accordance with IFRS 9 as of 1 January 2018.

	Book Value Before IFRS 9	Remeasurements ⁽⁶⁾	Book Value After IFRS 9
	31 December 2017		1 January 2018
		<i>(TL thousands)</i>	
Loans	170,645	113,610	284,255
Stage 1	107,597	43,016	150,613
Stage 2	9,473	72,091	81,564
Stage 3	53,575	(1,497)	52,078
Financial Assets ⁽¹⁾	3,125	527	3,652
Other Assets ⁽²⁾	1,809	(1,084)	725
Other Receivables as Loan ⁽³⁾	11,680	(11,680)	—
Non-Cash Loans ⁽⁴⁾	2,446	1,769	4,215
Stage 1	2,439	1,760	4,199
Stage 2	7	9	16
Other Provision ⁽⁵⁾	90,000	(90,000)	—
Total	279,705	13,142	292,847
Investment in Associates (Net)⁽⁷⁾	375,481	(18,630)	356,851
Total		(31,772)	

Notes:

- (1) Under IFRS 9, provisions include provisions for Financial Assets Measured at Amortised Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.
- (2) Under IFRS 9, provisions include provisions for Other Assets.
- (3) Prior to IFRS 9, provisions included provisions for Transaction as Loan as described in article 48 of Banking Law No 5411.
- (4) According to IFRS 9 articles, expected credit loss for Non-Cash Loans is presented as “Other Provision” in liabilities.
- (5) The provisions amounting to TL 90,000 for the risks related to the loan portfolio as of 31 December 2017 is recorded as income as of 1 January 2018. This provision was included in Stage 1 as of 1 January 2018 and is allocated as an Additional General Provision for customers who may be included in Stage 2.
- (6) As of 1 January 2018, deferred tax amounting to TL 33,112 is calculated for as a General Loan Loss provision.

(7) Investments in Associates (Net) is calculated using the equity method in line with TFRS 9 transition provisions.

Consolidation of Subsidiaries and Associates

In the consolidated BRSA Financial Statements, the Bank consolidates its subsidiaries that are entities that are controlled by the Bank, but only its financial subsidiaries. The Bank does not consolidate its non-financial subsidiaries in the consolidated BRSA Financial Statements but rather reflects them under “Investments in Associates” and “Investments in Subsidiaries”. For a list of the Bank’s financial subsidiaries, see “*Business of the Group — Subsidiaries and Other Affiliates — Financial Subsidiaries and Associates*”, and for a list of the Bank’s non-financial subsidiaries, see “*Business of the Group — Subsidiaries and Other Affiliates — Non-Financial Subsidiaries*”. In determining whether the Bank controls another entity, the Bank’s management considers the Bank’s power to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of the entity’s capital irrespective of the requirement of owning a minimum 51 per cent. of its capital, or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

The Bank’s subsidiaries and associates that have been consolidated during the periods under review are Yatırım Finansman Menkul Değerler A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., İş Finansal Kiralama A.Ş. (“İş Leasing”), İş Faktoring A.Ş. (“İş Faktoring”) and İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“İş Girişim”).

An associate is an entity in which the Bank owns capital and over which it has a significant influence but no control, whether established at home or abroad. Significant influence is the power to participate in the financial and operating policy of the investee. If the Bank holds qualified shares in the associate, then it is presumed that the Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. A qualified share is a share that directly or indirectly constitutes 10 per cent. or more of an entity’s capital or voting rights and, irrespective of this requirement, possession of privileged shares giving right to appoint members of the board of directors.

The equity method is an evaluation method of associates by which the book value of the Bank’s share in the associate’s equity is increased or decreased by the Bank’s proportional share in the change in the associate company’s equity and the dividend received by the Bank is deducted. The accounting policies of İş Leasing, İş Girişim and İş Faktoring, the associates that are consolidated using the equity method, are not different than the Bank’s. Thus, no adjustments of compliance have been applied.

Classification and Measurement of Financial Assets

Classification and Measurement of Financial Assets Prior to 1 January 2018

Prior to 1 January 2018, financial assets comprised cash, contractual rights to obtain cash or another financial asset from (or to exchange financial instruments with) a counterparty or capital instrument transactions with a counterparty. According to the Bank’s management’s purpose of holding, financial assets were classified into four groups: “Financial Assets at Fair Value through Profit And Loss”, “Financial Assets Available for Sale”, “Held-to-Maturity Investments” and “Loans and Receivables”.

Cash and Banks

Cash consisted of cash in vault, foreign currency cash, money in transit, checks purchased and precious metals. Foreign currency cash and banks were shown in the balance sheet by their amounts converted into Turkish Lira

at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks were their estimated fair values.

Financial Assets at Fair Value through Profit and Loss

Financial assets classified as “at fair value through profit and loss” included both “financial assets held-for-trading” as well as “financial assets at fair value through profit and loss”, both of which are described below.

Financial Assets Held-for-Trading

Financial assets held-for-trading were those acquired for the purpose of generating profit from short-term market fluctuations in prices or similar elements, or securities that were part of a portfolio set up to realise short term profit regardless of the purpose of acquisition.

Financial assets held-for-trading were presented in the balance sheet with their fair values and were subject to valuation at fair values after the initial recognition. In cases where values that formed the basis for the fair value did not exist in active market conditions, it was accepted that the fair value was not reliably determined and “amortised cost”, calculated by the internal rate of return method, was taken into account as the fair value.

Any gains or losses resulting from such valuation were recorded in the profit and loss accounts. Pursuant to legal regulations, any positive difference between the historical cost and amortised cost of financial assets was recognised under the “Interest Income” account, and in case the fair value of the asset was over the amortised cost, the positive difference was recognised in the “Gains on Securities Trading” account. If the fair value was less than the amortised cost, then the negative difference was recognised under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date was recognised within the framework of the same principles.

Financial Assets at Fair Value through Profit and Loss

Financial assets classified as “at fair value through profit and loss” were financial assets that have not been acquired for trading purposes but were classified as “fair value through profit and loss” at their initial recognition. The recognition of such assets at fair value was accounted similarly to the financial assets held-for-trading described above.

Financial Assets Available for Sale

Financial assets available for sale were non-derivative financial assets other than bank loans and receivables, held-to-maturity investments and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale were performed based upon the fair value including transaction costs. The amount arising from the difference between cost and amortised value was recognised through the income statement by using the internal rate of return. If a price did not occur in an active market, then the fair value could not be reliably determined and “amortised value” was determined as the fair value using the internal rate of return. Unrealised gains and losses arising from changes in fair value of the financial assets available for sale were not recognised in the income statement but rather in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value were reflected to the income statement when these assets were sold or when the valuation difference was collected.

Held to Maturity Investments

Held to maturity investments were investments for which there was an intention of holding until maturity and the relevant conditions for fulfilment of such intention, including funding ability, and for which there were fixed or determinable payments with fixed maturity, which investments were recognised at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs were subject to valuation with their discounted cost value by using the internal rate of return method less

provision for any impairment. Interest income from held-to-maturity investments was recognised in the income statement as an interest income.

Loans and Receivables

Loans and receivables represented financial assets that were not quoted in an active market and were generated by providing money, goods or services to the debtor with fixed or determinable payments. Loans and receivables were initially recognised at their fair values including settlement costs and were thereafter carried at their amortised cost, which was calculated using the internal rate of return method. Retail and commercial loans that were included in cash loans were accounted at original maturities, based upon their contents.

Foreign currency-indexed loans were valued in Turkish Lira at the exchange rates prevailing at the opening date. Thereafter, increases and decreases in the principal amount of the loan resulting from movements in exchange rates were recognised under the foreign currency income and expense accounts in the income statement. Repayment amounts were calculated using the exchange rate on the repayment date and any exchange differences were also recognised in the foreign currency income and expense accounts in the income statement.

Classification and Measurement of Financial Assets post-1 January 2018

From 1 January 2018, the Group has applied TFRS 9 and classifies its financial assets in the following measurement categories:

- (a) Financial assets measured at fair value through profit/loss;
- (b) Financial assets measured at fair value through other comprehensive income; and
- (c) Financial assets measured at amortised cost.

According to TFRS 9, the classification of financial assets is based on two criteria: (i) classification and measurement of financial assets dependent on the business model of the financial asset and (ii) contractual cash flows representing solely payments of principal and interest in respect of the financial asset. This evaluation takes into account whether there is any clause or provision that may change the timing, and/or amount, of contractual cash flows in relation to the financial asset.

Classification of financial assets reflects the business model of how the Group manages the assets in order to generate cash flows. The Bank's business model may be to collect solely the contractual cash flows from the assets (the "Cash Flow Only Model") or to collect both the contractual cash flows and cash flows arising from the sale of assets (the "Cash Flow and Sale Model"). If neither of these is applicable, then the financial assets are classified as part of "other" business model and measured at fair value through profit or loss (the "Other Model"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets (i) other than the ones that are managed with the Cash Flow Only Model or the Cash Flow and Sale Model and (ii) that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aimed at short-term

profit making, where the contractual terms of the financial asset do not lead to cash flows representing solely payment of principal and interest at a certain date. Financial assets at fair value through profit or loss are initially recognised at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations, interest income earned on financial assets and the difference between their acquisition costs and amortised costs are recorded as “interest income” in the statement of profit or loss. The differences between the amortised costs and the fair values of such assets are recorded under “trading account income/losses” in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under “trading account income/losses”.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets within the Cash Flow and Sale Model and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest at certain dates are classified as fair value through other comprehensive income. “Financial Assets at Fair Value Through Other Comprehensive Income are recognised by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, “Financial Assets at Fair Value Through Other Comprehensive Income” are measured at fair value. Interest income calculated with the effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

“Unrealised gains and losses” arising from the difference between the amortised cost and the fair value of “Financial Assets at Fair Value Through Other Comprehensive Income” are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, disposal of the asset and impairment of the asset are accounted under the “Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss” under shareholders’ equity. Equity securities, which are classified as “Financial Assets at Fair Value Through Other Comprehensive Income”, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as a profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets that are held under the Cash Flow Only Model where those cash flows represent solely payments of principal and interest are classified as “Financial Assets Measured at Amortised Cost”. Financial Assets Measured at Amortised Cost are initially recognised at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognised at amortised cost by using the effective interest rate method. Interest income obtained from Financial Assets Measured at Amortised Cost is accounted in the income statement. In the “fair value through other comprehensive income” and “measured at amortised cost” securities portfolio of the Bank, there are Consumer Price Indexed (“CPI”) bonds.

The Bank considers the expected inflation index of future cash flows prevailing at the reporting date while calculating the internal rate of return of the CPI marketable securities. The effect of this application is accounted as interest received from marketable securities in the unconsolidated financial statements. These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor’s Guide of CPI Government Bonds by the Republic of Turkey Undersecretariat of Treasury dated December 2009, the reference

indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months' CPIs. The Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

Loans

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognised at acquisition cost plus transaction costs representing their fair value and thereafter measured at amortised cost using the "Effective Interest Rate (internal rate of return) Method". Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. Turkish Lira cash loans are composed of foreign currency-indexed loans and working capital loans and foreign currency cash loans are composed of investment loans, export financing loans and working capital loans.

All loans of the Bank are classified under "Measured at Amortised Cost", after the Bank's loan portfolio passed the test of "all cash flows from contracts are made only by interest and principal" during the transition period.

Foreign currency-indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date and the foreign currency gains and losses are reflected to the income statement.

The Bank provides an expected loss provision based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 29750 dated 22 June 2016 (the "Provisioning Regulation").

Impairment of Financial Assets

Impairment of Financial Assets Prior to 1 January 2018

Prior to 1 January 2018, as of each balance sheet date, the Group companies evaluated the carrying amount of their financial assets or a group of financial assets to determine whether there was an objective indication that those assets had suffered an impairment loss. If such indication existed, then the Group determined the related impairment amount.

A financial asset or group of financial assets was subject to impairment loss only if there was an objective indication that the occurrence of one or more event(s) after the initial recognition of that asset or group of assets has had an effect on the reliable estimate of the expected future cash flows thereof. Irrespective of their probability of occurrence, no estimated loss that may arise from future events was recognised in the financial statements.

Impairment losses attributable to the "held-to-maturity investments" were measured as the difference between the present values of the estimated future cash flows thereof as discounted using the original interest rate of such asset and the book value of such asset. The related difference was recognised as a loss and decreased the book value of the financial asset. In subsequent periods, to the extent that the impairment loss amount decreased, the previously recognised impairment loss was reversed.

When a decline occurred in the fair value of an "available-for-sale" financial asset, which was accounted at fair value and the increases and decreases in value of which were recognised directly in equity, the accumulated profit or loss that had been recognised directly in equity was transferred from equity and recognised in the period's profit or loss. If, in a subsequent period, the fair value of the related financial asset increased, then the impairment loss was reversed and the amount of reversal was recognised in profit or loss.

“Loans and receivables” were classified and followed in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. Such legal requirements imposed minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20 per cent., 50 per cent. and 100 per cent., respectively, being required to be set aside for loans and receivables in Groups III, IV and V. See “*Turkish Regulatory Environment — Loan Loss Reserves*”. Specific provisions were allocated by the Group for the total amount of loans and other receivables that were deemed to be non-performing, without being restricted by the minimum legal requirements stated in such regulation. The Bank’s policy was to provide fully (at a rate of 100 per cent.) for all of its non-performing loans rather than at the lower minimum rates applicable to loans and receivables in Groups III and IV.

Other than specific provisions, the Bank and the financial institutions affiliated to the Group also provide “general allowances” for loans and other receivables classified in accordance with applicable regulations.

Impairment of Financial Assets post-1 January 2018

From 1 January 2018, the Group recognises a loss allowance for expected credit losses on “Financial Assets and Loans Measured at Amortised Cost”, “Financial Assets Measured at Fair Value Through Other Comprehensive Income”, loan commitments and financial guarantee contracts not measured at “Fair Value Through Profit/Loss” based on TFRS 9 and the Provisioning Regulation effective from 1 January 2018.

From 1 January 2018, the Group’s classification of financial assets (especially in loans and receivables) and calculation of provisions also changed due to the application by the Group of TFRS 9.

In accordance with TFRS 9, the Group’s loan loss provisioning policy was replaced by the expected credit loss (“ECL”) model. ECL estimates are required to be unbiased, probability-weighted, and should include supportable information about past events, current conditions and forecasts of future economic conditions. The ECL should reflect multiple macroeconomic scenarios and include the time value of money.

The ECL model applies to all on-balance financial assets accounted for at amortised cost and fair value through other comprehensive income (“FVOCI”) such as loans and debt securities, as well as to off-balance items such as certain loan commitments, financial guarantees and undrawn revolving credit facilities.

In accordance with TFRS 9, the Bank applies an impairment model having three stages based on the change in credit quality since initial recognition. These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment shall be recognised on outstanding amounts in each category, as follows:

- (a) Stage 1: For financial assets at initial recognition or which do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded on the basis of 12-month expected credit losses.
- (b) Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this category. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses.
- (c) Stage 3: Includes financial assets which have objective evidence of impairment at the reporting date.

For these assets, lifetime ECLs are recognised and interest revenue is calculated on the net carrying amount.

Employee Benefits Obligations

According to the related regulation, the Bank and consolidated Group companies are obligated to pay termination benefits for employees who retire, die, quit for their military service obligations, have been dismissed as defined in the related regulation or (for female employees) have voluntarily quit within one year

after the date of their marriage. Within the scope of TAS 19 (“Employee Benefits”), the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities.

The Bank’s mandatory pension fund, of which each employee of the Bank is a member, has been established according to provisional Article 20 of the Social Security Act No. 506. For pension funds such as this, Law No. 5754 published in the Official Gazette dated 8 May 2008 and numbered 26870 decrees that payment obligations to the contributors of bank pension funds, those who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution within three years after the release date of this law; however, the initial three-year transfer period was extended for two years (i.e. until 8 May 2013) by a Cabinet decision dated 14 March 2011, which was published in the Official Gazette dated 9 April 2011 and numbered 27900. By the Law “Emending Social Security and General Health Insurance Act”, which was published in the Official Gazette dated 8 March 2012 and numbered 28227, the Cabinet’s authority to extend this period for two years was raised to four years (i.e. until 8 May 2015), and then the Cabinet extended this period for one year by Cabinet decision dated 8 April 2013 (published in the Official Gazette dated 3 May 2013 and numbered 28636) and then further extended for another year by its decision dated 23 February 2014 (published in the Official Gazette dated 30 April 2014 and numbered 28987). This law also states that:

- through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organisation, BRSA and SDIF, one representative from each pension fund and one representative from the organisation employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of a pension fund as of the transfer date will be calculated by considering its income and expenses in terms of the lines of insurance within the context of the related law, and a technical interest rate of 9.8 per cent. will be used in the actuarial calculation of the value in cash, and
- after the transfer of the pension fund, the fund’s beneficiaries’ unfunded social rights and payments will continue to be covered by the pension funds and the employers of the pension fund contributors.

In line with the new law, the Bank’s pension fund had an actuarial valuation made for the aforementioned pension fund as of 31 December 2016 and there was no operational or actuarial liability indicated for the Bank in the actuarial report.

By the Emending Act No. 6645, which was published in the Official Gazette dated 23 April 2015 and numbered 29335, the Cabinet was authorised to decide the transfer date to the Social Security Institution. As of the date of this Base Prospectus, the deadline for the transfer has not been set.

In line with the regulation in force, the Bank’s pension fund performed an actuarial valuation for the aforementioned pension fund as of 31 December 2018. The valuation report indicated no operational or actuarial liability for the Bank.

Interest Income and Expenses

Interest Income and Expenses Prior to 1 January 2018

Prior to 1 January 2018, interest income and expenses were recognised on an accrual basis by using the effective interest method (the rate that equalises the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 (“Financial Instruments: Recognition and Measurement”). In accordance with the relevant legislation, realised and unrealised interest accruals on NPLs were reversed and interest income related to these loans was recorded as interest income only when it was collected.

Interest Income and Expenses post-1 January 2018

From 1 January 2018, interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 standards by applying the effective interest rate to the gross carrying amount of a financial asset except for (i) purchased or originated credit-impaired financial assets or (ii) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a “Non-Performing Receivable”, the Group applies the effective interest rate on the amortised cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. The effective interest rate method is used during calculation of loss given the default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount.

Therefore, a reclassification is made between the accounts of “Expected Credit Losses” and “Interest Income From Loans” for the calculated amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan’s credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expenses are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method (the rate that equalises the future cash flows of financial assets and liabilities to the current net book value).

Fee and Commission Income and Expenses

Fee and Commission Income and Expenses Prior to 1 January 2018

Prior to 1 January 2018, fee and commission income and expenses were recorded either on an accrual basis or by using the effective interest rate method. Income earned in return for services rendered contractually or due to operations such as the sale or purchase of assets on behalf of a third party were recognised in income accounts in the period of collection.

Fee and Commission Income and Expenses post-1 January 2018

Except for fees and commissions that are an integral part of the effective interest rates of financial instruments measured at amortised costs, the fees and commissions are accounted for in accordance with TFRS 15 Standard “Revenue from Contracts with Customer”. Except for certain fees related with certain banking transactions which are recognised when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions, are accounted under accrual basis of accounting throughout the service period.

Foreign Currency Transactions and Translation

Transactions in currencies other than Turkish Lira are recorded by the Group at the rates of exchange prevailing on the dates of such transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date and non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined (the book value of non-monetary items measured in terms of historical cost are not retranslated). As a significant portion of the Group’s assets and liabilities are denominated in (or indexed to) foreign currencies, this translation may result in volatility in the Group’s financial results and financial statements.

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March
	2016	2017	2018	2019
	Ratios			
Net interest margin ⁽¹⁾⁽²⁾	3.3%	3.9%	4.4%	4.5%
Cost-to-income ratio ⁽³⁾	22.4%	15.9%	14.3%	13.1%
Free capital ratio ⁽⁴⁾	10.3%	10.2%	9.0%	8.7%
Tier I ratio ⁽⁵⁾	13.8%	12.7%	11.0%	10.5%
Total capital adequacy ratio ⁽⁶⁾⁽⁹⁾	14.6%	17.0%	16.0%	15.7%
Coverage ratio ⁽⁷⁾	100.0%	100.0%	28.0%	26.9%
Return on average total assets ⁽¹⁾	1.9%	2.2%	2.0%	1.7%
Return on average shareholders' equity ⁽¹⁾⁽⁸⁾	15.0%	17.8%	17.0%	16.1%

Notes:

- (1) Averages calculated using quarter-end amounts.
- (2) This is: (a) the Bank-only net interest income (excluding interest from the Central Bank on reserves held thereat) for the relevant periods (and, when calculating for the interim period, the figure is annualised by multiplying the Bank-only net interest income for the indicated period of such year by 12 and divided by the number of months in such period) plus net trading income *divided by* (b) the Bank-only quarterly average interest-earning assets (excluding reserves held at the Central Bank). The "quarterly average" interest earning assets for a period are calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (e.g., for any year, 31 December of the previous year) and each intervening quarter-end date (i.e., 31 March, 30 June, 30 September and 31 December, as applicable).
- (3) This is: (a) the "cost" (calculated as total operating expenses) for the periods specified *divided by* (b) the "income" (calculated as total operating income) for such period.
- (4) This is: (a) the Group's total shareholders' equity as at the relevant dates specified minus the Group's tangible assets (net), intangible assets and goodwill (net), tax asset, investments in equity participations (i.e., the sum of investment in associates (net)), investment in subsidiaries (net) and jointly controlled entities (joint ventures) (net) and non-performing loans net of specific provisions as of such date *as a percentage of* (b) the Group's total assets as of such date.
- (5) The Tier I ratio is: (a) the "Tier I" capital (i.e. the result of the "core capital", which primarily is comprised by the share capital, profit reserves, profit and provisions for possible losses) *as a percentage of* (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. See "*Capital Adequacy*" below, including with respect to calculations made after 1 January 2014.
- (6) The total capital adequacy ratio is: (a) the result of "Tier I" capital plus "Tier II" capital (i.e. the "supplementary capital", which comprises general provisions, subordinated debt, unrealised gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses)) minus items to be deducted from capital (the "deductions from capital", which comprises items such as unconsolidated equity interests in financial institutions and assets held-for-resale but held longer than five years) *as a percentage of* (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. See "*Capital Adequacy*" below, including with respect to calculations made after 1 January 2014.

- (7) Total amount of specific provisions divided by NPLs (expressed as a percentage). See “*Business — Lending Policies and Procedures – Portfolio Supervision and Non-Performing Loans*”;
- (8) Net income for the period as a percentage of average shareholders’ equity.
- (9) The capital adequacy ratios for 31 December 2016, 2017 and 2018 and 31 March 2019 are calculated in accordance with Basel III rules, which came into effect on 1 January 2014.

Analysis of Results of Operations for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019

The table below sets out the Group’s income statement for the periods indicated.

	Three months ended 31 March	
	2018	2019⁽²⁾
	<i>(TL thousands)</i>	
Interest Income	584,278	881,873
Interest on Loans.....	416,305	567,265
Interest Received from Reserve Deposits	2,013	2,225
Interest Received from Banks	22,822	13,516
Interest Received from Money Market Placements	26,553	113,212
Interest Received from Marketable Securities Portfolio	114,610	179,656
Fair Value Through Profit or Loss.....	198	636
Fair Value Through other Comprehensive Income.....	71,495	107,313
Measured at Amortised Cost	42,917	71,707
Finance Lease Income.....	1,042	1,765
Other Interest Income.....	933	4,234
Interest Expenses	274,881	387,193
Interest on Deposits.....	—	—
Interest on Funds Borrowed	104,863	170,393
Interest on Money Market Borrowings	74,406	74,252
Interest on Securities Issued.....	95,392	141,412
Leasing Interest Expense	—	—
Other Interest Expense	220	1,136
Net Interest Income	309,397	494,680
Net Fees and Commissions Income / Expenses	13,106	15,770
Fees and Commissions Received.....	16,050	19,044
Non-cash Loans.....	5,225	5,506
Other	10,825	13,538
Fees and Commissions Paid.....	2,944	3,274
Non-cash Loans.....	671	915

Three months ended 31 March

	2018	2019 ⁽²⁾
	<i>(TL thousands)</i>	
Other	2,273	2,359
Dividend Income	4,158	4,202
Net Trading Income	(32,256)	(79,319)
Securities Trading Gains / Losses	1,079	490
Derivative Financial Instruments Gains /Losses	(4,348)	106,384)
Foreign Exchange Gains / Losses (Net).....	(28,987)	(186,193)
Other Operating Income	84,276	24,197
Gross Operating Income	378,681	459,530
Expected Credit Loss	94,445	150,935
Other Provision Expenses	—	20,000
Personnel Expense	32,467	37,537
Other Operating Expenses	18,621	21,086
Net Operating Income / Loss	233,148	229,972
Amount in Excess Recorded as Gain After Merger	—	—
Profit / Loss on Equity Method	19,456)	(6,660
Gain / Loss on Net Monetary Position	—	—
Profit / Loss from Continued Operations Before Taxes	252,604	223,312
Tax Provision for Continued Operations	99,794	54,130
Provision for Current Income Taxes	37,487	44,551
Deferred Tax Income Effect	63,131	90,999
Deferred Tax Expense Effect	824	81,420
Net Profit / Loss from Continued Operations	152,810	169,182
Income on Discontinued Operations	—	—
Loss from Discontinued Operations	—	—
Profit / Loss on Discontinued Operations Before Taxes	—	—
Tax Provision for Discontinued Operations	—	—
Net Profit / Loss from Discontinued Operations	—	—
Net Profit / Loss	152,810	169,182
Group's Profit / Loss.....	158,428	170,408
Minority Shares.....	(5,618)	(1,226)
Earning / Loss per Share ⁽¹⁾	0.057	0.061

Notes:

- (1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira, instead of thousands of Turkish Lira.
- (2) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by BRSA on 1 February 2019.

	For the Year ended 31 December 2018⁽¹⁾
	<i>(TL thousands)</i>
Interest Income	3,110,109
Interest on Loans.....	2,133,352
Interest Received from Reserve Deposits	10,258
Interest Received from Banks	78,878
Interest Received from Money Market Placements	107,098
Interest Received from Marketable Securities Portfolio	762,490
Fair Value Through Profit or Loss.....	1,514
Fair Value Through other Comprehensive Income.....	358,776
Measured at Amortised Cost	402,200
Finance Lease Income.....	6,060
Other Interest Income.....	11,973
Interest Expenses	1,381,391
Interest on Deposits.....	—
Interest on Funds Borrowed	581,108
Interest on Money Market Borrowings	307,521
Interest on Securities Issued.....	491,351
Other Interest Expense	1,411
Net Interest Income	1,728,718
Net Fees and Commissions Income/Expenses	51,398
Fees and Commissions Received.....	63,929
Non-cash Loans.....	20,932
Other	42,997
Fees and Commissions Paid.....	12,531
Non-cash Loans.....	2,876
Other	9,655
Personal Expenses	133,604

	For the Year ended 31 December 2018⁽¹⁾
	<i>(TL thousands)</i>
Dividend Income	5,525
Net Trading Income	(329,200)
Securities Trading Gains/(Losses).....	2,202
Derivative Financial Instruments Gains/Losses	(616,348)
Foreign Exchange Gains/Losses (Net).....	284,946
Other Operating Income	109,093
Gross Operating Income	1,431,930
Expected Credit Loss	532,649
Other Operating Expenses	76,340
Net Operating Income/(Loss)	822,941
Amount in Excess Recorded As Gain After Merger	—
Profit/(Loss) On Equity Method	90,705
Gain/(Loss) on Net Monetary Position	—
Profit/(Loss) From Continued Operations Before Taxes	913,646
Tax Provision For Continued Operations	250,383
Provision for Current Income Taxes	147,709
Deferred Tax Income Effect	250,149
Deferred Tax Expense Effect	147,475
Net Profit/(Loss) From Continued Operations	663,263
Tax Provision For Continued Operations	—
Income on Assets Held for Sale	—
Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture) ...	—
Income on Other Discontinued Operations	—
Loss from Discontinued Operations	—
Loss from Assets Held for Sale.....	—
Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)	—
Loss from Other Discontinued Operations.....	—
Profit/(Loss) on Discontinued Operations Before Taxes	—
Tax Provision for Discontinued Operations	—
Provision for Current Income Taxes	—
Deferred Tax Expense Effect	—

	For the Year ended 31 December 2018⁽¹⁾
	<i>(TL thousands)</i>
Deferred Tax Income Effect	—
Net Profit/Loss From Discontinued Operations	—
Net Profit/Loss	663,263
Group's Profit/Loss	670,756
Minority Shares	(7,493)
Earning/Loss per share (Full Kuruş)	0.240

Note:

- (1) From 1 January 2018, the Bank has prepared its financial statements in accordance with TFRS 9. Accordingly, the BRSA Financial Statements for the year ended 31 December 2018 are not directly comparable to the BRSA Financial Statements for the years ended 31 December 2017 and 2016.

	For the year ended 31 December	
	2016	2017
	<i>(TL thousands, except where indicated)</i>	
Interest Income	1,409,679	1,873,822
Interest Income on Loans	856,109	1,314,800
Interest Received from Reserve Deposits	3,371	5,617
Interest Received from Banks	32,686	65,034
Interest Received from Money Market Placements	162,976	51,435
Interest Received from Marketable Securities Portfolio	353,658	432,988
Financial Assets Held-for-Trading	2,808	2,120
Financial Assets at Fair Value Through Profit and Loss	—	—
Available for-Sale Financial Assets	263,787	240,899
Investments Held-to-Maturity	87,063	189,969
Finance Lease Income	27	1,659
Other Interest Income	852	2,289
Interest Expense	(650,876)	(856,543)
Interest on Deposits	—	—
Interest on Funds Borrowed	(263,391)	(339,360)

	For the year ended 31 December	
	2016	2017
	<i>(TL thousands, except where indicated)</i>	
Interest on Money Market Borrowings	(237,442)	(253,328)
Interest on Securities Issued.....	(149,831)	(262,943)
Other Interest Expense	(212)	(912)
Net Interest Income/Expense.....	758,803	1,017,279
Net Fees and Commissions Income/Expense	25,017	42,662
Fees and Commissions Received.....	36,387	53,752
Non-cash Loans.....	10,650	15,625
Other	25,737	38,127
Fees and Commissions Paid.....	(11,370)	(11,090)
Non-cash Loans.....	(1,401)	(2,400)
Other	(9,969)	(8,690)
Dividend Income	11,486	5,421
Trading Income (Net).....	(67,771)	(65,028)
Securities Trading Gains/Losses	3,832	5,851
Derivative Financial Instruments Gains/Losses	864	(209,793)
Foreign Exchange Gains/Losses	(72,467)	138,914)
Other Operating Income	26,643	68,409
Total Operating Income.....	754,178	1,068,743
Provision for Loan Losses and Other Receivables	(70,499)	(202,826)
Other Operating Expenses	(168,863)	(170,186)
Net Operating Income.....	514,816	695,731
Profit/Loss on Equity Method.....	38,505	43,861
Profit/Loss On Net Monetary Position.....	—	—
Profit/Loss On Continuing Operations Before Taxes.....	553,621	739,592
Tax Provisions for Continuing Operations	(117,708)	(134,117)
Provision for Current Income Taxes	(98,641)	(161,659)
Provision for Deferred Taxes	(19,067)	(27,542)
Net Profit/Loss From Continuing Operations	435,913	605,475
Net Profit/Loss.....	435,913	605,475
Group's profit/loss	443,431	611,177
Minority shares	(7,518)	(5,702)
Earnings/Loss Per Share ⁽¹⁾	0.216	255

Note:

- (1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira, instead of thousands of Turkish Lira.

Results of Operations as of and for the three months ended 31 March 2018 and 2019

Interest Income

The Group's interest income is derived from interest on loans, securities, banks and money market placements. In the three months ended 31 March 2019, the Group's interest income increased by 50.9 per cent. to TL 881.9 million from TL 584.3 million in the three months ended 31 March 2018. This increase was driven by increases in average volumes of total interest-earning assets by a total of TL 8,300.1 million, which was largely attributable to a high TL depreciation period-on-period which increases the TL-denominated amount of foreign-currency denominated loans. Average balances of loans and lease receivables increased by TL 5,405.9 million while that of the securities portfolio increased by TL 942.1 million. Average interest rates also had a net positive effect on growth in net interest income, with average rates on interest earning assets increasing by 160 basis points, primarily due to increases in average rates money market placements, the securities portfolio and loans and lease receivables, which were partly offset by declines in rates elsewhere. For the three months ended 31 March 2019, interest income from loans amounted to TL 567.2 million (64.3 per cent. of total interest income), interest from securities amounted to TL 179.6 million (20.4 per cent. of total interest income) and interest from money market placements and interest received from banks amounted to TL 129.0 million (14.6 per cent. of total interest income), compared to TL 416.3 million (71.3 per cent.), TL 114.6 million (19.6 per cent.) and TL 49.4 million (8.8 per cent.) respectively, in the three months ended 31 March 2018.

Interest Expenses

In the three months ended 31 March 2019, the Group's interest expenses increased by 40.9 per cent. to TL 387.2 million from TL 274.9 million in the three months ended 31 March 2018. This was due to increases in the volume of interest-earning liabilities in TL terms by TL 8,155.0 million due to TL depreciation, while the average cost of funding remained largely flat.

Net Interest Income

The Group's net interest income increased by 60 per cent. to TL 494.7 million in the three months ended 31 March 2019 from TL 309.4 million in the three months ended 31 March 2018. The Group's net interest margin in the three months ended 31 March 2019 was 4.5 per cent. as compared to 4.1 per cent. in the three months ended 31 March 2018, as a result of the factors described above.

Net Fees and Commission Income

The Group's net fees and commission income increased by 20.3 per cent. to TL 15.8 million in the three months ended 31 March 2019 from TL 13.1 million in the three months ended 31 March 2018. This stemmed from higher investment banking and brokerage commissions compared to the prior period.

Dividend Income

The Group's dividend income increased by 1.1 per cent. from TL 4.2 million in the three months ended 31 March 2018 to TL 4.2 million in the three months ended 31 March 2019.

Trading Income/(Loss)(Net)

The Group's trading income/(loss) is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading loss increased from a loss of TL 32.3 million in the three months ended 31 March 2018 to a loss of TL 79.3 million in the three months ended 31 March 2019. In 2019, a certain amount of foreign exchange liquidity is transferred into TL by short-term swaps, which are used in TL liquid assets for arbitrage purposes. The expenses of these transactions are booked in trading income/(loss) while the revenues are booked in interest income. In addition, the remaining trading loss was primarily driven by hedge accounting expenses; however, these are compensated by the additional revenues from the long position in foreign currency as a result of the TL depreciation. For this reason, almost all of the trading loss is attributable to short term swap costs (as the interest paid on swaps are accounted under the Group's trading income).

Other Operating Income

The Group's other operating income decreased by 71.3 per cent. to TL 24.2 million in the three months ended 31 March 2019 from TL 84.3 million in the three months ended 31 March 2018. The decrease is primarily driven by changes in the accounting treatment of the annual premium payment to employees in 2019. Formerly, the annual premium payment was provisioned in one year and paid in the following year. With the new policy implemented in 2019, the annual premium payment is paid in the same year that it applies and it is recorded as an expense. As a result, the Group reversed the expense that was reserved in 2018.

Provisioning for Loans and other Receivables

In the three months ended 31 March 2019, the Group's provisioning for loans and other receivables increased by 81.0 per cent. to TL 170.9 million from TL 94.5 million in the three months ended 31 March 2018. The increase in provisioning is mainly driven by general provisioning requirements pursuant to BRSA regulations and the implementation of TFRS 9 by the Bank, as management increased its provisioning rate for certain Stage 2 and Stage 3 loans in line with other Turkish banks that finance the relevant syndicated loans as members of the syndicate with the Bank, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – TFRS 9 Implementation".

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	For the three months ended	
	31 March	
	2018	2019 ⁽²⁾
	(TL thousands)	
Expected Credit Loss	92,375	135,949
12 Months Expected Credit Loss (Stage 1).....	2,720	2,406
Significant Increase in Credit Risk (Stage 2)	89,008	116,989
Non-performing Loans (Stage 3)	647	16,554
Marketable Securities Impairment Expenses	2,070	14,986
Financial Assets at Fair Value through Profit or Loss	—	11,052
Financial Assets at Fair Value through Other Comprehensive Income.....	2,070	3,934
Associates, Subsidiaries, and Entities under Common Control (Joint Venture).....	—	—

	For the three months ended 31 March	
	2018	2019⁽²⁾
	<i>(TL thousands)</i>	
Value Decrease	—	—
Associates	—	—
Subsidiaries	—	—
Entities under Common Control (Joint Venture).....	—	—
Other ⁽¹⁾	—	20,000
Total	94,445	170,935

Notes:

- (1) Contains a free provision addition in the current period, which have resulted in a qualification to the auditor's report in relation to the Group. The free provision is included in other provision expenses in the statement of profit or loss.
- (2) From 1 January 2018, the Bank has prepared its financial statements in accordance with TFRS 9. Accordingly, the BRSA Financial Statements for the three months ended 31 March 2019 are not directly comparable to the BRSA Financial Statements for the years ended 31 December 2017 and 2016.

Other Operating Expenses

In the three months ended 31 March 2019, the Group's other operating expenses increased by 13.2 per cent. to TL 21.1 million from TL 18.6 million in the three months ended 31 March 2018. The increase in 2019 is in line with inflation.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in the three months ended 31 March 2019 increased by 10.7 per cent. to TL 169.2 million from TL 152.8 million in the three months ended 31 March 2018 which is mainly attributable to higher loan spreads despite a challenging provisioning environment.

For the three months ended 31 March 2019, the Group's return on average total assets was 1.7 per cent. and the return on its average equity was 16.1 per cent., compared to 2.0 per cent. and 17.0 per cent., respectively, for the three months ended 31 March 2018.

Results of Operations as of and for the years ended 31 December 2017 and 2018

Interest Income

The Group's interest income is derived from interest on loans, securities, banks and money market placements. In 2018, the Group's interest income increased by 66.0 per cent. to TL 3,110.1 million from TL 1,873.8 million in 2017. This was driven by increases in average volumes of total interest-earning assets by a total of TL 8,346.0 million, which was largely attributable to a high TL depreciation period-on-period. Average balances of loans and lease receivables increased by TL 7,012.2 million while that of the securities portfolio increased by TL 700.0 million. Average interest rates also had a net positive effect on growth in net interest income, with average rates on interest earning assets increasing by 100 basis points. For 2018, interest income from loans amounted to TL 2,133.4 million (68.6 per cent. of total interest income), interest from securities amounted to TL 762.5 million (24.5 per cent. of total interest income) and interest from money market placements and

interest received from banks amounted to TL 117.4 million (37.7 per cent. of total interest income), compared to TL 1,314.8 million (70 per cent.), TL 498.0 million (27 per cent.) and TL 116.5 million (6 per cent.) respectively, in 2017.

Interest Expenses

In 2018, the Group's interest expenses increased by 61.3 per cent. to TL 1,381.4 million from TL 856.54 million in 2017. This increase was due to increases in volume of interest-earning liabilities in TL terms by TL 8,536.0 million due to TL depreciation, while the average cost of funding remained largely flat.

Net Interest Income

The Group's net interest income increased by 70.0 per cent. to TL 1,728.7 million in the year ended 31 December 2018 from TL 1,017.3 million in the year ended 31 December 2017. The Group's net interest margin in 2018 was 4.4 per cent. as compared to 3.8 per cent. in 2017, as a result of the factors described above.

Net Fees and Commission Income

The Group's net fees and commission income increased by 20 per cent. to TL 51.4 million in 2018 from TL 42.7 million in 2017. This stemmed from higher investment banking activities compared to the prior period.

Dividend Income

The Group's dividend income increased by 1.9 per cent. from TL 5.4 million in 2017 to TL 5.5 million in 2018. This decrease was due to lower dividend payouts from our subsidiaries.

Trading Income/(Loss)(Net)

The Group's trading income/(loss) is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading loss increased from a loss of TL 65.0 million in 2017 to a loss of TL 329.2 million in 2018 due to an open position relating to one of the Group's subsidiaries which has resulted in foreign exchange loss in the Group's trading income.

Other Operating Income

The Group's other operating income increased by 59.5 per cent. to TL 109.1 million in 2018 from TL 68.4 million in 2017 due to changes in accounting methodology in connection with the Group's implementation of TFRS 9, which resulted in a release of certain provisions that were previously recorded under "other operating income" but have been reclassified under "provisioning for loans and other receivables". See "*Business of the Group— Legal Proceedings—Tax Audit*" for additional information.

Provisioning for Loans and other Receivables

In 2018, the Group's provisioning for loans and other receivables increased by 162.6 per cent. to TL 532.6 million from TL 202.8 million in 2017. The increase in 2018 was principally attributable to TFRS 9 implementation and higher expected loss rates applied to the Group's loan book including, in particular, provisioning related to a single large loan exposure related to hydropower plant project. See "*Business of the Group — Lending Policies and Procedures – Portfolio Supervision and Non-Performing Loans ("NPLs")*" for additional information.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of 31 December
	2018⁽¹⁾
	<i>(TL thousands)</i>
Expected Credit Loss	494,269
12 Months Expected Credit Loss (Stage 1).....	81,575
Significant Increase in Credit Risk (Stage 2).....	131,972
Non-performing Loans (Stage 3)	280,722
Marketable Securities Impairment Expenses	7,607
Financial Assets at Fair Value Through Profit or Loss	—
Financial Assets at Fair Value Through Other Comprehensive Income.....	7,607
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	—
Associates	—
Subsidiaries	—
Entities under Common Control (Joint Venture).....	—
Other ⁽¹⁾	30,773
Total	532,649

Note:

- (1) From 1 January 2018, the Bank has prepared its financial statements in accordance with TFRS 9. Accordingly, the BRSA Financial Statements for the year ended 31 December 2018 are not directly comparable to the BRSA Financial Statements for the years ended 31 December 2017 and 2016.

	As of 31 December
	2017
	<i>(TL thousands)</i>
Specific Provisions for Loans and Other Receivables	6,436
Group III Loans and Receivables.....	—
Group IV Loans and Receivables.....	4,896
Group V Loans and Receivables	1,540
General Loan Provision Expenses.....	—
Provision Expenses for Potential Risks	190,000
Marketable Securities Impairment Losses	3,988

	As of 31 December
	2017
	<i>(TL thousands)</i>
Financial Assets at Fair Value through Profit and Loss.....	—
Financial Assets Available for Sale	3,988
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments.....	2,402
Investment in Associates.....	499
Subsidiaries.....	—
Jointly Controlled Entities.....	—
Held-to-Maturity Investments.....	1,903
Other	—
Total.....	202,826

Other Operating Expenses

In 2018, the Group's other operating expenses increased by 23.4 per cent. to TL 209.9 million from TL 170.2 million in 2017.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in 2018 increased by 9.5 per cent. to TL 663.3 million from TL 605.5 million in 2017. The increase in 2018 was in large part due to higher loan spreads despite a challenging provisioning environment.

For 2018, the Bank's return on average total assets was 2.0 per cent. and the return on its average equity was 16.0 per cent., compared to 2.2 per cent. and 17.8 per cent., respectively, for 2017.

Results of Operations as of and for the years ended 31 December 2016 and 2017

Interest Income

In 2017, the Group's interest income increased by 32.9 per cent. to TL 1,873.8 million from TL 1,409.7 million in 2016. This was driven by increases in average volumes of total interest-earning assets by a total of TL 4,153.5 million, which was largely attributable to a high TL depreciation period-on-period and an increase in lending activity. Average balances of loans and lease receivables increased by TL 4,868.8 million while that of the securities portfolio increased by TL 240.9 million, with these increases partly offset by a decline in money market placements by TL 990.3 million. Average interest rates also had a net positive effect on growth in net interest income, with average rates on interest earning assets increasing by 30 basis points. For 2017, interest income from loans amounted to TL 1,314.8 million (70 per cent. of total interest income), interest from securities amounted to TL 433.0 million (23 per cent. of total interest income) and interest from money market placements and interest received from banks amounted to TL 116.5 million (6 per cent. of total interest income), compared to TL 856.1 million (61 per cent.), TL 353.7 million (25 per cent.) and TL 199.0 million (14 per cent.) respectively, in 2016.

Interest Expenses

In 2017, the Group's interest expenses increased by 32 per cent. to TL 856.54 million from TL 650.9 million in 2016. This increase was due to increased funding costs stemming primarily from an 18 per cent. growth in the Bank's DFI funding in line with growth targets, an increase in costs associated with money market transactions and the issuance of U.S.\$300 million Fixed Rate Resettable Tier II Sustainable Notes due 2027 on 28 March 2017.

Net Interest Income

The Group's net interest income increased by 34.1 per cent. to TL 1,017.3 million in the year ended 31 December 2017 from TL 758.8 million in the year ended 31 December 2016. The Group's net interest margin in 2017 was 3.9 per cent. as compared to 3.5 per cent. in 2016. The Group's net interest income primarily increased due to an increase in interest earning assets, as a result of the factors described above.

Net Fees and Commission Income

The Group's net fees and commission income increased to TL 42.7 million in 2017 from TL 25.0 million in 2016. This stemmed from successful fee generation in 2017 due to a higher volume of investment banking activities.

Dividend Income

The Group's dividend income decreased by 52.8 per cent. from TL 11.5 million in 2016 to TL 5.4 million in 2017. This decrease was due to a decrease in the financial performance of the Bank's subsidiaries.

Trading Income/(Loss)(Net)

The Group's trading income increased from a loss of TL 67.8 million in 2016 to a loss of TL 65.0 million in 2017. In 2017, a certain amount of foreign exchange liquidity was transferred into TL by short-term swaps, which are used in TL liquid assets for arbitrage purposes. The expenses of these transactions were booked in trading income/(loss) item while the revenues were booked in interest income. In addition, the remaining trading loss was primarily driven by an increase in derivative valuations.

Other Operating Income

The Group's other operating income increased by 156.8 per cent. to TL 68.4 million in 2017 from TL 26.6 million in 2016. This increase was primarily attributable to an increase in released provisions in 2017. See "*Business of the Group—Legal Proceedings—Tax Audit*" for additional information.

Provisioning for Loans and other Receivables

In 2017, the Group's provisioning for loans and other receivables increased by 187.7 per cent. to TL 202.8 million from TL 70.5 million in 2016. The increase in 2017 was principally attributable to an increase in the free and other provisions that were booked during 2017 for possible results of circumstances which may arise from possible changes in the economy and market conditions. The remaining increase in provisioning was mainly driven by general provisioning according to BRSA regulations.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Specific Provisions for Loans and Other Receivables	3,566	6,436

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Group III Loans and Receivables.....	18	—
Group IV Loans and Receivables.....	—	4,896
Group V Loans and Receivables.....	3,548	1,540
General Loan Provision Expenses.....	33,124	—
Provision Expenses for Potential Risks	—	190,000
Marketable Securities Impairment Losses	3,809	3,988
Financial Assets at Fair Value through Profit and Loss.....	—	—
Financial Assets Available for Sale	3,809	3,988
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Held to Maturity Investments	—	2,402
Investment in Associates	—	499
Subsidiaries	—	—
Jointly Controlled Entities.....	—	—
Held-to-Maturity Investments.....	—	1,903
Other	30,000	—
Total	70,499	202,826

Other Operating Expenses

In 2017, the Group's other operating expenses increased by 0.8 per cent. to TL 170.2 million from TL 168.9 million in 2016.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in 2017 increased by 38.9 per cent. to TL 605.5 million from TL 435.9 million in 2016. The increase in 2017 was in large part due to core banking income performance.

For 2017, the Bank's return on average total assets was 2.2 per cent. and the return on its average equity was 17.8 per cent., compared to 2.2 per cent. and 17.4 per cent., respectively, for 2016.

Segmental Analysis

The primary business line of the Group is banking and advisory services, with other principal business lines including real estate appraisal, a real estate investment trust and brokerage. These business lines are further divided into various sub-business lines based upon business activities as described under "*Business of the Group — Business Activities*". Under its Banking Services business lines, there are three sub-business lines: corporate banking (including project finance), investment banking and advisory services. For accounting purposes, however, the Group reports its business in its BRSA Financial Statements under three segments: Corporate Banking, Investment Banking and Others. The Bank's results make up the large majority of the results for these

three segments, with the remainder being contributed by the Bank's financial subsidiaries. For a list of the activities undertaken by the Bank's financial subsidiaries, see "*Business of the Group — Subsidiaries and Other Affiliates*". The Bank does not consolidate the results of its non-financial subsidiaries in the Group's consolidated BRSA Financial Statements on a line-by-line basis and so these results do not appear in the segmental data included therein.

Non-financial subsidiaries are reflected under the "Investments in Associates" and "Investments in Subsidiaries" items in the consolidated BRSA Financial Statements. Non-financial associates and subsidiaries whose equity securities are traded in an active stock exchange are reflected on financial statements with their fair value prices taking into consideration their quoted market prices at the stock exchange. Associates and subsidiaries whose equity securities are not traded in an active stock exchange are recorded at their cost on the acquisition date and these assets are reflected on the financial statements with their acquisition cost less impairment losses, if any. For a list of the Bank's non-financial subsidiaries as of 31 March 2019, see "*Business of the Group- Subsidiaries and Other Affiliates*".

The following tables set forth certain information regarding the Group's business segments as of the indicated dates:

As of (or for the three months ended) 31 March 2019				
	Corporate Banking	Investment Banking	Other	Total
	<i>(TL thousands)</i>			
Net Interest Income	157,732	352,864	(15,916)	494,680
Net Fees and Commissions Income.....	5,804	1,946	8,020	15,770
Other Income	3,466	—	24,933	28,399
Other Expense	(171,386)	(96,720)	(47,431)	(315,537)
Profit Before Tax	(4,384)	258,090	(30,394)	223,312
Tax Provision.....	—	—	—	(54,130)
Net Profit	—	—	—	169,182
Group's Profit/Loss	—	—	—	170,408
Non-Controlling Interests	—	—	—	(1,226)
Segment Assets.....	28,533,847	9,715,371	2,450,440	40,699,658
Investment in Associates and Subsidiaries.....	—	—	430,579	430,579
Total Assets	28,533,847	9,715,371	2,881,019	41,130,237
Segment Liabilities.....	33,250,649	1,632,081	1,948,505	36,831,235
Shareholders' Equity	—	—	4,299,002	4,299,002
Total Liabilities and Shareholders' Equity..	33,250,649	1,632,081	6,247,507	41,130,237

As of (or for the three months ended) 31 March 2018				
	Corporate Banking	Investment Banking	Other	Total
	<i>(TL thousands)</i>			
Net Interest Income	141,593	171,106	(3,302)	309,397
Net Fees and Commissions Income.....	5,177	(476)	8,405	13,106

As of (or for the three months ended) 31 March 2018

	Corporate Banking	Investment Banking	Other	Total
		<i>(TL thousands)</i>		
Other Income	—	—	107,890	107,890
Other Expense	(78,933)	(24,013)	(74,843)	(177,789)
Profit Before Tax	67,837	146,617	38,150	252,604
Tax Provision.....	—	—	—	(99,794)
Net Profit	—	—	—	152,810
Group's Profit/Loss	—	—	—	158,428
Non-Controlling Interests	—	—	—	(5,618)
Segment Assets.....	23,696,681	6,607,525	1,445,851	31,750,057
Investment in Associates and Subsidiaries.....	—	—	380,203	380,203
Total Assets	23,696,681	6,607,525	1,826,054	32,130,260
Segment Liabilities	25,318,597	1,932,484	1,152,382	28,403,463
Shareholders' Equity	—	—	3,726,797	3,726,797
Total Liabilities and Shareholders' Equity..	25,318,597	1,932,484	4,879,179	32,130,260

As of (or for the year ended) 31 December 2018

	Corporate Banking	Investment Banking	Other	Total
		<i>(TL thousands)</i>		
Net Interest Income	795,430	957,962	(24,674)	1,728,718
Net Fees and Commissions Income	20,698	(1,697)	32,397	51,398
Other Income	—	—	205,323	205,323
Other Expense	(512,293)	(289,978)	(269,522)	(1,071,793)
Profit Before Tax	303,835	666,287	(56,476)	913,646
Tax Provision.....	—	—	—	(250,383)
Net Profit	—	—	—	663,263
Group's Profit/Loss	—	—	—	670,756
Non-Controlling Interests	—	—	—	(7,493)
Segment Assets.....	27,716,305	8,402,131	1,715,089	37,833,525
Investment in Associates and Subsidiaries.....	—	—	435,915	435,915
Total Assets	27,716,305	8,402,131	2,151,004	38,269,440
Segment Liabilities	31,320,591	933,391	1,831,382	34,085,364
Shareholders' Equity	—	—	4,184,076	4,184,076
Total Liabilities and Shareholders' Equity..	31,320,591	933,391	6,015,458	38,269,440

As of (or for the year ended) 31 December 2017

	Corporate Banking	Investment Banking	Other	Total
		<i>(TL thousands)</i>		
Net Interest Income	494,462	544,800	(21,983)	1,017,279
Net Fees and Commissions Income	15,521	(1,086)	28,227	42,662
Other Income	34,150	—	109,585	143,735
Other Expense	(119,127)	(60,193)	(284,764)	(464,084)
Profit Before Tax	425,006	483,521	(168,935)	739,592
Tax Provision.....	—	—	—	(134,117)
Net Profit	—	—	—	605,475
Group's Profit/Loss	—	—	—	611,177
Non-Controlling Interests	—	—	—	(5,702)
Segment Assets.....	22,294,423	5,777,357	1,467,006	29,538,786
Investment in Associates and Subsidiaries.....	—	—	378,850	378,850
Total Assets	22,294,423	5,777,357	1,845,856	29,917,636
Segment Liabilities	24,312,703	398,797	1,494,795	26,206,295
Shareholders' Equity	—	—	3,711,341	3,711,341
Total Liabilities and Shareholders' Equity..	24,312,703	398,797	5,206,136	29,917,636

As of (or for the year ended) 31 December 2016

	Corporate Banking	Investment Banking	Other	Total
		<i>(TL thousands)</i>		
Net Interest Income	353,064	424,040	(18,301)	758,803
Net Fees and Commissions Income	10,602	(5,617)	20,032	25,017
Other Income	12,656	—	216,020	228,676
Other Expense	(81,091)	(67,661)	(310,123)	(458,875)
Profit Before Tax	295,231	350,762	(92,372)	553,621
Tax Provision.....	—	—	—	(117,708)
Net Profit	—	—	—	435,913
Group's Profit/Loss	—	—	—	443,431
Non-Controlling Interests	—	—	—	(7,518)
Segment Assets.....	17,270,371	5,904,442	1,372,827	24,547,640
Investment in Associates and Subsidiaries.....	—	—	327,846	327,846
Total Assets	17,270,371	5,904,442	1,700,673	24,875,486
Segment Liabilities	20,066,209	544,386	1,121,838	21,732,433
Shareholders' Equity	—	—	3,143,053	3,143,053
Total Liabilities and Shareholders' Equity..	20,066,209	544,386	4,264,891	24,875,486

Financial Condition

The tables below set forth the Group's balance sheet data as of the indicated dates.

	As of 31 December	As of 31 March
	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>	
Assets		
Financial Assets (Net)	6,823,382	8,149,452
Cash and Cash Equivalents	2,123,572	3,059,722
Cash and Balances with Central Bank	743,228	794,672
Banks.....	807,231	1,282,800
Money Market Placements.....	573,613	982,888
Expected Credit Losses (-).....	500	638
Financial Assets at Fair Value Through Profit or Loss	300,519	317,842
Government Debt Securities	8	8
Equity Instruments	1	4,063
Other Financial Assets	300,510	313,771
Financial Assets at Fair Value Through Other Comprehensive Income	3,420,070	3,654,579
Government Debt Securities	3,173,453	3,397,642
Equity Instruments	94,029	90,910
Other Financial Assets	152,588	166,027
Derivative Financial Assets	979,221	1,117,309
Derivative Financial Assets at Fair Value Through Profit or Loss	979,221	1,117,309
Derivative Financial Assets at Fair Value Through Other Comprehensive Income.....	—	—
Financial Assets Measured at Amortised Cost	29,706,395	31,213,452
Loans	27,935,319	29,525,502
Lease Receivables	133,929	135,201
Factoring Receivables	—	—
Other Financial Assets Measured at Amortised Cost	2,154,941	2,188,921
Government Debt Securities	2,154,941	2,188,921
Other Financial Assets	—	—
Expected Credit Losses (-)	517,794	636,172
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	1	1
Held for Sale Purpose	1	1

	As of 31 December	As of 31 March
	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>	
Related to Discontinued Operations.....	—	—
Equity Investments	435,915	430,579
Investments in Associates (Net)	429,546	424,210
Accounted Under Equity Method	428,490	423,154
Unconsolidated Associates.....	1,056	1,056
Subsidiaries (Net)	4,609	4,609
Unconsolidated Financial Subsidiaries	—	—
Unconsolidated Non-Financial Subsidiaries	4,609	4,609
Entities under Common Control (Joint Venture) (Net)	1,760	1,760
Joint Ventures Valued Based on Equity Method	—	—
Unconsolidated Joint Ventures.....	1,760	1,760
Tangible Assets (Net)	292,651	292,331
Intangible Assets (Net)	4,872	5,223
Goodwill	1,005	1,005
Other	3,867	4,218
Investment Property (Net)	247,793	247,999
Current Tax Asset	3,575	2,723
Deferred Tax Asset	3,844	8,396
Other Assets	751,012	780,081
Total Assets	38,269,440	41,130,237
Liabilities		
Deposits	—	—
Funds Borrowed	23,819,670	25,281,304
Money Market Balances	402,278	1,014,973
Marketable Securities Issued (Net)	6,949,189	7,478,528
Bills.....	—	—
Assets Backed Securities.....	—	—
Bonds	6,949,189	7,478,528
Borrower Funds	32,529	22,635
Borrower Funds.....	32,529	22,635
Other	—	—
Financial Liabilities at Fair Value Through Profit or Loss	—	—

	As of 31 December	As of 31 March
	2018⁽¹⁾	2019⁽¹⁾
	<i>(TL thousands)</i>	
Derivative Financial Liabilities	792,340	731,860
Derivative Financial Liabilities at Fair Value Through Profit or Loss	792,340	731,860
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income.....	—	—
Factoring Liabilities	—	—
Lease Liabilities	—	358
Provisions	261,276	271,730
Restructuring Provisions	—	—
Reverse for Employee Benefits.....	15,054	16,846
Insurance Technical Provisions (Net).....	—	—
Other Provisions.....	246,222	254,884
Current Tax Liability	94,104	62,632
Deferred Tax Liability	—	—
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	—	—
Held for Sale Purpose	—	—
Related to Discontinued Operations.....	—	—
Subordinated Debt Instruments	1,549,774	1,645,500
Loans.....	—	—
Other Debt Instruments	1,549,774	1,645,500
Other Liabilities	184,204	321,715
Shareholders' Equity	4,184,076	4,299,002
Paid-in capital	2,800,000	2,800,000
Capital Reserves.....	890	898
Share Premium.....	516	524
Share Cancellation Profits.....	—	—
Other Capital Reserves.....	374	374
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	284,370	279,430
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss.....	(139,563)	(185,520)
Profit Reserves	529,059	1,226,535
Legal Reserves	272,773	306,633

	As of 31 December	As of 31 March
	2018⁽¹⁾	2019⁽¹⁾
	<i>(TL thousands)</i>	
Status Reserves	75,641	75,641
Extraordinary Reserves	177,725	841,341
Other Profit Reserves	2,920	2,920
Profit Or Loss.....	670,698	143,994
Prior Years' Profit/Loss	(58)	(26,414)
Current Year Profit/Loss.....	670,756	170,408
Non-Controlling Interests.....	38,622	33,665
Total Liabilities and Equity	38,269,440	41,130,237

Note:

- (1) The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by BRSA on 1 February 2019.

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Assets		
Cash and Balances with the Central Bank.....	778,076	847,135
Financial Assets at Fair Value Through Profit and Loss (Net).....	387,037	336,093
Trading Financial Assets	387,037	336,093
Public Sector Debt Securities.....	5,947	—
Share Certificates	980	21
Derivative Financial Assets Held-for-Trading	374,036	326,788
Other Marketable Securities.....	6,074	9,284
Banks.....	497,949	493,687
Money Market Placements.....	254,934	3
Interbank Money Market Placements	191,138	—
Borsa İstanbul Money Market Placements.....	62,895	—
Receivables from Reverse Repurchase Agreements	901	3
Financial Assets Available for Sale (Net).....	3,068,412	3,091,372
Share Certificates	46,663	73,080
Public Sector Debt Securities.....	2,790,932	2,831,622

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Other Marketable Securities.....	230,817	186,670
Loans	17,336,045	22,337,230
Loans.....	17,336,045	22,337,230
Loans to Risk Group of the Bank.....	405,458	334,401
Other	16,930,587	22,002,829
Non-Performing Loans.....	51,615	53,575
Specific Provisions (-).....	(51,615)	(53,575)
Held to Maturity Investments (Net)	1,375,729	1,532,047
Investments in Associates (Net)	324,447	375,481
Accounted for Under the Equity Method	322,922	374,425
Unconsolidated Associates.....	1,555	1,056
Non-Financial Investments	1,555	1,056
Investments in Subsidiaries (Net)	1,609	1,609
Entities Under Common Control (Joint Venture) (Net)	1,760	1,760
Unconsolidated.....	1,760	1,760
Non-Financial Subsidiaries	1,760	1,760
Lease Receivables (Net)	3,792	63,410
Finance Lease Receivables	4,393	73,957
Unearned Income (-)	(601)	(10,547)
Derivative Financial Assets for Hedging Purposes	272	—
Tangible Assets (Net)	231,328	245,798
Intangible Assets (Net)	3,098	3,585
Goodwill	1,005	1,005
Other	2,093	2,580
Investment Property (Net)	231,323	243,145
Tax Assets	21,214	45,338
Current Tax Asset.....	3,032	4,448
Deferred Tax Asset.....	18,182	40,890
Assets Held-for-Sale and Discounted Operations	—	—
Other Assets	358,431	299,843
Total Assets	<u>24,875,486</u>	<u>29,917,636</u>

As of 31 December

	2016	2017
	<i>(TL thousands)</i>	
Liability and Equity:		
Deposits	—	—
Derivative Financial Liabilities Held-for-Trading	320,797	232,403
Funds Borrowed	16,127,496	19,001,627
Money Market Balances	1,256,234	1,311,922
Interbank Money Market Takings	610,144	202,143
Borsa İstanbul Money Market Takings	350,736	499,004
Funds Provided Under Repurchase Agreements	295,354	610,775
Debt Securities issued (Net)	3,486,732	3,746,229
Bonds	3,486,732	3,746,229
Funds	5,317	12,901
Borrower Funds	5,317	12,901
Miscellaneous Payables	193,612	75,095
Other Liabilities⁽¹⁾	—	115,927
Lease Payables	—	—
Finance Lease Payables	—	—
Deferred Finance Lease Expenses (-)	—	—
Derivative Financial Liabilities for Hedging Purposes	51,433	78,682
Provisions	279,033	431,625
General Loan Loss Provision	177,167	136,131
Reserves for Employee Benefits	10,904	12,151
Other Provisions ⁽²⁾	90,962	283,343
Tax Liability	11,779	53,648
Current Tax Liability	11,779	53,648
Subordinated Loans	—	1,146,236
Shareholders' Equity	3,143,053	3,711,341
Paid-in Capital	2,050,000	2,400,000
Capital Reserves	132,324	187,486
<i>Share Premium</i>	428	428
<i>Marketable Securities Value Increase Fund</i>	(69,896)	(28,638)
<i>Tangible Assets Revaluation Differences</i>	201,168	215,352
Other Capital Reserves	624	344
Profit Reserves	408,096	441,740

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Legal Reserves	216,361	241,292
Statutory Reserves.....	75,641	75,641
Extraordinary Reserves	113,175	121,888
Other Profit Reserves	2,919	2,919
Profit or Loss.....	494,664	629,396
Prior Years' Profit/Loss	51,233	18,219
Current Year Profit/Loss.....	443,431	611,177
Non-controlling interests.....	57,969	52,719
Total Liabilities and Equity	24,875,486	29,917,636

Notes:

- (1) As of 31 December 2017, the classification of certain items was changed to “Other Liabilities” from “Miscellaneous Payables”. If such items had been so classified as at 31 December 2016, Other Liabilities would have been TL 96,741 and Miscellaneous Payables would have been TL 96,871.
- (2) Other Provisions balance includes the risks related to the loan portfolio.

Assets

As of 31 March 2019, the Group had total assets of TL 41.1 billion, a 7.5 per cent. increase from TL 38.3 billion as of 31 December 2018.

Cash and Balances with the Central Bank

As of 31 March 2019, the amount of the Group’s cash and balances with the Central Bank was TL 794.7 million, a 6.9 per cent. increase compared to TL 743 million as of 31 December 2018. In 2011, the Group started to hold higher levels of foreign exchange-denominated reserves due to utilising the Reserve Option Mechanism, which gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements.

Loans and Leasing Receivables

Loans and advances to customers represent the largest component of the Group’s assets. As discussed below, there are several important characteristics of the Group’s loan portfolio, including diversification based upon sector, type of borrower, maturity and currency. In the medium term, the Bank plans to focus on infrastructure, renewable energy, energy and resource efficiency investments, as well as loans to SMEs and mid-caps, including financing to promote healthcare, education services and the empowerment of women. During the medium term, the Bank aims to maintain its market share while improving its profitability, asset quality and cost efficiency and sustaining efficient capital See “*Business of the Group — Strategy*”.

As of 31 March 2019, the Group had loans and leasing receivables net of allowance for possible losses of TL 29.0 billion (70.6 per cent. of total assets), an increase of 5.3 per cent. compared to TL 27.6 billion (73.0 per cent.) as of 31 December 2018 (TL 22.4 billion and 74.9 per cent., respectively, as of 31 December 2017 and TL 17.3 billion and 69.7 per cent., respectively, as of 31 December 2016). The Group’s portfolio of cash total

loans and advances to customers, less allowance for possible losses, increased by 5.3 per cent. as of 31 March 2019 compared to year-end 2018, which itself reflected a 24.7 per cent. increase compared to year-end 2017, having increased by 29.2 per cent. in 2016. The real loan growth in the three months ended 31 March 2019 is - 0.8 per cent.

In addition to loans, the Group had outstanding guarantees amounting to TL 1.6 billion and letters of credit amounting to TL 2.0 billion as of 31 March 2019 (TL 1.6 billion and TL 1.6 billion, respectively, as of 31 December 2018).

As of 31 March 2019, the average effective interest rates charged to borrowers on loans were 4.6 per cent. for EUR and 7.4 per cent. for USD (4.5 per cent. and 7.4 per cent. respectively in EUR and USD as of 31 December 2018, 4.0 per cent. and 6.2 per cent. respectively in EUR and USD as of 31 December 2017). TL loan rates were 19.1 per cent. (14.9 per cent. as of 31 December 2018 and 14.9 per cent. as of 31 December 2017).

Sector of Loans

The following table shows the distribution of the Group's loan portfolio by sector as of the dates indicated:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>							
Agriculture	10,451	0.06	48,888	0.22	87,024	0.31	84,625	0.29
Industry	11,286,976	65.11	13,570,355	60.75	16,527,344	59.82	17,412,554	60.25
Mining and Quarrying.....	86,024	0.50	167,945	0.75	536,815	1.94	504,280	1.74
Manufacturing.....	3,493,627	20.15	4,378,004	19.60	4,885,753	17.68	4,996,756	17.29
Electricity, Gas, Water.....	7,707,325	44.46	9,024,406	40.40	11,104,776	40.19	11,911,518	41.21
Construction	174,517	1.01	1,107,468	4.96	1,295,699	4.69	1,387,891	4.80
Services ⁽¹⁾	5,702,091	32.89	7,391,451	33.09	9,152,483	33.13	9,688,981	33.52
Wholesale and Retail Trade	208,416	1.20	460,116	2.06	523,657	1.90	721,321	2.50
Hotel and Restaurant Services.....	641,500	3.70	914,299	4.09	1,107,042	4.01	1,123,044	3.89
Transportation and Communication.....	826,437	4.77	1,049,549	4.70	1,953,834	7.07	1,892,769	6.55
Financial Institutions.....	2,304,919	13.30	2,795,084	12.51	2,986,797	10.81	3,044,064	10.53
Real Estate and Rental Services.....	1,055,310	6.09	1,223,032	5.48	1,516,248	5.49	1,741,198	6.02
Self-Employed Services.....	40,578	0.23	19,626	0.09	36,465	0.13	32,769	0.11
Educational Services.....	138,353	0.80	120,045	0.54	156,837	0.57	194,786	0.67
Health and Social Services.	486,578	2.81	809,700	3.62	871,603	3.15	939,030	3.25
Other	162,010	0.93	219,068	0.98	566,219	2.05	328,133	1.14
Performing Loans	17,366,045	100.00	22,337,230	100.00	27,628,769	100.00	28,902,184	100.00
Leasing Receivables.....	3,792	—	63,410	—	133,929	—	135,201	—
Non-performing Loans.....	51,615	—	53,575	—	597,210	—	623,318	—
Total Loans and Advances to Customers	17,417,660	—	22,454,215	—	28,359,908	—	29,660,703	—
Allowance for Loan Losses	51,615	—	53,575	—	516,166	—	633,768	—
Net Loans and Advances to Customer	17,366,045	—	22,400,640	—	27,843,742	—	29,026,935	—

Note:

- (1) Services includes the sum of wholesale and retail trade, hotel and restaurant services, transportation and communication, financial institutions, real estate and rental services, self-employed services, educational services and health and social services.

Currency of Loans

As of 31 March 2019, foreign currency risk-bearing loans comprised 93 per cent. of the Group's loan portfolio (of which U.S. Dollar- and Euro-denominated obligations were the most significant), compared to 92 per cent. as of 31 December 2018, 90 per cent. as of 31 December 2017 and 93 per cent. as of 31 December 2016.

The following table sets out an analysis by currency of the exposure of the Group's loan portfolio (including interest and other accruals) as of the dates indicated:

	As of 31 December				As of 31 March			
	2016		2017		2018		2019	
<i>(TL thousands, except percentages)</i>								
Cash Loans								
Turkish Lira	1,297,355	7.48%	3,995,707	12.15%	4,042,513	13.99%	4,014,011	13.89%
Foreign Currency ⁽¹⁾	16,038,690	92.52%	18,341,523	55.76%	23,586,256	81.61%	24,888,173	86.11%
U.S. Dollars	9,490,700	54.75%	10,256,433	31.18%	12,654,876	43.79%	13,732,833	38.60%
Euro	6,547,990	37.77%	8,085,090	24.58%	10,931,380	37.82%	11,155,340	47.51%
Other.....	—	—	—	—	—	—	—	—
Total Cash Loans	17,336,045	100.00%	22,337,230	100.00%	27,628,769	100.00%	28,902,184	100%
Non-cash Loans.....								
Letters of Guarantee	975,391	58.43%	1,475,645	37.38%	1,582,993	43.23%	1,630,147	44.52%
Turkish Lira	210,448	12.61%	562,998	14.26%	487,945	13.33%	467,666	12.77%
Foreign Currency.....	764,943	45.83%	912,647	23.12%	1,095,045	29.90%	1,162,480	31.75%
Acceptance Credits	17,450	1.05%	18,763	0.48%	—	—	66,240	1.81%
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	17,450	1.05%	18,763	0.48%	—	—	—	—
Letters of Credit.....	676,367	40.52%	1,079,303	27.34%	1,590,814	43.44%	1,965,446	53.67%
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	676,367	40.52%	1,079,303	27.34%	1,590,814	43.44%	1,965,446	53.67%
Other Guarantee	—	—	—	—	—	—	—	—
Turkish Lira	—	—	—	—	—	—	—	—
Foreign Currency.....	—	—	—	—	—	—	—	—
Total Non-cash Loans	1,669,208	100.00%	2,573,711	100.00%	3,173,807	100.00%	3,661,833	100.00%
Total Loans.....	19,005,253	100.00%	24,910,942	100.00%	30,802,577	100.00%	32,564,018	100.00%

Note:

- (1) Foreign currency loans include foreign currency indexed loans.

Securities Portfolio

Prior to 1 January 2018, the Group's securities portfolio comprised trading securities (i.e. debt and equity securities that the Group principally held for the purpose of short-term profit taking, which were reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities (i.e. held to maturity securities and available for sale securities).

Since 1 January 2018, the Group's securities portfolio comprises trading securities (i.e. debt and equity securities that the Group principally holds for the purpose of short-term profit taking, which are reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities (i.e. financial assets measured at amortised cost securities and financial assets at fair value through other comprehensive income securities). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (i.e. "repos"). Securities sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and Eurobonds) denominated in Turkish Lira, U.S. Dollars and Euro.

As of 31 March 2019, the size of the Group's aggregate securities portfolio was TL 5.8 billion which is an increase of 4.8 per cent. from TL 5.6 billion as of 31 December 2018 which, in turn, increased 20.7 per cent. from TL 4.6 billion as of 31 December 2017, which itself was an increase of 22.0 per cent. from TL 4.5 billion as of 31 December 2016.

As of 31 March 2019, the Group's securities portfolio constituted 14.0 per cent. of the Group's total assets, compared to 14.3 per cent., 15.5 per cent. and 17.7 per cent., respectively, as of 31 December 2018, 2017 and 2016. The Bank's management's strategy is to seek to maintain the size of the Group's securities portfolio at approximately 15 per cent. of the Group's total assets.

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 1.9 billion as of 31 March 2019, TL 1.5 billion as of 31 December 2018, TL 1.3 billion as of 31 December 2017 and TL 1.2 billion as of 31 December 2016, respectively, comprising 32.4 per cent., 26.0 per cent., 28.3 per cent. and 28.5 per cent., respectively, of the Group's securities portfolio on such dates. Such securities are included in the tables in this section. The remaining repurchase agreements are used to fund other Turkish Lira-denominated assets such as Turkish Lira-denominated loans and money market transactions. As of March 2019, the whole security portfolio was funded by the Bank's equity.

The following tables set out breakdowns of securities (on a book-value basis) held by the Group as of the dates indicated:

	As of 31 December			As of 31 ⁽¹⁾ March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Financial Assets Measured at Amortised Cost ⁽²⁾	1,375,729	1,532,047	2,154,941	2,188,921
Financial Assets at Fair Value Through Other Comprehensive Income ⁽³⁾	3,068,412	3,091,372	3,420,070	3,654,579
Financial Assets At Fair Value Through Profit And Loss.....	13,001	9,305	9,859	10,836
Total securities	4,457,142	4,632,724	5,584,870	5,854,336

Notes:

- (1) Figures for the years ended 31 December 2017 and 2016 have been amended in line with TFRS 9 for comparative purposes.
- (2) Prior to implementation of TFRS 9, these were classified as "held-to-maturity investments".

(3) Prior to implementation of TFRS 9, these were classified as “available-for-sale financial assets”.

	As of 31 December			As of 31
	2016	2017	2018	March
				2019
		<i>(TL thousands)</i>		
Turkish Lira-denominated securities	3,250,299	3,396,856	3,957,636	4,150,055
Foreign currency-denominated and indexed securities	1,206,843	1,235,868	1,627,234	1,704,281
Total securities	4,457,142	4,632,724	5,584,870	5,854,336

	As of 31 December			As of 31
	2016	2017	2018	March
				2019
		<i>(TL thousands)</i>		
Turkish government debt securities ⁽¹⁾	4,172,608	4,363,669	5,328,402	5,586,571
Other marketable debt securities	236,891	195,954	94,030	94,973
Equity shares	47,643	73,101	162,438	172,792
Total securities	4,457,142	4,632,724	5,584,870	5,854,336

Note:

(1) Government debt securities include government bonds, treasury bills and Eurobonds.

Investment Securities

As noted above, prior to 1 January 2018, investment securities comprised held to maturity securities and available for sale securities. Held to maturity securities were financial assets with fixed or determinable payments and fixed maturities that the Group intended and had the ability to hold to maturity. Available for sale securities were financial assets that were not held-for-trading purposes or held-to-maturity. Available for sale instruments included certain debt and equity investments. The Group classified investment securities depending upon the intention of management at the time of the purchase thereof, though such could be re-classified if the intention of management later changed.

Since 1 January 2018, investment securities comprise financial assets at fair value through other comprehensive income securities and financial assets measured at amortised cost securities. Financial assets measured at amortised cost are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Financial assets at fair value through other comprehensive income securities are financial assets that are not held-for-trading purposes or held-to-maturity. Financial assets at fair value through other comprehensive income instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof, though such can be re-classified if the intention of management later changes.

As of 31 March 2019, the size of the Group’s investment portfolio was TL 5.9 billion, an increase of 4.8 per cent. from TL 5.6 billion as of 31 December 2018 which, in turn, increased 20.7 per cent. from TL 4.6 billion as of 31 December 2017, which itself was an increase of 22.0 per cent. from TL 4.5 billion as of 31 December 2016. These increases in the Group’s investment portfolio were driven by the Group’s strategy to seek to keep between 15 per cent. and 20 per cent. of its assets in its securities portfolio in order to adhere to its developmental banking mission while maintaining an appropriate asset and liquidity balance.

As of 31 March 2019, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10 per cent. of the Group’s shareholders’ equity, other than securities issued by the Turkish government. As of such date, the Group’s TL 5.6 billion of Turkish government securities represented 130 per cent. of the Group’s shareholders’ equity.

(a) Held to Maturity/Financial Assets Measured at Amortised Cost Portfolio⁷

The Group’s portfolio of financial assets measured at amortised cost securities consists of Turkish government bonds and Eurobonds. As of 31 December 2016, the Group booked TL 0.5 billion of its securities portfolio under its held-to-maturity portfolio, corresponding to 31 per cent. of the total securities portfolio, also with an effect to managing depreciation of the Turkish Lira on its balance sheet, in 2017 the Group booked TL 1.5 billion of its securities portfolio corresponding to 34 per cent. being held under its total securities portfolio and in 2018, the Group booked TL 2.2 billion of its securities portfolio corresponding to 39 per cent. being held under its total securities portfolio. As of 31 March 2019, the Group had transferred TL 2.2 billion of its securities portfolio under its financial assets measured at amortised cost portfolio, which brought the financial assets measured at amortised cost portfolio to 38 per cent. of the total securities portfolio.

In December 2016, the Bank booked CPI-linked government bonds with a nominal value of TL 339,321 thousand to its held-to-maturity portfolio. In September 2018, the Bank booked TL 93,758 thousand of CPI-linked securities to its financial assets measured at amortised cost portfolio.

(b) Available for Sale/Financial Assets at Fair Value Through Other Comprehensive Income Portfolio⁸

The Group’s portfolio of financial assets at fair value through other comprehensive income consists of Turkish government bonds and treasury bills, Turkish private sector bonds and Eurobonds, foreign Eurobonds and equity shares. The following table sets out certain information relating to the Group’s portfolio of financial assets at fair value through other comprehensive income securities as of the dates indicated:

	As of 31 March 2019	
	<i>(TL thousands, except percentages)</i>	
Turkish government debt securities ⁽¹⁾	3,397,642	92.97%
Other marketable debt securities ⁽²⁾	166,027	2.49%
Equity shares	90,910	4.54%
Financial Assets at Fair Value Through Other Comprehensive Income.....	3,654,579	100%

⁷ In this Base Prospectus, the figures for “Financial Assets Measured at Amortised Cost” for the three months ended 31 March 2019 and the year ended 31 December 2018 correspond to the figures for “Held to Maturity Investments” for the years ended 31 December 2017 and 2016. Accordingly, the terms “Financial Assets Measured at Amortised Cost” and “Held to Maturity Investments” have been used interchangeably as appropriate.

⁸ In this Base Prospectus, the figures for “Financial Assets at Fair Value Through Other Comprehensive Income” for the three months ended 31 March 2019 and 31 December 2018 correspond to the figures for “Available for Sale Financial Assets” for the years ended 31 December 2017 and 2016. Accordingly, the terms “Financial Assets at Fair Value Through Other Comprehensive Income” and “Available for Sale Financial Assets” have been used interchangeably as appropriate.

	As of 31 December			As of 31 March				
	2016		2017		2018		2019	
	<i>(TL thousands, except percentages)</i>							
Turkish government debt securities ⁽¹⁾	2,790,932	91.0%	2,831,622	91.6%	3,173,453	92.79%	3,397,642	92.97%
Other marketable debt securities ⁽²⁾	230,817	7.5%	186,670	6.0%	152,588	2.75%	166,027	2.49%
Equity shares	46,663	1.5%	73,080	2.4%	94,029	4.46%	90,910	4.54%
Total AFS / FVOCI.....	3,068,412	100%	3,091,372	100%	3,420,070	100%	3,654,579	100%

Notes:

- (1) Government debt securities include government bonds, treasury bills and Eurobonds.
- (2) Includes private sector debt securities and mutual funds.

As of 31 March 2019, the size of the Group's financial assets at fair value through other comprehensive income securities portfolio was TL 3.6 billion. The available for sale securities portfolio was TL 3.4 billion as of 31 December 2018, an increase of 7 per cent. as compared to approximately TL 3.1 billion as of 31 December 2017, itself an increase of 12.9 per cent. as compared to approximately TL 3.0 billion as of 31 December 2016.

The average interest rates on the Group's financial assets at fair value through other comprehensive income securities portfolio as of 31 March 2019 were: (a) for Turkish Lira-denominated securities, 17.3 per cent., (b) for U.S. Dollar-denominated securities, 4.3 per cent., and (c) for Euro-denominated securities, 5.6 per cent.

The average interest rates on the Group's financial assets at fair value through other comprehensive income securities portfolio for the years ended 31 December 2018 and 2017 were: (a) for Turkish Lira-denominated securities, 16.9 per cent. and 11.7 per cent., respectively, (b) for U.S. Dollar-denominated securities, 4.3 per cent. and 4.6 per cent., respectively, and (c) for Euro-denominated securities, 5.6 per cent. and 5.6 per cent., respectively.

The average interest rates on the Group's financial assets measured at amortised cost securities portfolio as of 31 March 2019 were 22.5 per cent. for Turkish Lira-denominated securities and 6.7 per cent. for U.S. Dollar-denominated securities.

Trading Securities

As noted above, trading securities are debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments under Turkish law. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets, whereas all trading derivatives in a net payable position (negative fair value) are reported as trading liabilities.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. Changes in the estimated fair value are included in the Group's Statements of income included elsewhere in this Base Prospectus within gains less losses from securities. In determining estimated fair value, trading securities are valued at the last trade price (if quoted on an exchange (e.g. BİST)). When market prices are not available, fair value is determined by the internal rate of return method.

The following tables set out a breakdown of the Group's trading portfolio as of the dates indicated:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	<i>(TL thousands, except percentages)</i>							
Turkish government debt securities ⁽¹⁾	5,947	45.7%	—	0%	8	0.08%	8	0.07%
Other marketable debt securities	6,074	46.7%	9,284	99.8%	9,850	99.91%	6,765	62.43%
Equity shares	980	7.6%	21	0.2%	1	0.01%	4,063	37.50%
Total trading portfolio	13,001	100%	9,305	100%	9,859	100 %	10,836	100%

Note:

(1) Government debt securities include government bonds, treasury bills and Eurobonds.

As of 31 March 2019, the size of the Group's trading securities portfolio decreased by 31 per cent. to approximately TL 10.8 million from approximately TL9.9 million as of 31 December 2018, an increase of 6.0 per cent. as compared to approximately TL 9.3 million as of 31 December 2017, itself a decrease of 22.5 per cent. as compared to approximately TL 13.0 million as of 31 December 2016. The changes in the trading securities portfolio are attributable to the actions taken by the Group to benefit from price or rate changes.

The average interest rate on the Group's trading securities portfolio as of 31 March 2019 was 23 per cent. (27.6 per cent. and 15 per cent., respectively as of 31 December 2018 and 2017) for Turkish Lira-denominated securities and for the Group did not hold any U.S. Dollar-denominated securities as of 31 March 2019.

Liabilities

As of 31 March 2019, the Group had total liabilities of TL 41.1 billion, an increase of 7.5 per cent. from TL 38.3 billion as of 31 December 2018.

As of 31 March 2019, the Group had TL 1.0 billion in money market balances, and TL 25.3 billion in funds borrowed.

Shareholders' Equity

As of 31 March 2019, the Group's shareholders' equity amounted to 10.5 per cent. of the Group's total assets, compared to 10.9 per cent. as of 31 December 2018. Both retained profit and mark to market gains and losses from financial assets at fair value through other comprehensive income⁹ investments contributed to the change in shareholders' equity. Total shareholders' equity was TL 3.1 billion, TL 3.7 billion, TL 4.2 billion and TL 4.3 billion as of 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totalled TL 3.7 billion as of 31 March 2019 and TL 3.2 billion as of 31 December 2018. Additional information regarding the Group's off-balance sheet arrangements is set forth in "Contingencies and Commitments" below.

⁹ The corresponding investment category for the years ended 31 December 2017 and 2016 is "Available for Sale Investments".

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements. The Bank complies with the BRSA regulations on capital adequacy which include, but are not limited to, Basel III regulations. The Bank will fully comply with Basel III regulations when these regulations are adopted and put into force by BRSA in full. Such guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies). In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8 per cent. of risk weighted assets/exposures calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio.

Within the context of the implementation of the Basel III framework in Turkey, on 1 January 2014, the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated 1 November 2006 (the “2006 Equity Regulation”) regarding the capital of the banks through the end of 2013 was replaced by the 2013 Equity Regulation. Under the 2013 Equity Regulation, Tier I capital is divided into core Tier I capital and additional Tier I capital. In connection with such classification, the regulation amending the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which also entered into effect on 1 January 2014, introduced new ratios for the evaluation of capital adequacy. Under the provisions of these amendments, the minimum required total capital ratio remains at 8 per cent. while the core capital adequacy ratio and Tier I capital adequacy ratio are 4.5 per cent. and 6 per cent., respectively. Each of the Bank and the Group currently satisfies the capital requirements of the BRSA.

The BRSA published the 2016 Capital Adequacy Regulation, which entered into force on 31 March 2016, replacing the 2012 Capital Adequacy Regulation. The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. The BRSA also amended certain other regulations and communiqués as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599 (also entering into force on 31 March 2016). In addition, recent regulatory changes include BRSA Letter No. 10513 dated 12 August 2018 and BRSA Letter No. 10578 dated 13 August 2018. Under Letter No. 10513, the valuation differences of the securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount in the capital adequacy ratio calculation as of 12 August 2018. Under Letter 10578, the foreign exchange bid rate to be used in the calculation of amount subject to credit risk shall be determined as the higher of average CBRT’s foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018. These resolutions were revoked by the BRSA in December 2018 and thus are not reflected in the 31 December 2018 financial statements. See “*Turkish Regulatory Environment – Capital Adequacy*”. As of 31 March 2019, 31 December 2018, 2017 and 2016, the Group’s total capital adequacy ratio was 15.7 per cent., 16.0 per cent., 17.0 per cent. and 14.6 per cent., respectively (16.0 per cent, 16.2 per cent., 17 per cent. and 14.3 per cent., respectively, for the Bank). The Bank expects its total capital adequacy ratios to be above 15 per cent and intends to maintain its (and the Group’s) capital ratios in excess of those required by both Turkish law and internal risk limits determined by Board of Directors (see “*Risk Management*”).

The following table sets out information on the Group’s capital and its capital adequacy ratios as of the indicated dates, calculated in accordance with Basel III.

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands, except percentages)</i>			
Paid-in capital.....	2,050,000	2,400,000	2,800,000	2,800,000
Paid-in capital inflation adjustments.....	374	374	374	374
Profit reserves.....	408,096	441,740	525,053	1,224,535
Profit.....	494,664	629,396	670,698	143,994
Tier I Capital (I).....	3,115,372	3,683,685	4,144,042	4,277,590
Tier II Capital (II).....	177,167	1,261,881	1,901,952	2,123,216
Deductions (III).....	(14,499)	(5,940)	—	—
Own Funds (I+II-III).....	3,278,040	4,939,626	6,045,994	6,400,806
Risk Weighted Assets (including market and operational risk).....	22,507,376	29,002,503	37,814,453	40,655,386
Capital Ratios:				
Tier I Ratio.....	13.8%	12.7%	10.96%	10.52%
Total Capital Adequacy Ratio ⁽¹⁾	14.6%	17.0%	15.99%	15.74%

Notes:

—

(1) The Group's own funds as a percentage of its risk-weighted assets.

The increases in the Group's capital in each of these periods represented the growth in the Group's retained earnings, which are the profits that have not been distributed as cash dividends.

Non-Financial Subsidiaries

As of 31 March 2019, the non-financial subsidiaries of the Bank were TSKB Gayrimenkul Değerleme A.Ş., Terme Metal Sanayi ve Ticaret A.Ş.,¹⁰ Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. These non-financial subsidiaries are not consolidated in the consolidated BRSA Financial Statements; however, Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. are shown under the "Investments in Associates" and "Investments in Subsidiaries" line items at their book values in the consolidated BRSA Financial Statements. If dividends are received from these non-financial subsidiaries, then such dividends are reflected in the applicable period's income statement of the consolidated BRSA Financial Statements.

The following tables set forth certain information regarding these non-financial subsidiaries. For a discussion of the differences between the BRSA Financial Statements and the IFRS financial statements, see Appendix 1 — "Overview of Significant Differences Between IFRS and BRSA Accounting Principles".

¹⁰ As of the date of this Base Prospectus, Terme Metal Sanayi ve Ticaret A.Ş. is no longer operative.

TSKB Gayrimenkul Değerleme A.Ş.

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016 ⁽¹⁾	2017	2018	2018	2019
	<i>(TL thousands)</i>				
Total Assets	19,207	20,325	22,239	19,869	21,653
Total Liabilities.....	3,768	4,740	5,358	3,107	4,631
Profit/(loss) for the period.....	3,399	2,717	2,328	1,608	894

Note:

- (1) Figures presented as of (or for the year ended) 31 December 2016 reflect the TSKB Gayrimenkul Değerleme A.Ş. report which is prepared in accordance with the Public Oversight, Accounting and Auditing Standards Authority ("KGK") regulations and is audited by KPMG.

Sürdürülebilir Danışmanlık A.Ş.

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
	<i>(TL thousands)</i>				
Total Assets	1,463	1,012	3,451	602	3,242
Total Liabilities.....	149	258	1,115	178	1,323
Profit/(loss) for the period.....	(293)	(560)	(1,407)	(319)	(417)

Terme Metal Sanayi ve Ticaret A.Ş.

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018 ⁽¹⁾	2018 ⁽¹⁾	2019 ⁽¹⁾
	<i>(TL thousands)</i>				
Total Assets	16,408	16,292	21,656	18,552	—
Total Liabilities.....	13,211	13,262	16,391	13,247	—
Profit/(loss) for the period.....	(455)	(166)	(43)	(2)	—

Note:

- (1) As of the date of this Base Prospectus, Terme Metal Sanayi ve Ticaret A.Ş. is no longer operative. Accordingly, no financials have been published for 2018 or 2019.

Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.

	As of (or for the year ended) 31 December			As of (or for the three months ended) 31 March	
	2016	2017	2018	2018	2019
	(TL thousands)				
Total Assets	10,819	11,229	12,481	11,513	13,457
Total Liabilities.....	323	1,257	779	799	720
Profit/(loss) for the period.....	(600)	(534)	1,730	742	1,035

Liquidity and Funding

The Group's principal sources of funding are loans from developmental organisations, of which a total of approximately 65.3 per cent. is provided by the World Bank Group and the European Investment Bank as of 31 March 2019. As of 31 March 2019, 73.3 per cent. (73.5 per cent. as of 31 December 2018) of the Group's foreign currency-denominated borrowings were sourced from international banks and DFIs. For its other funding, the Bank's strategy has been largely to utilise money market funds (including repos), issuances of debt securities, bilateral loans and syndicated loans, although this approach is subject to change, depending upon market opportunities and changes in prevailing rates and other funding sources. For further discussion on the Group's risk management policies relating to funding, see, "*Risk Management — Liquidity and Funding*".

As of 31 March 2019, the Group's total foreign currency-denominated borrowings constituted 82.0 per cent. of its consolidated assets (83.7 per cent. as of 31 December 2018). In addition, 57.8 per cent. of the Bank's long-term funds were guaranteed by the Turkish Treasury as of 31 March 2019 58.3 per cent as of 31 December 2018). Development and investment banks (such as the Bank) are exempt from reserve requirements for their funding guaranteed by the Turkish Treasury.

The tables below set out the Group's principal sources of funding as of the dates indicated:

	As of 31 December						As of 31 March					
	2016			2017			2018			2019		
	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total
	(TL thousands)											
Funds Borrowed	147,252	15,980,244	16,127,496	221,012	18,780,615	19,001,627	127,007	23,692,663	23,819,670	271,389	25,009,915	25,281,304
Repos and Money Market Funds..	1,195,236	60,998	1,256,234	1,150,784	161,138	1,311,922	264,820	137,458	402,278	788,852	226,121	1,014,973
Debt Securities	—	3,486,732	3,486,732	—	3,746,229	3,746,229	—	6,949,189	6,949,189	—	7,478,528	7,478,528

The Group's loans constituted in aggregate approximately 61.5 per cent., 62.2 per cent., 63.5 per cent. and 64.8 per cent. of its total liabilities as of 31 March 2019, 31 December 2018, 2017 and 2016, respectively. As of 31 March 2019, the Group's loans amounted to TL 25.3 billion, an increase of 6.1 per cent. from TL 23.8 billion as of 31 December 2018, itself an increase of 25.4 per cent. from TL 19.0 billion as of 31 December 2017.

For tables setting out the maturity structure of the Group's loans with a breakdown of the source of loans for the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2019 and 2018, see Note II.3.b in Section Five of the Group's BRSA Financial Statements attached hereto.

The remaining sources of funds for the Group are repos and money market funds, which accounted 5.0 per cent., 4.4 per cent., 1.1 per cent. and 2.5 per cent. of the Group's total liabilities as of 31 December 2016, 2017,

2018 and as of 31 March 2019, respectively, and issuances of debt securities, which accounted for 18.2 per cent. and 18.2 per cent. as of 31 March 2019 and 31 December 2018 respectively.

The tables below set out the Group's funding from banks and other institutions, by type of institution, as of the dates indicated:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>							
Funds borrowed from financial institutions and organisations.....	31,092	14,071,300	31,092	15,996,158	31,092	20,914,083	31,076	22,141,978
Funds borrowed from the domestic banks and institutions	47,169	313,101	30,040	561,938	5,000	420,465	151,623	526,494
Funds borrowed from foreign banks, institutions and funds	68,991	1,595,843	159,880	2,222,519	90,915	2,358,115	88,690	2,341,443
Subordinated Loans	—	—	—	1,146,236	—	1,549,774	—	1,645,500
Total.....	147,252	15,980,244	221,012	19,926,851	127,007	25,242,437	271,389	26,655,415

The Bank's short-term funding, including syndicated loans, bilateral loans and money market transactions, represented 6.4 per cent. of its outstanding funding base as of 31 March 2019. The table below sets out the Group's funds borrowed (including subordinated loans) based upon their maturity as of the dates indicated:

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>							
Short-term (one year or less).....	47,180	73,741	30,040	134,812	5,000	—	151,623	—
Medium and Long-term	100,072	15,906,503	190,972	19,792,039	122,007	25,242,437	119,766	26,655,415
Total.....	147,252	15,980,244	221,012	19,926,851	127,007	25,242,437	271,389	26,655,415

Short-term borrowings from foreign banks principally include syndicated and bilateral loans along with money market transactions. Details of the Group's short-term borrowings as of 31 March 2019 are as follows:

Outstanding Principal	Final Maturity
USD 25 million syndicated loan	18 July 2019
EUR 169 million syndicated loan	18 July 2019

Many of the Group's financing arrangements include provisions permitting the applicable creditors to require the accelerated repayment of the applicable indebtedness, including as a result of a breach of a financial or other

covenant or the occurrence of a change of control. The Group monitors its compliance with its obligations under its financing arrangements in order to seek to avoid any such acceleration.

As of the date of this Base Prospectus, the Bank's management believes that the Bank's and the Group's liquidity is sufficient for its present requirements for at least the next 12 months from the date of this Base Prospectus.

Contingencies and Commitments

The Group's contingencies and commitments primarily consist of derivatives and the commitments to fund loans to customers. The following table summarises all of the Group's off-balance sheet contingencies and commitments as of the dates indicated; for further detail, please see the Group's consolidated BRSA Financial Statements.

	As of 31 December			As of 31
	2016	2017	2018	March
				2019
	<i>(TL thousands)</i>			
Guarantees and sureties	1,669,208	2,573,711	3,173,807	3,661,833
Loan funding and other commitments	8,592,675	6,211,465	3,825,396	4,257,004
Derivatives.....	34,175,829	40,354,679	58,538,648	58,935,948
Total Contingencies and Commitments ...	44,437,712	49,139,855	65,537,851	66,854,785

Guarantees

The Group offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with the customers' export and import activities. These products do not appear on the Group's balance sheet.

As of 31 March 2019, the Group had issued letters of credit amounting to TL 1,965 million and guarantees amounting to TL 1,630 million.

The table below sets forth the Group's total off-balance sheet guarantees and sureties as of the indicated dates.

	As of 31 December			As of 31
	2016	2017	2018	March
				2019
	<i>(TL thousands)</i>			
Letters of guarantee	975,391	1,475,645	1,582,993	1,630,147
Acceptance credits	17,450	18,763	—	66,240
Letters of credit.....	676,367	1,079,303	1,590,814	1,965,446
Other guarantees ⁽¹⁾	—	—	—	—
Total.....	1,669,208	2,573,711	3,173,807	3,661,833

Note:

(1) Includes endorsements.

Derivatives

The Group enters into forward, swap and option transactions to provide hedging services for itself and its clients. The table below sets forth the Group's total derivative transactions, by currency, as of the dates indicated.

	As of 31 March 2019					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	794,184	622,452	1,416,636	637,728	747,798	1,385,526
Currency swaps	1,259,150	6,405,402	7,664,552	3,541,492	3,716,810	7,258,302
Interest rate swaps	—	8,890,041	8,890,041	—	8,890,041	8,890,041
Currency options	947,516	1,074,499	2,022,015	947,516	1,074,499	2,022,015
Interest rate options	—	—	—	—	—	—
Futures.....	—	65,930	65,930	71,362	—	71,362
Others.....	4,927	—	4,927	—	37,959	37,959

	As of 31 December 2018					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	974,149	964,311	1,938,460	845,785	1,016,704	1,862,489
Currency swaps.....	982,222	6,479,239	7,461,461	3,432,783	3,821,411	7,254,194
Interest rate swaps	—	8,356,003	8,356,003	—	8,356,003	8,356,003
Currency options.....	1,281,990	1,352,264	2,634,254	1,281,990	1,352,264	2,634,254
Interest rate options	—	—	—	—	—	—
Others	—	13,401	13,401	—	—	—

	As of 31 December 2017					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	485,006	1,928,162	2,413,168	496,499	1,916,438	2,412,937
Currency swaps.....	576,866	2,996,840	3,573,706	1,766,440	1,667,336	3,433,776
Interest rate swaps	17,388	6,589,732	6,607,120	17,388	6,589,732	6,607,120
Currency options.....	1,159,838	1,166,148	2,325,986	1,159,838	1,166,148	2,325,986
Interest rate options	—	—	—	—	—	—

As of 31 December 2017

	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Others	—	72,830	72.830	—	—	—

As of 31 December 2016

	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts	126,329	441,469	567,798	123,456	439,861	563,317
Currency swaps.....	1,098,878	2,724,038	3,822,916	1,680,003	1,970,805	3,650,808
Interest rate swaps	20,412	5,366,443	5,386,855	20,412	5,366,443	5,386,855
Currency options.....	1,619,601	1,846,367	3,465,968	1,619,601	1,846,367	3,465,968
Interest rate options	—	—	—	—	—	—
Others	—	117,544	117,544	—	—	—

Property, Plant and Equipment

The table below sets forth the components of the Group’s consolidated property, plant and equipment as of the indicated dates.

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Buildings	225,925	242,240	291,924	294,415
Vehicles	1,475	1,057	1,000	1,385
Other ⁽²⁾	31,297	28,988	30,040	30,275
Depreciation	27,369	31,708	35,505	33,744
Net book value.....	231,328	245,798	292,651	292,331

Note:

(1) Leasing intangible assets, leasehold improvements, office equipment, furniture and fixtures are shown under “Other”.

BUSINESS OF THE GROUP

Overview

The Bank is a Turkish banking institution organised as a joint stock company under the Turkish Commercial Code (No. 6102). The Bank is the first privately owned development and investment bank in Turkey and, as of 31 March 2019, held a 14.6 per cent. share of the total assets among Turkish development and investment banks according to the BRSA. The Bank, largely in cooperation with DFIs, is principally involved in promoting the development of the Turkish economy by providing long-term funds for the domestic and international investments of Turkish companies, primarily through foreign currency-denominated loans. As well as supporting private sector investments (mostly in industrial sectors), part of the Bank's original and continuing mandate and strategy is to assist domestic and foreign capital owners to finance the development of new businesses in Turkey and to contribute to improvements in Turkish capital markets.

The Group is also involved in capital market brokerage services, portfolio management and corporate finance advisory services. The Group's investment banking activities include advisory services for public offerings, bond issuances and mergers and acquisitions. The Group's strategic advisory activities include providing company appraisal services, feasibility studies and restructuring services. The Group also provides advisory services to domestic and foreign corporations, including locating strategic or financial partners and advising on company mergers and privatisations. The Bank operates in three main business segments: (a) Corporate Banking, which includes the Project Finance and Corporate Marketing departments, (b) Investment Banking and (c) Advisory Services. The Bank has one branch in Ankara, as well as its principal İstanbul office.

The Bank is the first Turkish-owned bank certified to ISO 14001 (the International Organisation for Standardisation's certificate for Environment Management Systems) based upon its environmental management system. The Bank's dedication to sustainability dates back to 1980, when it introduced environmental standards in its credit evaluation process. In 2005, the Bank developed its own Environmental and Social Risk Evaluation tool ("ERET") in order to rate projects irrespective of sector or loan size. The Bank has extended a large portfolio of loans to energy efficiency, resource efficiency and various types of renewable energy projects; however, the Bank is focused on further diversifying its loan portfolio. With its numerous environmental and renewable-energy related projects, the Bank is also the first and only Turkish bank to be granted the "*Financial Times* Sustainable Emerging Markets Bank of the Year" award for Eastern Europe.

In 2015, the Bank was awarded the Highest Corporate Report Transparency rating given to a bank by Transparency International. TSKB also joined the BIST (Borsa Istanbul) Sustainability Index that lists the companies operating in Istanbul with the highest corporate sustainability performances. As the first carbon neutral bank in Turkey, the Bank was also awarded the "CDP 2015 Climate Transparency Leadership Award of Turkey" by the Carbon Disclosure Project. Within the scope of the 2015 United Nations Climate Change Conference ("COP21"), the Bank signed the declaration on the transition to a low carbon economy with the members of the Association of European Long Term Investors ("ELTI") and has signed on to the voluntary principles comprising the Climate Action initiated by the International Development Finance Club ("IDFC"), a network of national, regional and international development banks. In May 2015, the Bank hosted the third annual meeting of the National Financial Institutions of the G20 countries, also known as the D20. At the 2016 Corporate Management Awards organised by the Corporate Governance Association of Turkey ("TKYD"), the Bank received a rating of 9.52 in the BIST Corporate Governance Index, becoming the organisation with the second highest corporate management rating. TSKB has been added to the FTSE4Good Emerging Index which assesses the sustainability of banks around the globe in terms of their environmental policies, social policies and governance.

In 2016, the Bank was awarded “EMEA Green/SRI Bond Deal of the Year” by GlobalCapital and “Sustainable Bond Award of the Year” by the International Financing Review Magazine (IFR)/Thomson Reuters. In addition, the Bank’s inaugural green/sustainable bond was named “Structured Finance Deal of the Year 2016” by Bonds & Loans Awards Turkey.

In 2017, the Bank was awarded the “Eastern and Central Europe Best Green Bond Deal” by EMEA Finance, the “Green Bond Deal of the Year” by the International Financing Review Magazine (IFR)/Thomson Reuters and the “Structured Finance Deal of the Year 2017”, the “Infrastructure Finance Deal of the Year” and the “Syndicated Loan Deal of the Year” by Bonds & Loans Awards Turkey. The Bank published the first Integrated Report in Turkey in March 2017. The Bank also published its first ever Impact and Allocation Report for the green/sustainable bond which was issued in 2016.

In September 2018, the Bank hosted the second annual meeting of the IDFC. The Bank’s 2018 financial, environmental and social performance was included in its first integrated annual report.

As of 31 March 2019, the Group had total assets of TL 41.1 billion, an increase of 7 per cent. from TL 38.3 billion as of 31 December 2018, which was an increase of 37 per cent. from TL 29.9 billion as of 31 December 2017, itself a 20.3 per cent. increase from TL 24.9 billion as of 31 December 2016. As of 31 March 2019, the Group had total shareholders’ equity of TL 4.3 billion, an increase of 3 per cent. from TL 4.2 billion as of 31 December 2018, which was an increase of 16 per cent. from TL 3.7 billion as of 31 December 2017, itself an increase of 18.1 per cent. from TL 3.1 billion as of 31 December 2016.

For the three months ended 31 March 2019, the Group’s net profit was TL 169.2 million, a 10.7 per cent. increase from TL 152.8 million for the three months ended 31 March 2018. For the year ended 31 December 2018, the Group’s net profit was TL 663.3 million, a 9.5 per cent. increase from TL 605.5 million for the year ended 31 December 2017, itself a 38.9 per cent. increase from TL 435.9 million for the year ended 31 December 2016. For the three months ended 31 March 2019, the Group’s net interest income was TL 494.7 million, a 60 per cent. increase from TL 309.4 million for the three months ended 31 March 2018. For the year ended 31 December 2018, the Group’s net interest income was TL 1,728.7 million, a 70 per cent. increase from TL 1,017.3 million for the year ended 31 December 2017. The Group’s total operating income was TL 1,068.7 million in 2017, TL 1,431.9 million in 2018, and TL 442 million for the three months ended March 2019 (TL 346.2 million for the three months ended 31 March 2018), while its net period profit from continuing operations was TL 435.9 million in 2016, TL 605.5 million in 2017, TL 663.3 million in 2018 and TL 169.2 million in for the three months ended 31 March 2019 (TL 152.8 million for the three months ended 31 March 2018).

As of 31 March 2019, the Group’s total capital adequacy ratio was 15.7 per cent. and its Tier I capital adequacy ratio was 10.5 per cent., both as calculated in accordance with Basel III rules that came into effect on 1 January 2014. As of the same date, the Group’s shareholders’ equity was TL 4.3 million, its liquid asset ratio (being the total amount of cash and balances with the Central Bank of Turkey, banks, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost divided by the Group’s total assets) was 25 per cent. The Group’s net operating income was TL 514.8 million in 2016, TL 695.7 million in 2017, TL 822.9 million in 2018 and TL 230 million for the three months ended 31 March 2019 (TL 233.1 million for the three months ended 31 March 2018).

The Bank’s shares have been quoted on the BİST since 1986. As of 31 March 2019, 50.92 per cent. of the Bank’s shares were held by the İşbank Group (41.44 per cent. held directly by İşbank with the remainder held through its subsidiaries, comprising 5.80 per cent. held by Trakya Yatırım, 1.90 per cent. held by Milli Reasürans, 0.89 per cent. by Anadolu Sigorta and 0.89 per cent. held by Anadolu Hayat Emeklilik), 8.38 per cent. of the shares were held by Vakıfbank, 38.6 per cent. were traded publicly on the BİST (52.68 per cent. of which were owned by foreign investors) and the remaining shares (2.10 per cent.) were owned by other institutional shareholders.

Strengths

The Bank's management believes that the Group has a number of key strengths that enable it to compete effectively in the Turkish banking sector:

Strong Relationships with the World Bank and other DFIs

Since its founding, the Bank has worked in close cooperation with international institutions, such as the World Bank ("IBRD"), the European Investment Bank ("EIB"), European Investment Fund ("EIF"), Council of Europe Development Bank ("CEB"), Kreditanstalt für Wiederaufbau ("KfW"), Islamic Development Bank ("IDB"), French Development Agency ("AFD"), International Finance Corporation ("IFC"), European Bank for Reconstruction and Development ("EBRD"), Overseas Private Investment Corporation ("OPIC"), Japan Bank for International Cooperation ("JBIC"), the Austrian Development Bank ("OeEB") and the Asian Infrastructure Investment Bank ("AIIB").

The DFIs have provided the Bank a strong funding base and a sustainable tenor advantage in comparison to commercial and other banks operating in Turkey. The long-lasting relationship of the Bank with these DFIs and the longer tenor of their loans to the Bank have contributed to the Bank's ability to obtain, and thus provide, stable funding even in the periods of economic instability.

As of 31 March 2019, 57.8 per cent. of the Group's long-term funds and 54.1 per cent. of the Group's total funding, was provided with the benefit of a guarantee by the Turkish Treasury. While the World Bank (which, in accordance with its constitutional documents, is only entitled to lend to institutions that benefit from a sovereign guarantee), EIB, CEB, IDB, JBIC and AIIB provide funding under a guarantee from the Turkish Treasury, the Bank also borrows without a state guarantee from the AFD, IFC, OeEB, EBRD and, since 2013, from KfW. As of 31 March 2019, the Bank's funding shares from DFIs were as follows: 38 per cent. from the IBRD, 28 per cent. from the EIB, 12 per cent. from KfW, 7 per cent. from the IDB, 5 per cent. from the CEB, 5 per cent. from the AFD, 2 per cent. from the IFC, 1 per cent. from the EBRD, 2 per cent. from JBIC and 0.4 per cent. from OPIC.

In coordination with DFIs, the Bank has financed or is currently financing new projects in a range of different areas, including energy efficiency, resource efficiency, renewable energy, logistics, sustainable tourism, export support, agribusiness, infrastructure, environment and women employment.

In 2016, the Bank obtained U.S.\$755 million in funding through DFIs, including loans from (1) EIB (with a guarantee by the Turkish Treasury) for EUR100 million for the financing of innovative SMEs and small mid-caps; (2) KfW (without a guarantee from the Turkish Treasury) for EUR150 million for the financing of renewable energy and environmental projects in Turkey; (3) EIB (with a guarantee by the Turkish Treasury) for EUR100 million for the financing of energy efficiency and environmental projects in Turkey; (4) IBRD (with a guarantee by the Turkish Treasury) for U.S.\$150 million for the financing of geothermal energy projects in Turkey; (5) AFD (without a guarantee from the Turkish Treasury) for EUR100 million for the financing of projects promoting women's employment and occupational health and safety; and (6) CEB (with a guarantee by the Turkish Treasury) for EUR100 million for the financing of APEX loans.

In 2017, TSKB obtained U.S.\$160 million in funding through DFIs, including a U.S.\$85 million agreement titled "MidSEFF III Loan (Mid-size Sustainable Energy Financing Facility III)" with the EBRD for the financing of mid-size renewable energy and resource efficiency investments in Turkey and a U.S.\$75 million loan agreement with the IFC for the financing of investments in renewable energy and resource efficiency and adaptation to climate change.

In 2018, TSKB obtained U.S.\$600 million in funding through DFIs, including a loan from IBRD for the amount of U.S.\$400 million (with a guarantee by the Turkish Treasury) within the scope of the IBRD's Inclusive Access to Finance Project, for the promotion of women's participation in the labour force and encouraging a women-

friendly working environment as well as supporting private sector companies operating in regions where Syrians under temporary protection reside. In September 2018, the Bank became the first financial intermediary to drawdown under an on-lending facility from AIIB to finance private sector investments. This U.S.\$200 million loan provided by AIIB is guaranteed by the Turkish Ministry of Treasury and Finance. The loan will be extended for the financing of renewable energy, energy efficiency, transportation, energy transmission, waste water management and telecommunication investments by private sector companies in Turkey.

Relationship with İşbank Provides Access to Significant Expertise

As of 31 March 2019, İşbank Group held 50.92 per cent. (41.44 per cent. directly by İşbank) of the Bank's outstanding shares and it has the power to elect the Bank's Board of Directors at the General Assembly of Shareholders where the Directors can be appointed by the majority of the shareholders pursuant to Turkish Commercial Code. The Chairman of the Board of Directors is the General Manager of İşbank. While the representatives of İşbank do not interfere with the Bank's business, the Group benefits from its Board members' significant expertise in developing the Bank's strategy and business as well as in accessing information regarding the Bank's borrowers or potential borrowers that also work with İşbank, which has the largest market share in total deposits, FX-denominated deposits and demand deposits among private sector banks as of 31 March 2019 (sources: BRSA and Interbank Card Center).

Strong Capital Structure with Conservative Match-Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 4.3 billion, a total capital adequacy ratio of 15.7 per cent. and a Tier I capital adequacy ratio of 10.5 per cent. as of 31 March 2019. In line with its capital strength, the Group maintains a strong match-funding policy with DFIs. As a result, the Group was less affected than many other global financial institutions by the reduction of liquidity and increased cost of funding that occurred during the global financial crisis.

Recognised and Trusted Banking Brand in Turkey

The Bank's management believes that the Bank is one of the most widely recognised, respected and trusted banks in Turkey; it has been in business since 1950, weathering Turkey's often turbulent financial markets and establishing a long-standing focus on prudent risk management and a record of financial stability. The Bank was established under the laws of the Republic of Turkey in 1950 with the support of the World Bank, the Turkish government, the Central Bank and commercial banks as the first development and investment bank in Turkey. The strength of the Bank's brand and customer base has enabled the Group to become a Turkish market leader in development-related projects as well as a trusted banking partner for customers during periods of financial stress.

Diversified Loan Portfolio

By focusing on building a diversified portfolio of loans by types of loans, industry sector and borrower concentration, the Group has historically generated strong returns. The Bank increased its loan portfolio in U.S. Dollar equivalents from 31 December 2010 to 31 December 2018 at a compound annual growth rate of 7.7 per cent. The Group's strong credit and risk management know-how have supported the growth of its loan portfolio and, in the Bank's management's opinion, contributed to the healthy diversification of the portfolio.

The Bank's loan portfolio is composed of project financial loans, corporate marketing and APEX loans. As of 31 March 2019, 53.5 per cent. of the Bank's total loan portfolio was comprised of project finance loans, 38.8 per cent. to corporate marketing and 8.0 per cent. to APEX loans.

The Bank's loan portfolio is also diversified among sectors, with the largest shares in energy production and finance representing 36 per cent. and 10 per cent., respectively, of the Bank's loan portfolio as of 31 March 2019. Within the Bank's energy production sector, 86 per cent. of the energy production portfolio was composed of renewable energy projects as of 31 March 2019 and such projects include biomass, wind, geothermal, hydro

and solar power plant projects. Broken-down by renewable energy project, 5 per cent. comprised loans to biomass, 35 per cent. to wind, 18 per cent. to geothermal, 36 per cent. to hydro and 6 per cent. to solar power plant projects as of 31 March 2019. The distribution as of 31 December 2018 was 5 per cent. to biomass, 37 per cent. to wind, 18 per cent. to geothermal, 35 per cent. to hydroelectric power projects and 6 per cent. to solar power plant projects. The distribution as of 31 December 2017 was 5 per cent. to biomass, 35 per cent. to wind, 17 per cent. to geothermal, 38 per cent. to hydroelectric power projects and 5 per cent. to solar power plant projects. The distribution as of 31 December 2016 was 6 per cent. to biomass, 32 per cent. to wind, 14 per cent. to geothermal and 46 per cent. to hydroelectric power projects.

In terms of project stage, 92 per cent. of the renewable energy projects financed by the Bank were operational as of 31 March 2019 (in terms of power, or megawatts, produced) and 89 per cent. of the renewable energy projects financed by the Bank were operational (with respect to their installed capacity measured by megawatts). By segment, 95 per cent. of the hydroelectric projects, 60 per cent. of the biomass projects, 100 per cent. of the wind projects, 75 per cent. of the geothermal projects and 6 per cent. of the solar power plant projects were in operation, respectively. The Bank has financed a total of 140 projects as of 31 March 2019, comprising 57 resource efficiency projects and 83 energy efficiency projects. As of the date of this Base Prospectus, only one project financed by the Bank has not reached completion.

YEKDEM (Turkish Renewable Energy Resources Support Mechanism) is the Turkish government's support mechanism for electricity generated using renewable energy resources. This mechanism consists of feed-in tariffs for projects registered by 2020 and applicable for ten years from the date the project begins operation. The feed-in tariffs are for (i) electricity production licence holders and (ii) unlicensed electricity generators producing electricity from renewable energy resources as well as (iii) in relation to other opportunities for renewable energy. These feed-in tariffs vary depending on the type of project and are denominated in U.S. dollars. As of 31 March 2019, 86 per cent. of the Bank's loans to electricity generation projects consisted of renewable energy resources and 91 per cent. of the Bank's renewable energy portfolio was supported by the feed-in tariff mechanism.

The YEKDEM mechanism, by securing a guaranteed sale price for investments, directly assists in hedging the Bank's credit risk position on renewable energy portfolio projects.

Although development and investment banks (such as the Bank) are not subject to credit limits determined by the BRSA, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 25 per cent. of its equity as of 31 March 2019. The share of the Bank's receivables from the top 10 cash loan customers in the overall cash loan portfolio was 32.1 per cent. as of the same date. The Bank's loan contracts generally contain clauses permitting the Bank to make adjustments in the applicable interest rates from time to time, subject to the applicable laws and regulations, thereby further limiting interest rate risk. In addition, the investment projects financed by the Bank are secured by strong collateral. As a general approach, the type of collateral required by the Bank is proportional to the risk taken.

Prudent Risk Management

Complementing the Bank's diversified loan portfolio, the Bank's management believes it has instilled a prudent and effective risk management culture at all levels of the Group, beginning with careful customer selection to support a quality asset base. The Bank monitors credit quality on an ongoing basis. As the global financial crisis impacted Turkey and the Group's customers, the Group introduced new risk management tools starting from 2008 such as a redeveloped internal rating model for corporate loan customers and specialised lending, software for market risk management, and software for asset and liability management. The Bank also introduced new risk management tools such as applying credit limits to certain industry sectors, such as the energy production sector, that have been highly affected by global turmoil, researching potential customers' relationships and credit histories with other banks and becoming more selective in extending new credit lines. During the three

months ended 31 March 2019 and 2018, the Bank grew its loan portfolio by 5.5 per cent. and 7.4 per cent., respectively, in TL terms while its NPL ratio was at 2.1 per cent. and 0.2 per cent., respectively. The NPL ratio of the Bank was 0.3 per cent., 0.2 per cent., 2.1 per cent. and 2.1 per cent. as of 31 December 2016, 2017, 2018 and 31 March 2019, respectively, lower than the Turkish banking sector's NPL ratios of 3.2 per cent., 3.0 per cent. 3.9 per cent. and 4.0 per cent., respectively (source: BRSA).

The Bank's management believes that the Group's focus on enhanced internal controls and risk management systems, as well as its ability to maintain a diverse loan portfolio, will enable the Group to maintain the high quality of its loan portfolio in the future as the Group seeks to continue to grow its business.

Independent Process for Appraising Projects

The Bank evaluates projects internally through its Financial Analysis and Engineering Departments along with its Loans and Loan Monitoring Departments. The Bank's specialised and dedicated Financial Analysis Department assesses the cash flow projections, as well as the microeconomic and sectoral risks and opportunities, of potential projects that the Bank is considering funding. In addition to financial analysts, the Bank has maintained for many years an internal team of engineers with practical experience in chemical, electrical, civil and other engineering projects. This team, comprised of engineers who have from 5 to 14 years of experience, provides the Bank with a significant advantage over its commercial bank competitors who have to seek external experts to analyse the technical plans of projects being contemplated for a project loan. The Economic Research Teams provide support by way of their sectoral research studies and analysis of new investment project themes. On top of this, the Loans Department has a special team of loan allocation officers who have sector-specific knowledge and an average of 10 years of banking experience. This team focuses on clarifying the collateral structure, tenor and loan amount in relation to various projects by reviewing the assessments provided by the relevant teams in the Financial Analysis and Engineering Departments. After the drawdown of the loans is completed, the Loan Monitoring Department continues to monitor the companies and the projects in terms of credit risk and collateral structure as well as financial covenants. The Loan Monitoring Department also monitors the loan repayments, prepares periodic monitoring reports and sectoral reports and implements early warning mechanisms.

Strong Focus on Employee Training and Development; Highly Skilled Workforce

The Bank's management believes that a key element of the Group's success has been its emphasis on the quality, training and development of its employees and its turnover rate (i.e. voluntary employee resignations excluding retirees) is considered to be low (for example, the Group had a turnover rate of 8 per cent. during 2018). The Group's dedicated and well-trained employees form a cornerstone of its focus on superior customer service and long-standing customer relationships and also provide the Group with a competitive advantage over its competitors, particularly in a growing market where there is a high demand for skilled personnel. Historically, the Group has sought to maximise the opportunity for career development for its employees, with all positions typically filled through internal promotions and appointments.

Maintain High Standards of Corporate Governance and Business Ethics

The Bank's management believes that the Group's internal corporate governance structure reflects the best market practices of the Turkish and international banking sectors. The Group has established corporate governance principles and complies with applicable laws and regulations for sustainable banking, and the Bank's management perceives execution of such principles as an essential component of responsible banking. The Bank's management believes that compliance with corporate governance principles is important for the Bank to create, protect and maintain value for its shareholders. The Bank's corporate governance structure also develops communication channels and platforms in order to reinforce communication with its stakeholders, particularly the Group's customers, employees and shareholders.

The Group established these corporate governance practices to improve management's efficiency and to further protect the interests of the Group's stakeholders, including its customers and shareholders. The Bank prepares a "Corporate Governance Principles Compliance Report" each year, which is a report by the Bank's Board of Directors about the compliance of the Bank's corporate governance practices with the corporate governance principles of the CMB.

Since 2009, the Bank has received its corporate governance rating from SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş., a company authorised by the CMB to rate companies' compliance with corporate governance principles. The Bank's corporate governance rating was reconfirmed as 9.54 (out of 10) on 19 October 2018. Since having been first rated and included in the BİST Corporate Governance Index in 2009, the Bank has continued to maintain its position as one of the highest rated companies included in the index.

The Bank's Regulatory Burden is Lower than that of its Universal Banking Competitors

The Bank's regulatory burden is significantly lower than that of most of its universal banking competitors since the Bank is a development and investment bank, subject to certain different rules and operating in different business lines and, most importantly, due to the absence of a retail banking business. The Bank's lack of a retail banking business allows the Bank to use its full lending capacity efficiently while monitoring extended loan investments. Additionally, the absence of costs associated with maintaining a retail banking network positively affects the Group's cost base. As noted above, the Bank is also exempt from maintaining reserves with the Central Bank for its liabilities that are guaranteed by the Turkish Treasury. This lower regulatory burden results in less administrative costs for the Bank, thereby allowing it to act more responsively to its clients' needs.

Strategy

The Bank's overall strategic goal is to create value for the inclusive sustainable development of Turkey through the financing and consultancy solutions powered by experience in development and investment banking. It intends to achieve this goal by continuing to implement the following key strategies:

Supporting sustainable development

The Bank's vision is to maintain sustainable growth in Turkey by adding value to the Turkish economy (principally through supporting the private sector with medium and long-term financing), which reflects the Bank's goal of being the pioneering bank in Turkey's sustainable development and extending resources to contribute to the United Nation's sustainable development goals. The Bank aims to exhibit and deploy more aggressively its knowledge and potential in all of its all core business lines. The Bank is focused on expanding its client base and increasing its allocations in line with the needs of the Turkish market, which offers sustainable growth potential in the mid- and long-term.

The Bank's principal strategies to achieve this vision include: developing sectoral diversification in its loan portfolio, maintaining its access to medium and long-term funding from DFIs with competitive terms and conditions, diversifying its funding base through issuances of debt instruments, improving its synergies with its subsidiaries (including to increase its fee-generating capabilities) and constantly strengthening its strong human resources base (including in its Financial Analysis Department and Engineering Department).

Providing entrepreneurs with funding and capital market brokerage and advisory support

The Bank seeks to support entrepreneurs wishing to tap into capital markets by ensuring the continuity of its investment advisory services and by providing corporate customers and major private investors with funding and capital market brokerage services. The Bank finances projects in a broad range of Turkish industries, including energy efficiency, resource efficiency, various types of renewable energy, logistics, infrastructure, healthcare and education services investments as well as projects targeting social themes such as inclusiveness, the empowerment of women and occupational health and safety. The Bank is seeking to diversify the areas of growth in line with the needs of its corporate clients and the broader Turkish economy. Although energy

production loans continue to represent a large share of the Group’s loan book, corresponding to 36 per cent. of its total loans as of 31 March 2019, the Bank plans to reorient some of this focus towards other sectors, such as infrastructure, resource efficiency, energy efficiency, environmental projects, innovation and PPPs in the health and education sectors. In terms of renewable energy, the Bank’s portfolio includes hydro (which has been in a declining trend), wind, geothermal, biomass and solar power plant projects and the Bank intends to become more diversified by focusing on future wind, geothermal, biomass and solar projects.

In terms of project finance, the Bank has been involved in projects in a variety of areas, such as energy production and electricity and gas distribution. In the Bank’s loan book, the share of investment loans represented 75 per cent., working capital 17 per cent. and APEX loans (which are channelled to leading banks and leasing companies, usually to finance SMEs indirectly) 8 per cent. of the Bank’s loan portfolio as of 31 March 2019 (8 per cent. as of 31 December 2018). APEX loans provide the Bank the opportunity as well as the flexibility to share its expertise with very small institutions in alignment with its policy mission. The Bank plans to continue to be one of the most active and essential market players by supporting entrepreneurs in the years ahead.

Sustaining asset quality and avoiding risky loans

While expanding the loan portfolio, the Bank emphasises the importance of sustaining asset quality and avoiding risky loans. In line with this strategy, existing loans are analysed and monitored closely and to date the Bank has been successful in maintaining its asset quality. While allocating funds, the Bank also continues to adhere strictly to its environmental protection standards (which are a building block of its mission, vision and strategy) and its multidisciplinary approach (which incorporates a process of collaborative assessments by engineers, financial analysts and economists in various teams such as Risk Management, Loan Allocation and Loan Monitoring (while adhering to the relevant confidentiality and “Chinese Wall” requirements)).

Maintaining access to medium and long-term funding from DFIs

Maintaining its access to medium and long-term funding from DFIs with competitive terms and conditions is a principal strategy of the Bank, and the Bank works to ensure that its lending practices do not compromise its funding opportunities with DFIs (for example, the Group avoids lending even non-DFI-sourced funds to certain sectors, such as gambling and ammunition, that are not viewed favourably by the DFIs). DFI funding enables the Bank to increase its lending capacity in various areas in line with the needs of its corporate clients and the agenda for development of the Turkish economy.

While the Bank anticipates that its relationships with DFIs will continue to be its largest source of funding, the Bank is seeking to diversify its funding resources e.g. by issuing Eurobonds, since 2014, the Bank has completed five Eurobond issuances totalling an aggregate amount of U.S.\$1.65 billion. Three of these issuances were drawdowns under the Programme, the latest of which was in January 2018. In order to further the Bank’s Sustainability agenda, the Bank successfully executed the first Green/Sustainable Bond issuance out of Turkey and EMEA in 2016 and the first Sustainable Tier-II Bond issuance in the international debt markets in 2017.

Boosting the Bank’s fee and commission income

The Bank aims to further concentrate on corporate banking and boost synergies not only with its subsidiaries but also among its different business lines, with a principal aim of boosting its fee and commission income. To this end, the Group intends to focus further on its advisory services in mergers and acquisitions, assisting companies to find financial as well as strategic partners and providing customers with strategic advisory services in the form of financial restructuring and feasibility studies. To support this strategy, the Bank restructured the capital markets brokerage services that it used to offer directly, but now offers to the Group’s retail clients through its subsidiary Yatırım Finansman. As a result of this strategic development, the Bank does not have any retail clients as of the date hereof, as its active retail clients have transferred their portfolios to this subsidiary. The Bank’s advisory services also include TSKB Sürdürülebilirlik Danışmanlık A.Ş. (“Escarus –

TSKB Sustainability Consultancy”), which offers services to Turkish financial and non-financial institutions to enhance such institutions’ sustainable development. Escarus – TSKB Sustainability Consultancy’s services include sustainable advisory services; technical and environmental and social analysis; sustainable finance; operational efficiency; management systems and consultancy; and research and analytics.

Continuing to attract and develop talent

The Bank’s well-qualified personnel are a significant factor behind its long-term success and part of its strategy. In addition to recruiting experienced professionals for senior positions, the Bank’s strategy is to develop leaders from within its own highly-qualified employees and to fill positions through internal promotions and assignments as much as possible. As a part of this strategy, the Bank continues to recruit new qualified graduates.

History and Development

The Bank was established under the laws of the Republic of Turkey in 1950 with the support of the World Bank, the Turkish government, the Central Bank and commercial banks as the first private development and investment bank of the Republic of Turkey. The IFC as a development finance institution was one of the largest shareholders of the Bank from 1963 to 1979. Initially, the Bank supported the World Bank’s development programmes in Turkey and has since then expanded its cooperation to other DFIs such as the EIB, EIF, CEB, KfW, AFD, IFC, JBIC, IDB, EBRD, ICO, OeEB and, most recently, AIIB. The Bank’s ordinary shares have been listed on the BİST since 1986.

The Bank is headquartered in İstanbul and (with its Group) provides a range of banking services for corporate customers, including corporate banking, investment banking, capital markets operations and advisory services. The Bank’s articles of incorporation provide for the following activities:

- providing assistance in all sectors of the economy, primarily in the industrial sector, for setting up new plants and expanding, modernising and developing the activities of existing plants;
- providing assistance in the implementation of projects and activities that will be carried out abroad by entrepreneurs directly or as joint ventures;
- encouraging and assisting local and foreign capital enterprises in undertaking investments in Turkey and participating in the capital of companies that are already established or will be established in Turkey; and
- assisting the development of capital markets in Turkey and encouraging and promoting the private ownership of securities issued by industrial enterprises.

The Bank was established in İstanbul with the Council of Ministers resolution numbered 3/11203 and was registered with the İstanbul Chamber of Commerce on 31 May 1950 under registration number 42527. The Bank is a development and investment bank under the Banking Law and is duly organised and incorporated and validly existing as a joint stock company (*anonim şirket*) under the Turkish Commercial Code (No. 6102). The duration of operation of the Bank as a joint stock company is unlimited.

Business Activities

The Group provides a range of banking services and presents its group structure under three principal business lines: corporate banking, investment banking and advisory services, each as described below:

- corporate banking activities: the corporate banking activities include corporate loans, syndicated loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations and project finance, acquisition finance and working capital finance;
- investment banking activities: the investment banking activities include: (a) portfolio management, marketable securities brokerage activities, cash flow management, corporate finance, public offerings of stocks, advising on privatisations, mergers and acquisitions, purchase and sale of assets, issuance of debt instruments and providing strategic advisory services and (b) offering treasury services, such as a fixed income business (asset and liability management and bond offering), futures and options brokerage, interest rate swaps, currency and cross currency swaps, swaptions and caps, floors, foreign exchange, repo transactions and other structured products; and
- advisory services: the advisory services consist of strategic financial consultancy (including long term partnership to support strategic expansion by way of valuation, feasibility analysis of projects, financial structuring and strategic roadmaps), real estate appraisal and sustainable and environmental consulting services (including advising and consulting on environmental and social management systems, climate change management, renewable energy, investment monitoring for financial institutions, business plan development and monitoring).

For accounting purposes, the Bank reports the Group's business in its BRSA consolidated financial statements under three segments: Corporate Banking, Investment Banking and Others. The Bank's results make up the large majority of the results for these three segments, with the remainder being contributed by the Bank's subsidiaries and associates. The Bank does not consolidate the results of its non-financial subsidiaries and associates in the BRSA consolidated financial statements on a line-by-line basis and so these results do not appear in the segmental data included therein; however, they are shown under the "Investments in Associates" and "Investments in Subsidiaries" items at their book values. For a list of the non-financial subsidiaries and associates, see "*Business of the Group — Subsidiaries and Other Affiliates — Non Financial Subsidiaries*".

Banking Units

Corporate Banking

The Bank's Corporate Banking business provides services to companies ranging from large corporates to SMEs. The unit consists of two main departments, the Project Finance Department and the Corporate Marketing Department. The Corporate Banking business unit's long-term strategy is to enhance its customer loyalty and to broaden its product portfolio in order to diversify revenue sources and to contribute to the Group's sustainable and profitable growth.

A significant portion of the Corporate Banking business involves extending loans to corporate customers. The Bank primarily offers the following types of loans to its corporate customers: revolving loans, foreign currency-denominated loans, letters of guarantee, letters of credit, spot loans, although the main focus of the Bank is investment and project finance loans. In addition to its loan products, the Corporate Banking unit, in coordination with the Treasury Department, also seeks to provide tailored products that are designed to offset customers' exposures to interest, maturity and currency risks, including through the use of customised investment vehicles, forward and futures contracts, swaps and options that take into account the goals, risk tolerance levels, cash flows and other unique concerns of the customer.

Project Finance Department

A significant portion of the Bank's corporate loan portfolio relates to its project finance activities. The Bank has played a key role in a number of major project finance deals in Turkey, including the financing of infrastructure and energy deals, privatisations and capital expenditure financing in electricity and gas

distribution, airport and port deals and mergers and acquisitions. As of 31 March 2019, the Project Finance Department accounted for TL 15.8 billion of loans (53 per cent. of the Group's total loans), 96.2 per cent. of which was foreign currency-denominated and the remaining 3.8 per cent. of which was Turkish Lira-denominated. The Bank selectively extends financing for large private sector investments, privatisations and merger and acquisition projects, while remaining committed to its risk-sensitive approach. The Bank granted loans related to financing electricity production, electricity distribution, infrastructure, sustainable tourism, real estate and health sector PPP projects with a total loan value of U.S.\$ 3.2 billion as of 31 March 2019.

The Bank provides project finance with full recourse to project assets and limited or full recourse to the sponsors. Only selected transactions adhering to international standards may be financed on a pure non-recourse basis. The Bank aims to expand its client base and build-up its portfolio in the short term for project finance projects.

In 2016, the Bank received the following awards from Emea Finance: "Best Infrastructure Deal" and "Best Privatisation Deal in EMEA" for the Galataport deal, "Best Syndicated Loan in CEE" for the Aksa Gas Distribution Project and "Best Structured Finance Deal in CEE" for the IC Tredaş deal. In 2017, the Bank received the award for "Best Refinancing in EMEA" for the Yeniköy Kemerköy deal from Emea Finance. In 2017, the Bank received the following awards from Bonds & Loans Awards Turkey: "Syndicated Loan Deal of the Year" for the Aksa Gas Distribution Project" and "Infrastructure Finance Deal of the Year" for the Galataport Project.

The Bank's project finance activities also provide the Group with cross-selling opportunities for its derivative products and other banking services.

Corporate Marketing Department

The Corporate Marketing Department provides a range of corporate banking products and services including, but not limited to, corporate loans, leasing, working capital loans, non-cash loans (including letters of guarantee, letters of credit and export credit guarantees) and foreign trade finance operations.

The underlying targets of the Bank's corporate loans are sustainable development and added value to the Bank. In this respect, the Bank provides financing for investments focusing on Renewable Energy, Energy & Resource Efficiency, Environmental Protection, Sustainable Tourism, Gender Equality, Occupational Health and Safety as well as research and development among the other needs of its clients such as maintaining or increasing working capital and business development.

The Corporate Marketing Department extends financing to a number of private sector companies ranging from SMEs to large corporates, with financing solutions including mainly medium and long term loans. The average tenor of such loans is four years.

As of 31 March 2019, the Corporate Marketing Department accounted for TL 11.6 billion of loans, (38.8 per cent. of the total loans), of which 43.1 per cent. was funded by borrowing sourced from DFIs and other sources such as treasury operations, bilateral funding, syndications and Eurobonds and the remaining 56.9 per cent. was funded by the Bank's equity and TL-denominated secured funding.

The total size of non-cash loans supplied by the Bank reached TL 3.7 billion as of 31 March 2019, with significant portions of this amount represented by letters of credit provided by the Bank.

The Corporate Marketing Department plays a major role providing cross-selling opportunities for its treasury products, corporate finance activities, advisory services and the products of the Bank's subsidiaries.

APEX (Wholesale) Banking. Through the Development Finance Institutions Department and Corporate Marketing Department, the Bank remains the leader and model for implementing APEX banking. APEX loans allow the Bank to reach SMEs and offer them funds that are secured from international DFIs, particularly from

the World Bank in the form of both Export Finance Intermediation Loans (“EFIL Loans”) and loans lent through Innovative Access to Finance Project (“IA2F”) and also from the CEB, the EIB and KfW. The purpose of the EFIL Loans programme is to support companies in their efforts to increase exports and create new job opportunities, whereas IA2F’s purpose is to improve access to longer term Islamic finance and factoring for SMEs and export oriented enterprises. In December 2016, an agreement for an APEX credit line was signed with the CEB and was implemented in cooperation with the Development and Investment Bank of Turkey for the purpose of financing investments in micro, small and medium-sized firms in Turkey to facilitate employment. The APEX funding from the CEB and the EIB is principally used to finance SME loans. In June 2018, the Bank agreed a new APEX credit line, the Inclusive Access to Finance Project, with the IBRD. The purpose of the credit line is the promotion of the participation of women in the workforce and encouraging a women-friendly working environment as well as supporting private sector companies operating in regions where Syrians under temporary protection reside.

APEX funds received by the Bank are then on-lent to local financial institutions that then make loans for the purpose specified by the funding DFI. In this manner, the funds can be raised by the Bank under the guarantee of the Turkish Treasury and on-lent to other financial institutions that cannot raise funds that benefit from such a guarantee. Applications relating to APEX funding requested from the Bank are made by financial institutions through the web-based APEX online system developed by the Bank. Within the scope of APEX banking, the Bank has collaborated with 30 participating financial institutions in total, including commercial banks, leasing companies, participation banks and factoring companies.

As of 31 March 2019, the total outstanding volume of loans supplied by the Bank through APEX banking reached U.S.\$ 444 million, accounting for 8 per cent. of the Bank’s total loan portfolio. The Bank has a long standing cooperation the World Bank in Turkey and successfully implemented the EFIL Loans and IA2F programmes. Since 2004, the Bank has been actively involved in four EFIL Loan programmes, each of which was completed by 30 June 2014. Through participating in these programmes, the Bank has provided a total of more than U.S.\$1 billion to approximately 2,330 companies. Furthermore, the Bank signed loan agreements for the World Bank’s IA2F programme for U.S.\$250 million and with the CEB for EUR 100 million for the financing of SMEs, each under the guarantee of the Turkish Treasury. See “— *Strengths – Strong Relationships with the World Bank and other DFIs*”.

Investment Banking

The Bank provides capital market services and investment banking services through its Treasury and Corporate Finance departments and its subsidiary Yatırım Finansman. Such services include managing securities portfolios, structured risk management and funding solutions and customised corporate finance solutions (such as advisory services related to mergers and acquisitions, strategic consultancy, asset purchases and sales advice, equity and bond issuances and privatisation activities). The Bank offers these services and products with competitive pricing to a number of domestic and international companies. For the three months ended 31 March 2019, the Investment Banking business unit generated TL 13.5 million of fees and commissions, accounting for 71 per cent. of the Group’s total fees and commissions (TL 10.8 million and 67 per cent., respectively, for the three months ended 31 March 2018).

Treasury Department

The Bank’s Treasury Department (in coordination with its financial subsidiaries) offers a diverse range of treasury products to its corporate and investment banking customers with competitive pricing. These include advanced derivative products, such as options, forward contracts, interest rate swaps, cross currency and currency swaps, swaptions and caps, floors, as well as more traditional treasury products such as foreign exchange, repo transactions and fixed- income securities.

The Turkish Treasury issues bonds both domestically and internationally. Its domestic issuances include zero coupon bonds and coupon bonds. Coupon bonds include inflation-linked bonds, fixed coupon bonds, floating rate notes and lease certificates. All types of Turkish Treasury issuances can be sold and purchased by the Group's customers without any restriction. Repo and reverse-repo transactions for various maturities are executed on an electronic platform in the BİST Debt Securities Market. OTC reverse repo transactions are also offered to the Bank's customers.

In addition to securities transactions made on behalf of its customers, the Group manages its own portfolio of securities. As of 31 March 2019, the Group's total securities portfolio was valued at TL 5.6 billion, as compared to TL 5.5 billion, TL 4.6 billion and TL 4.5 billion as of 31 December 2018, 2017 and 2016, respectively.

As of 31 March 2019, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (47.0 per cent.), Turkish Lira-denominated zero-coupon and fixed securities (24.1 per cent.) and foreign currency-denominated zero-coupon and fixed securities (28.9 per cent.). Moreover, 60.8 per cent. of the Bank's total securities portfolio was classified as "financial assets at fair value through other comprehensive income" and 39.2 per cent. of the Bank's total securities portfolio was classified as "financial assets measured at amortised cost" as of 31 March 2019.

Corporate Finance Department

In its Corporate Finance Department, the Bank operates in the four principal areas described below:

- *public offerings*: benefiting from its extensive experience and vested relationship with relevant parties, the Bank contributes to the development of the Turkish capital markets by providing advisory and other services in the equity offerings of Turkish companies, which services it has provided since the establishment of the predecessor of the BİST;
- *issuance of debt instruments*: the Bank provides a full suite of advisory services in relation to its clients' debt instruments issued through public offerings or private placements to qualified investors;
- *mergers & acquisitions*: the Bank performs buy-side or sell-side advisory services for equity partnership opportunities to companies and coordinates the acquisition process within the scope of its mandated acquisitions advisory services; and
- *strategic advisory*: the Bank: (a) assists companies that seek to build up their capital and know-how, expand into new markets or undertake large-scale investments, (b) advises on the procurement of financing for projects and acquisitions, (c) advises buyers and sellers in real estate or asset sales (such as the sale of electricity distribution asset of a company) and privatisations and (d) performs related appraisal, financial restructuring and feasibility studies.

The Bank is also an investor in the Turkish Growth and Innovation Fund, which was initiated in 2015 by EIF and sponsored by the Bank along with the Undersecretariat of the Treasury and the Small and Medium Enterprises Development Organization of Turkey ("KOSGEB"). The fund was established to support innovative, technology-orientated companies by providing them with access to venture capital. The Undersecretariat of the Treasury, KOSGEB and EIF have each made a contribution of EUR 60 million and the Bank a contribution of EUR 20 million to the Turkish Growth and Innovation Fund, which will be advised by EIF. The Turkish Growth and Innovation Fund will succeed the İstanbul Venture Capital Initiative (iVCi) as Turkey's next generation of Fund of Funds.

Advisory Services

The Group provides advisory services to its customers, principally in the areas of strategic consulting, real estate appraisal and environmental advisory services. A key objective of the Group is to expand the advisory services through the Bank's own operations as well as those of its subsidiaries. The strategic consulting work includes

undertaking appraisals of companies, brands and licenses, providing project valuation and feasibility services, financial structuring, sectoral analysis and project finance consultancy services. The Group, principally through its subsidiaries, provides real estate appraisal and related services, such as appraisals of machinery and equipment and collateral.

Consistent with the Bank's long history of being in the vanguard of environmental sustainability issues, the Group also offers environmental sustainability consultancy. In 2018, the Bank established Escarus – TSKB Sustainability Consultancy, to share its technical experience in sustainability with other stakeholders in Turkey and abroad. These services seek to assist the Group's clients to implement internationally accepted sustainability methods through improvements to business management and production processes. The services include but are not limited to providing assistance relating to evaluations of the environmental and social impact of projects, including the impact on climate and natural resources, developing environmental/social and sustainability management systems for companies, and also providing technical and other support for renewable energy and other sustainability efforts.

The advisory services business generates fees and commissions for the Group, amounting to TL 3.7 million for the three months ended 31 March 2019 (TL 13.1 million for the three months ended 31 March 2018). While not a large share of the Group's revenues, the advisory services business provides many benefits to the Group, including strengthening its relationships with clients and supporting the goals of its DFI partners as well as supporting its policy mission by way of sharing its expertise.

Subsidiaries and Other Affiliates

Since its establishment in 1950, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. As of 31 March 2019, the Bank had direct equity interests in nine companies operating in finance and other sectors. As of 31 March 2019, the total book value of the Bank's investment in subsidiaries and other affiliates was TL 1.8 billion (including non-financial subsidiaries and affiliates, such amount was TL 4.8 million). The Bank does not have any current intention to sell any of such holdings.

Financial Subsidiaries and Associates

The Bank has direct and indirect financial services subsidiaries active in the following sectors: brokerage and custody, real estate investment trust asset management, venture capital, leasing and factoring. Financial services subsidiaries enrich the product and service range that the Bank offers to its customers through its various business lines and create cross and complementary product delivery and sales opportunities.

The following table sets forth details of the Bank's financial subsidiaries and associates as of 31 March 2019.

Group Company	Field of Activity	As of 31 March 2019				
		Bank's Direct Share	Group's Share	Assets ⁽¹⁾	Shareholders' Equity	Market Share ⁽³⁾
				<i>(TL thousands)</i>		
	Brokerage					
Yatırım Finansman Menkul Değerler A.Ş.	House	95.78%	98.51%	1,064,789	101,680	4.12%
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	REIT	87.73%	88.39%	502,423	245,612	N/A
İş Finansal Kiralama A.Ş. ⁽²⁾	Leasing	29.46%	60.92%	49,060,640	1,139,474	2.11%
İş Faktoring A.Ş.	Factoring	21.75%	100.00%	3,140,448	286,401	10
	Venture Capital Inv.					
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Trust	16.67%	57.68%	265,355	261,265	N/A

Notes:

- (1) Total Assets (as of 31 March 2019 derived from the Public Disclosure Platform's website).
- (2) Consolidated amounts.
- (3) According to equity trading volume in the three months ended 31 March 2019 (Source: Turkish Capital Markets Association).

Brokerage – Yatırım Finansman Menkul Değerler A.Ş.

The Bank directly owned 95.78 per cent. of the share capital of Yatırım Finansman as of 31 March 2019. Yatırım Finansman commenced operations on 15 October 1976 as the first capital market corporation of Turkey. Yatırım Finansman's founders were 13 large banks, led by the Bank and İşbank. Yatırım Finansman's principal capital market activities are equity-related businesses and asset management, and Yatırım Finansman also has the authority to provide investment consultancy, portfolio management and repo services. Yatırım Finansman acted as an intermediary for the first private sector bond issuance in Turkey and provided consultancy services to the BİST. Yatırım Finansman moved its head office to the Bank's head office building in Fındıklı, İstanbul, in order to create synergies with the Bank and offer services more efficiently.

According to data provided by the BİST, Yatırım Finansman had a market share of 4.12 per cent. in BİST equity transactions for the three months ended 31 March 2019 and was 8th among licensed brokerage firms in Turkey in terms of equity trading volume as of 31 March 2019. Yatırım Finansman's consolidated net sales and net profit figures for the three months ended 31 March 2019 were TL 99.9 million and TL 3.5 million, respectively (TL 74.2 million and TL 3.9 million respectively, for the three months ended 31 March 2018) while its consolidated assets and equity as of 31 March 2019 amounted to TL 1,064 million and TL 101.7 million, respectively (TL 580.9 million and TL 100.3 million, respectively, as of 31 December 2018) with the increase in consolidated assets being driven by growth in receivables from money market operations and reverse repo transactions. The volume of assets under Yatırım Finansman's management increased from TL 3,989 million as of 31 December 2018 to TL 4,416 million as of 31 March 2019. In addition, Yatırım Finansman was the eleventh largest licensed brokerage firm in Turkey in terms of its paid-in capital, which was TL 63.5 million as of 31 December 2018 (source: Union of Turkish Brokerage Firms).

Real Estate Investment Trust – TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.

TSKB REIT, founded in 2006, is a real estate investment trust in which the Bank had a direct equity shareholding of 87.73 per cent. and the Group had a 88.39 per cent. share as of 31 March 2019. According to the Public Disclosure Platform of the Capital Markets Board of Turkey, TSKB REIT was the 23rd largest real estate investment trust in Turkey as of 31 December 2018, with an asset value of U.S.\$99.2 million. The real estate portfolio of TSKB REIT, from which the company earns rental income, is comprised mainly of office space and commercial properties, such as a shopping centre located in İstanbul. TSKB REIT also acquired 50 per cent. of the Divan Hotel, which is located in central Adana.

Leasing – İş Finansal Kiralama A.Ş.

İş Leasing was established in 1988 as a joint venture among the Bank, Société Générale and the IFC. The latter two entities sold their interests in 1995 and, as of 31 March 2019, the Bank held a 29.46 per cent. direct equity interest, İşbank held 27.79 per cent. and the remaining shares are traded on the BİST. As of 31 March 2019, the consolidated total assets and equity of İş Leasing amounted to TL 9,061 million and TL 1,139 million, respectively (TL 8,682 million and TL 1,150 million, respectively, as of 31 December 2018). Net current leasing receivables amounted to TL 5,069 million as of the same date (TL 5,218 million as of 31 December 2018).

Factoring – İş Faktoring A.Ş.

The Bank had a 21.75 per cent. direct share and (through İş Leasing) a 23 per cent. indirect share in İş Faktoring as of 31 March 2019. The company had TL 3,140 million in total assets and TL 286.4 million in equity as of 31 March 2019 (TL 2,770 million and TL 301 million, respectively, as of 31 December 2018), while its factoring

receivables amounted to TL 2,979 million as of the same date (TL 2,730 million as of 31 December 2018). İş Faktoring is fully consolidated under İş Leasing.

Venture Capital Investment Trust – İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

İş Girişim is a venture capital investment trust established in 2000 pursuant to CMB rules and, as of 30 June 2018, was Turkey’s third largest private equity fund in terms of market value according to the CMB.

As of 31 March 2019, the Bank held a direct equity share of 16.67 per cent. in İş Girişim.

Being one of the most active and one of the very few local private equity houses, İş Girişim partners with Turkish companies to help them compete both domestically and internationally in their respective industries by sourcing acquisitions, enhancing operational efficiencies, facilitating new market expansions and designing the optimal capital structure to support them during the execution of their strategies.

İş Girişim’s net profit for the three months ended 31 March 2019 was TL 1,325 thousand compared to TL 253 thousand for the three months ended 31 March 2018 with growth attributable to an increase in business volumes and revenues. İş Girişim’s assets and equity as of 31 March 2019 amounted to TL 254.4 million and TL 261.3 million, respectively (TL 262.2 million and TL 260 million, respectively, as of 31 December 2018).

Non-Financial Subsidiaries and Associates

In addition to its subsidiaries and associates in the financial sector, the Bank holds equity stakes in companies whose businesses (such as companies engaged in real estate appraisal and sustainability consultancy) are outside of its core operations. In the past, the Bank has invested in a number of companies in various sectors as part of the promotion and development of Turkish industry and in areas in which its management believes investments provide a competitive rate of return. The Bank’s non-financial subsidiaries represented 0.01 per cent. of its total assets as of 31 March 2019.

During the three months ended 31 March 2019, no dividend income was received from non-financial subsidiaries. As of 31 March 2019, TSKB Gayrimenkul Değerleme A.Ş. and TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (Escarus – TSKB Sustainability Consultancy) were the significant long-term strategic non-financial subsidiaries of the Bank. The non-financial subsidiaries of the Group are not consolidated in the income statement of the consolidated BRSA Financial Statements; however, they are shown under the “Investments in Associates” and “Investments in Subsidiaries” line items at their book values.

The following table sets forth certain information, as of 31 March 2019, about the non-financial companies in which the Bank owns 10 per cent. or more of the outstanding share capital.

Company	Sector	Bank’s Direct Shareholding	Shares owned by the Bank and the Bank’s affiliates
	Real Estate		
TSKB Gayrimenkul Değerleme A.Ş.	Appraisal	99.99%	99.99%
TSKB Sürdürülebilirlik Danışmanlığı A.Ş.	Consultancy	80.65%	99.83%
Terme Metal Sanayi ve Ticaret A.Ş. ⁽¹⁾	Metal Industry	17.83%	18.76%
Ege Tarım Ürünleri ve Lisanslı Depoculuk A.Ş.	Warehousing	10.05%	20.10%

Note:

(1) As of the date of this Base Prospectus, Terme Metal Sanayi ve Ticaret A.Ş. is no longer operative.

Information Technology

The Bank's technology operations and initiatives are managed by its Information Technology Department (IT). This department employs IT professionals dedicated to installing, maintaining and operating the Bank's software applications, management information system and security system. There is a continuous effort to implement and operate best practices according to COBIT, which is a leading IT governance standard. All operational data and software are stored on Microsoft-based computer systems. The Microsoft brand back office product family, including such software as Windows Server, SQL Server, Net Framework and Exchange Server, is used for core business areas and Microsoft-based servers have been chosen as the strategic growth platform for new emerging lines of business and business process management applications.

The Bank uses a third party, Turkcell Superonline, to provide data storage services and disaster recovery solutions for the Bank's critical systems. All critical data relating to the Bank's operations and communications are continuously backed up and disaster recovery mechanisms are tested regularly. Turkcell Superonline's data centre is located on the Asian side of İstanbul. The Bank also has two data centres which are located in different areas of the Bank's head office. All critical data is backed up simultaneously to both data centres and all critical systems are prioritised in terms of servers, storage, networking components and data lines.

Lending Policies and Procedures

Credit Approval and Monitoring

The credit approval procedure for corporate customers starts with the evaluation of the project and the credit application. Project or credit evaluation is comprised of an analysis of the project's and/or the company's: (a) economic, (b) technical, (c) financial, (d) managerial and organisational, (e) informational and (f) legal criteria. These criteria, which complement each other, form the basis of the loan evaluation reports that are ultimately submitted for approval to the Credit Evaluation Committee. The Bank's Financial Analysis Department and Engineering Department lead the process in preparing a loan evaluation report. Intelligence reports are also prepared by the Intelligence Unit, which gathers information to be used therein from external sources. The Loans Department then conducts a thorough evaluation of the reports in line with the credit policies of the Bank and presents the project and proposed loan conditions to the Credit Evaluation Committee prior to submitting an approval to the Board of Directors. If the amount of the proposed loan, together with the amounts of any outstanding loans already extended by the Bank to the applicant, does not exceed a total amount of U.S.\$2 million for a single company and U.S.\$5 million for a group of companies, and the Credit Evaluation Committee provides its approval unanimously, the proposal does not require further action by the Board of Directors for final approval. On the other hand, if the amount of the proposed loan, together with the amounts of any outstanding loans already extended by the Bank to the applicant, exceeds a total amount of U.S.\$2 million for a single company and U.S.\$5 million for a group of companies, then the proposal will be submitted to the Board of Directors for its final approval following a unanimous decision of the Credit Evaluation Committee.

The Bank aims to manage the risk profile of its loan portfolio by implementing a detailed monitoring process. The companies to which the Bank provides financing, as well as the sectors of such companies, are analysed periodically. The purpose of this monitoring is to ensure that sponsored investments are completed in a timely manner and that the conditions thereof are satisfactory. Such monitoring enables the Bank to identify and help solve any problems that may arise during the implementation and operational stages of projects.

The Bank requires its borrowers to be audited by either an independent audit firm acceptable to the Bank or its own accountants in accordance with the Auditing Procedures and Principles and requires such financials to be delivered to the Bank annually during the term of the loan. During the investment period, in general, either a

third party technical advisor prepares a progress report or the Technical Analysis Team of the Bank conducts an investment monitoring report to follow up on the progress of the borrower's investment. During the borrower's operational period, financial covenants and the amount of cash flows in the pledged accounts help the Bank monitor the financial performance of the company/project and hedges the default risk with mechanisms such as an assignment of receivables and share pledges among other collateral. As common practice, the Bank evaluates the financial statements of the companies semi-annually. The Loan Monitoring Department periodically prepares monitoring reports for borrowers and their related groups and requests investment monitoring reports from the Engineering Department. Additionally, the borrowers are subject to annual rating updates based upon their year-end financials and projected results. Annual rating revisions are also conducted by the Loan Monitoring Department. Evaluation and monitoring of credit risk in terms of project, client and the related group is a continuous process in the Bank. The Credit Revision Committee, which consists of the CEO, three board members, two executive vice presidents and related department heads, meet at least once a year to review the loan portfolio and revise the necessary loan limits. A thorough analysis of debt repayment capability of the clients and their groups are conducted with the year-end results in this study and a comprehensive report is prepared by the Loan Monitoring and Loans Departments.

Furthermore, the Bank is also required by Turkish banking regulations to prepare certain reports, such as those documenting the 200 largest loans in its portfolio, which it utilises as part of its internal monitoring process.

In order to detect deteriorating positions in its loan portfolio, the Bank also monitors behavioural indicators on a regular basis. Such indicators include information from the Central Bank's Risk Centralisation division regarding changes in the financial indebtedness of the borrowers or defaults on their liabilities and commitments (e.g. unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions). All customers are monitored monthly for these indicators. The Bank's management believes that this has been a helpful process for both decision-making on new credit assignments to existing customers and for taking actions to prevent a borrower default.

Concentration Limits

Although development and investment banks (such as the Bank) are not subject to credit limits determined by the BRSA, the Bank has certain internal concentration limitations for its loan portfolio. The Bank's internal regulations differ from the BRSA regulations in certain other ways; for instance, in the Bank's internal approach, borrowers are divided into different limit categories and exposure to borrowers in each category is limited to a specific percentage of the Bank's own funds.

When the Bank's portfolio contains large credit exposures, whether extended directly or indirectly, to: (a) a single company, (b) a group of affiliated companies, (c) a special industry or sector or (d) a foreign country, or a group of foreign countries, the Board of Directors imposes limits in order to prevent excessive concentration risk.

The Bank's internal concentration limits are as follows:

- total credit exposure to companies that fall within the definition of large credit exposures should not exceed eight times the Bank's capital;
- the maximum risk-based credit limit for a single company or group of companies may not exceed 25 per cent. of the Bank's capital;
- the maximum credit risk to a specific sector may not exceed 40 per cent. of the total credit portfolio (including APEX loans) for the energy production industry and 25 per cent. of the total credit portfolio (excluding APEX loans) for other industries;

- the maximum limit for the sum of letters of guarantee that can be accepted from a bank and APEX lending to that bank may not exceed 1.5 times such bank's capital;
- the maximum limit for APEX lending to a non-bank financial company may not exceed 35 per cent. of the Bank's capital; and
- the maximum limit for loans to related parties may not exceed 25 per cent. of the Bank's capital (for this limit, exposures and the Bank's capital are monitored on a consolidated basis).

It should be noted that APEX loans are excluded from such calculations unless stated otherwise.

The following table shows the BRSA legal limits for each of the major concentrations as of the date hereof:

	Turkish legislation
A borrower's indebtedness/own funds ⁽¹⁾	25%
A group of borrower's indebtedness/own funds ⁽¹⁾	25%
The Bank's own risk group's indebtedness/own funds ⁽¹⁾	20%
Total of large loans cannot exceed the own funds over ⁽¹⁾⁽²⁾	800%

Notes:

- (1) Own funds calculated as the total of Tier I capital and Tier II capital as required by the BRSA in the capital adequacy calculation regulation.
- (2) Large loans are the loans made available to a real or legal person (or risk group) that equals or exceeds 10 per cent. of a bank's own funds.

Loan Classification and Provisioning Policy

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to Set Aside published in the Official Gazette No. 26333 on 1 November 2006, which was replaced by the Regulation on Provisions and Classifications of Loans published in the Official Gazette No. 29750 on 22 June 2016 ("2016 Provisioning Regulation"), prior to 1 January 2018, banks were required to classify their loans and receivables into various groups as set out in more detail in the section entitled "*Turkish Regulatory Environment – Loan Loss Reserves – Loan Loss Reserves Prior to 1 January 2018*" in this Base Prospectus.

On 22 June 2016, the BRSA published the 2016 Provisioning Regulation. The 2016 Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the IFRS 9 compliant financial reporting standards of Turkey ("TFRS 9"), by the end of 2017 unless an exemption is granted by the BRSA. Under the 2016 Provisioning Regulation, from 1 January 2018 banks are still required to classify their

loans and receivables into groups, but there are certain changes in the criteria of the groups. Group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, from 1 January 2018 banks are required to classify their loans and receivables into various groups as set out in more detail in the section entitled “*Turkish Regulatory Environment – Loan Loss Reserves – Loan Loss Reserves post-1 January 2018*” in this Base Prospectus.

The 2016 Provisioning Regulation includes detailed rules and criteria in relation to concepts of the “reclassification” and “restructuring” of loans. See sections entitled “*Turkish Regulatory Environment – Loan Loss Reserves – Reclassification*” and “*Turkish Regulatory Environment – Loan Loss Reserves – Restructuring*” in this Base Prospectus.

See also “*Turkish Regulatory Environment – Loan Loss Reserves*” in this Base Prospectus for further information around the application of the 2016 Provisioning Regulation.

Portfolio Supervision and Non-Performing Loans (“NPLs”)

The Bank’s Loan Monitoring Department provides monthly reports to the Bank’s senior management detailing all aspects of its credit activity, including the number of new problem loans, the status of existing NPLs and collections. The Bank’s senior management pays close attention to the timeliness of debt repayments and the classified loans and contingent liabilities. Prompt action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. Any overall deterioration in the quality of the Group’s loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank’s Board of Directors by such departments.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including: changes to the borrower’s turnover in accounts held by the Group, changes to the borrower’s economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to amend the loan terms or repayment schedules, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of the borrower to co-operate in supplying current information.

Where a loan becomes impaired due to a delay in the repayment of its principal or interest by more than 90 days, the Bank classifies the loan as an NPL and classifies it under Stage 3 as set out in the Turkish regulations. Accrued but uncollected interest must be deducted from revenue records. Interest on such loans cannot be recorded as income unless collected. Furthermore, restructured loans are transferred to the “Renewed and Restructured Loans Account” according to collection performance as defined in the related decree (other loans that are not classified as NPLs may also be restructured).

The Bank has generally given priority to the recovery of NPLs through negotiations and initiating legal proceedings as opposed to sales, resulting in a history of high recovery rates. The Bank currently prefers to use negotiations to work out NPLs rather than resort to legal proceedings, as the latter constitutes a lengthier and costlier process. The Bank’s Loan Monitoring Department is in charge of monitoring and negotiating NPLs, as well as initiating legal proceedings when necessary. As of the date of this Base Prospectus, negotiations are being carried out with a few Stage 2 and Stage 3 companies with an aim to restructure their loans in accordance with their cash flows by means of asset and/or share sales.

The Group generally does not write-off NPLs, regardless of the amount of time they have been outstanding. When a loan is placed on non-performing status, interest income ceases to accrue. An NPL is restored to accrual status when all arrears have been paid and it is considered likely that the customer will continue timely performance. An NPL may also be restored to accrual status if it is determined that the repayment of principal and interest is reasonably assured on collection, such as in the case when all amounts due under a loan are fully

collateralised by cash or marketable securities and actions have commenced to foreclose on the collateral; however, more typically, the Group seeks to collect on NPLs and close its commitments. The following table sets forth details of the movements in the Group's NPL portfolio (Stage 3) as of each of the indicated dates.

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL millions)</i>			
Balance at the beginning of the period.....	61,017	51,615	53,575	597,210
Additions ⁽¹⁾	3,566	6,436	700,006	37,517
Recoveries ⁽²⁾	(12,953)	(4,476)	(9,100)	(11,038)
Portfolio Sale.....				
Write-off ⁽²⁾	(15)		(147,271)	(371)
Balance at the end of the period.....	51,615	53,575	597,210	623,318

Notes:

- (1) Including foreign currency effect.
- (2) Excluding portfolio sales.

As of 31 March 2019, restructured performing loans constituted 3.6 per cent. of the Bank's total performing loan portfolio. The ratio of renewed and restructured NPLs to total NPLs as of 31 December 2016, 2017 and 2018 and 31 March 2019 was 21 per cent., 14 per cent., 10 per cent. and 12 per cent. respectively. The following table sets forth details of the Group's renewed and restructured non-performing loan accounts (Stage 3) as of each of the indicated dates.

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL millions)</i>			
Renewed and restructured loan accounts	10,707	7,266	6,211	7,270

Loan Portfolio Quality. The Group's ratios of non-performing loans to total cash loans and to total cash and non-cash loans were 0.30 per cent. and 0.27 per cent., 2.2 per cent. and 2.1 per cent., 0.27 per cent. and 0.21 per cent., and 1.93 per cent. and 1.91 per cent., respectively, as of 31 December 2016, 2017 and 2018 and 31 March 2019. The following table sets forth details of the Group's NPL ratios as of each of the indicated dates.

Following the adoption of TFRS 9, the Bank has not continued its 100 per cent. provisioning policy for NPL loans. The Bank assessed each non-performing loan individually and provided provisions on a loan basis.

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Total NPL.....	51,615	53,575	597,210	623,318
Coverage Ratio ⁽¹⁾	100.0%	100.0%	28.38%	27.46%
NPL Ratio.....	0.3%	0.2%	2.12%	2.12%

Note:

(1) Total amount of specific provisions divided by NPLs.

The NPL ratio of the Bank has historically been among the lowest in the Turkish banking sector. As of 31 March 2019, 31 December 2018, 2017 and 2016 the Bank's NPL ratios were 2.1 per cent., 2.1 per cent., 0.2 per cent. and 0.3 per cent., respectively, compared to banking sector average NPL ratios of 4.0 per cent., 3.9 per cent., 3.0 per cent. and 3.2 per cent. over the same periods, according to the BRSA.

The Group's increase in NPL levels in 2018 compared to prior periods is attributable to a single syndicated loan financing of a hydropower plant project. The project was ineligible for the feed-in tariff mechanism, and following disagreements as to governance of the project among sponsors, the loans related to this project were classified as NPLs as of 30 June 2018, following which the Bank's NPL level increased from 0.2 per cent. to 2.1 per cent. The project has been in operation and produces electricity. As of the date of this Base Prospectus, the disagreement between the sponsors of the project and the lenders has been resolved and in accordance with BRSA requirements the Bank expects to reclassify the loans from NPL status to Stage 2 after one year after the effectiveness of the restructuring. This is expected to have a positive impact on the Bank's NPL ratio in financial periods after the second quarter of 2019. The provision ratio for this loan is 20 per cent. according to TFRS 9 and the provision rate of previous NPLs is 100 per cent. The new provisioning rate changed the average NPL coverage ratio from 100 per cent. to 28.4 per cent. as of 31 December 2018, with the ratio declining further to 27.5 per cent. due to the Turkish Lira weakening against the U.S. dollar as well as increases in the weight of the Group's total NPL portfolio.

The macroeconomic backdrop in Turkey has also driven a sector-wide increase in NPL levels, due to the effects of volatile foreign exchange rates, interest rates and inflation on Turkish corporates. This is also expected to have an effect on the level of NPLs of the Bank, which the Group's management expects to remain elevated compared to the Bank's historical levels even after the hydropower plant project loan is removed from its NPL status. The Group's management expects the NPL ratio at the end of 2019 to be below 4 per cent. (including the NPL attributable to the hydropower plant project).

NPL Loan Portfolio by Loan Type. The following table sets forth the Bank's NPLs by loan type as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Corporate.....	12,809	14,262	560,930	586,939

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Other/SMEs/Miscellaneous Receivables	38,806	39,313	36,280	36,379
Total	51,615	53,575	597,210	623,318

The following table sets out certain information relating to the Group's provisions for losses on cash and non-cash credit exposure, which form a majority of the general loan loss provisions, as of the dates indicated:

	As of 31 December			As of 31 March
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
Cash.....	158,443	117,070	346,677	462,625
Non-cash commitments and contingencies..	2,714	2,447	11,251	13,510
Others	16,010	16,614	6,134	7,495
Total	177,167	136,131	364,062	483,630

As of 1 January 2018, with the implementation of IFRS 9 (and, accordingly TFRS 9), the provisions for the Group's NPLs (Stage 3) are calculated via individual assessment, while the provisions for the Group's performing loans (Stage 1 and Stage 2) are determined via an internal rating model. Prior to the implementation of IFRS 9, the provisions for Stage 1 and Stage 2 loans were 1 per cent., and 2 per cent., respectively, as determined by BRSA regulations. At that time, the Group's internal policy was to apply a 100 per cent. provision for all NPLs.

In accordance with TFRS 9, if the credit risk on a loan has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that loan at an amount equal to 12-month expected credit losses (Stage 1). However, if there is a significant increase in credit risk of a loan since initial recognition, the Bank measures loss allowance regarding such loan at an amount equal to lifetime expected credit losses (Stage 2).

The Group now calculates the expected credit loss on a collective basis by means of grouping the loans having common credit risk features or on an individual basis.

Related Party Transactions

All related party transactions of the Bank are subject to the same approval procedures as those applicable to its other customers. In general, the related party transactions of the Bank include loans, marketable securities and derivative transactions.

Although development and investment banks (such as the Bank) are exempt from BRSA's requirements for exposures to related parties, the Group is within the limits imposed on commercial banks by Turkish banking regulations. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20 per cent. of its equity. The Bank closely follows such regulatory requirements and internally applies its own set of restrictions in accordance with the Bank's policies and the covenant report ratios. As of

31 March 2019, the Bank's total net exposure to its risk group totalled TL 615 million, an amount corresponding to 9.61 per cent. of its equity.

In addition, the Banking Law limits the total amount of loans to be made available by banks to their shareholders, irrespective of whether they are dominant partners or own qualified shares (excluding those that have less than a 1 per cent. share in the capital of a bank), and to persons who have indirect loan relations with such shareholders that amount to 50 per cent. or more of their own funds. With a negligible amount of exposure to its shareholders and their risk group as of 31 March 2019, the Bank is well within the limits set by the BRSA.

Employees and Benefits

As of 31 March 2019, the Bank had 364 employees. The following table sets forth the number of employees as of the indicated dates.

	Employees
31 December 2016	332
31 December 2017	375
31 December 2018	371
31 March 2019	364

The Bank focuses on ensuring that employees have a suitable level of education for operational effectiveness and a career at the Bank. As of 31 March 2019, 2 per cent. of the Bank's employees (excluding service staff) had only a secondary or lower school education, 98 per cent. were graduates of universities and 34 per cent. had postgraduate degrees.

Historically, the Bank has sought to maximise the opportunity for career development for its employees, with as many positions filled through internal promotions and assignments as possible. The Bank's personnel turnover rate (i.e., voluntary resignations excluding retirements) is very low, amounting to 5.8 per cent., 4.6 per cent. and 8.6 per cent. in 2016, 2017 and 2018, respectively, and 0.5 per cent. and 0.8 per cent. for the three months ended 31 March 2019 and 2018, respectively. As of 31 March 2019, the bankers (excluding service staff) had, on average, 7.9 years of experience in the Bank and an average age of 35.8 years.

Employees of the Bank participate in the Bank's mandatory pension fund, of which every employee of the Bank is a member. The Bank and its employees contribute to such pension fund; each employee contributes to the pension fund with a certain percentage of his/her monthly salary and the Bank contributes an additional percentage for each employee. For pension funds such as this, Law No. 5754, which was published in the Official Gazette dated 8 May 2008 and numbered 26870, decrees that payment obligations to the contributors of bank pension funds (i.e., those who receive salaries or income from these funds and their rightful beneficiaries) will be transferred to the Social Security Institution within three years after the release date of this law; however, the authorisation to decide the transfer date to the Social Security Institution has been given to the Cabinet by the emending Act No. 6645, which was published in the Official Gazette dated 23 April 2015.

Legal Proceedings

In the normal course of its business, the Bank is party to certain legal proceedings, whether as plaintiff or defendant, but the Bank's management does not believe that any such proceedings, individually or taken together, are likely to have a material adverse effect on the business of the Group or on the results of its operations or financial condition.

Tax Audit

In line with other investigations of foundations established by financial institutions, the Tax Audit Committee (Vergi Denetim Kurulu) inspectors conducted an investigation into the payments made both by the Bank and its employees to Türkiye Sınai Kalkınma Bankası Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı (the “TSKB Personnel Supplementary Pension Fund”), which is a foundation established according to Turkish Commercial Law and Civil Law. The tax auditors claimed that payments made by the Bank into the fund should have been considered as wages for its employees and should have been included in the employees’ tax base; therefore, the Bank was subject to taxes and penalties for a total amount of TL 22 million for the years 2008, 2009, 2010 and 2011, which was fully paid as of 31 July 2014. The Bank’s management believes that the Bank’s practice was in compliance with the applicable legislation and that there is no legal basis for the tax administration’s assessments. The Bank appealed to the tax courts to cancel these tax notifications and a substantial part of such court proceedings has been finalised, with some of the resulting decisions determined in favour of the Bank and others determined against the Bank.

One of the banks that was ordered to pay taxes and penalties by the tax courts in respect of similar proceedings to those involving the Bank appealed to the Constitutional Court of Turkey (“Constitutional Court”). The Constitutional Court found in favour of the applicant bank and ordered compensation in respect of the taxes and penalties paid by the applicant bank in a decision published in the Official Gazette on 21 February 2015 and numbered 29274. The Bank’s management believes that the Constitutional Court’s decision is relevant to certain of the rulings made against the Bank by the tax courts, and, as of the date of this Base Prospectus, the Bank is therefore considering appealing these rulings to the Constitutional Court for these rulings to be reversed.

Anti-Money Laundering Policies

Turkey is a member country of the Financial Action Task Force (“FATF”) and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, reporting of suspicious activity, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, Financial Crimes Investigation Board. In Turkey, all banks and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money-laundering.

The main provisions of the applicable law include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, which is the Financial Crimes Investigation Board.

To ensure that the Bank is not used as an intermediary in money laundering and other criminal activities, an anti-money laundering (“AML”) policy aimed at combating the financing of terrorism, which is to be followed by all employees, has been approved by the Board (the most recent of such policies having been adopted on 28 September 2016). This policy has been prepared and issued for the purpose of guiding the practices of the Bank pursuant to anti-money laundering legislation and regulations. It describes and outlines the Bank’s know-your-customer procedures, appointment of the compliance officer, monitoring principles and reporting procedures for suspicious transactions, principles related to freezing assets, periodic reporting, retention of data and employee training. All of the Bank’s subsidiaries must comply with the Bank’s programmes, policies and procedures.

The Bank adopted the Code of Banking Ethics published by the BAT by its Board of Directors’ resolution dated 16 March 2006 and further adopted new forms of the Code of Banking Ethics as revised by the BAT on 15

September 2010 and 20 August 2014. The Code of Banking Ethics is also applicable to the Board of Directors. Turkish and English versions of the Code of Banking Ethics are available on the Bank's website (<http://www.tskb.com.tr/en/investor-relations/corporate-governance/code-of-banking-ethics-and-policies> and <http://www.tskb.com.tr/tr/yatirimci-iliskileri/kurumsal-yonetim/etik-ilkeler-ve-politikalar>).

Client Identification

Under Turkish AML regulations, banks must verify the identification documents and other information provided by their permanent clients. The Bank's policy is that, as with other parties covered by these regulations, all necessary measures should be taken in order to determine whether a transaction is being carried out for the benefit of a third party and, if so, to identify that third party. Moreover, all financial institutions are required by these regulations to identify the beneficial owner of an account. It is also compulsory for banks to identify each natural person or legal entity that owns more than 25 per cent. of a legal entity.

The Bank's internal policies and systems prohibit the opening of anonymous accounts or the provision of services to entities who fail to provide sufficient identification.

Monitoring Suspicious Transactions

The Bank uses an in-house software system designed to monitor all transactions and to detect any unusual transactions and any transactions that exhibit signs of money laundering and terrorism financing. The Bank's Internal Control Department analyses the alerts generated by the software and files suspicious transaction reports to the Financial Crimes Investigation Board. Several scenarios have been incorporated into the software of the Bank to improve the detection of suspicious transactions. In addition to its in-house software system, the Bank utilises an automated system provided by Dow Jones which enables it to monitor and detect suspicious transactions on a daily basis. Moreover, all foreign currency transfers are separately monitored on a daily basis. The in-house software system also screens the Bank's customers and transactions according to watch lists of individuals, companies or geographic locations issued by authorities including, among others, OFAC, the EU, the United Kingdom, France and the United Nations. If any party to a transaction falls within any of the watch lists, the system creates an alert, on the basis of which the Bank then decides whether to approve the transaction or not. Employees are also encouraged to report suspicious transactions in written form to a compliance officer. The Group also has in place an anti-bribery policy.

Compliance with Sanctions Laws

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, Specially Designated Nationals ("SDNs") and persons listed on OFAC's "sectoral sanctions" list, and similar rules have been put in place by other U.S. government agencies (including the State Department), the EU, the United Kingdom, the United Nations and Turkey. The Bank maintains policies and procedures designed to ensure that it complies with all such laws, regulations and orders (including those of OFAC and the FATF) regarding doing business with, maintaining accounts for, or handling transactions or monetary transfers for such sanctions targets ("Sanctions Targets").

Before opening an account for, or entering into any transaction with, a customer, the Bank ensures that such customer is not listed as a Sanctions Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened against the various lists of Sanctions Targets. Accordingly, the Bank's current policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanctions Targets, including those in and affiliated with Iran, Russia and Syria.

Credit Ratings

Each of the Bank's credit ratings from Moody's and Fitch as of the date of this Base Prospectus is set out below. Each of these rating agencies is established in the European Union and is registered under Regulation (EU) No.

1060/2009, as amended. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Moody's (18 June 2019)

Baseline Credit Assessment (BCA)	caal
Outlook	Not on watch
Foreign Currency (issuer)	
Long-Term Maturity	B3
Outlook	Negative
Short-Term Maturity	NP
Domestic Currency (issuer)	
Long-Term Maturity	B3
Outlook	Negative
Short-Term Maturity	NP
Fitch (27 June 2019)	
Long-Term Maturity Foreign Currency (issuer)	B+ (Negative)
Short-Term Maturity Foreign Currency (issuer)	B
Long-Term Maturity National Currency (issuer)	BB (Negative)
Short-Term Maturity National Currency (issuer)	B
Support Note	4
National Support Note	B+
National Note	BB
National Note Outlook	Stable
Viability Rating	b+

RISK MANAGEMENT

General

The Bank's management believes that assessment and control of risk is critical to the Group's success. The Bank closely identifies, measures, monitors and manages the risks arising from the Group's operations. The Bank monitors and manages the mismatch of maturities, the size and degree of interest rate and exchange rate exposure and its counterparty credit quality in order to minimise the effect of these risks on profitability. The Bank's current system of risk control and risk management has been in place since 2002. The Group's system of risk control and risk management is reviewed and modified as necessary and is integrated into the Group's internal systems for planning, management and control.

The Bank continues to maintain and further develop its risk management system, which has been established both to meet its internal risk management needs and to comply with its legal and regulatory requirements, including the Basel criteria and the BRSA's regulations. Risk management personnel are also involved in risk, control and compliance analysis processes of the Bank's new products and services. The process comprises not only new but also expanded or modified products and services that may have a significant effect on the Bank's risk profile. During this process, the "Internal Systems" group conducts risk, control and compliance due diligence and, throughout the process, Risk Management personnel are responsible for ensuring that all potential risks that may affect the Bank's business strategy and risk profile are analysed and conveyed to the related parties.

Internal Systems

The Bank's "Internal Systems" group is comprised of the Bank's Board of Internal Auditors, the Internal Control Department and the Risk Management Department. The Internal Systems structure is based upon management's assessment of best market practices both in Turkey and internationally. All the departments work in accordance with the principles and organisational set-up required by Turkish regulations.

The Bank applies sophisticated risk management methods and techniques available in the international banking arena. Risk management is a dynamic process, evolving alongside developments in international practices and regulations.

The Board of Internal Auditors and the Internal Control and Risk Management Departments report to the Board of Directors through the Executive Vice President in charge of Internal Systems, who then reports to the Audit Committee. The Audit Committee comprises of two Board members.

Board of Internal Auditors

The Board of Internal Auditors aims to ensure that the activities of the Bank are fully and efficiently implemented in compliance with all applicable laws, statutory regulations, corporate strategies and policies. The Board of Internal Auditors also provides assurance to the Board of Directors on the accuracy, reliability, completeness and timeliness of all financial and management information.

The scope of the audit process covers all activities and units of the Group. The branch, head office units, consolidated subsidiaries, information technology and banking processes are periodically audited in accordance with the Bank's internal audit plan, which is based upon risk-based methodology and approved by the Board of Directors. Other than these periodic, risk-based audits, the Bank also performs special audits upon the request of the Board of Directors or the Audit Committee.

The audit process includes both the on-site and off-site examination of all material information, accounts, records and documents and all other factors that may affect the operations of the Bank.

Internal Control Department

The Internal Control division focuses on the internal control system of the Bank, which is structured within the BRSA framework. The Internal Control department controls all branches, the head office operations departments that are directly related to the Bank's main banking activities and all subsidiaries that are subject to consolidation.

The Internal Control division aims to examine, monitor, design and co-ordinate the Bank's internal control activities to enable banking activities to be carried out along the objectives, principles and provisions laid down by the Bank's management, and the legislation and regulations in effect, in a secure and efficient manner. Controls on compliance with the relevant laws and regulations, controls on assets, limits, approval and authorisation, IT controls and controls on financial reporting systems are implemented in accordance with the charter of the Internal Control division, with the objective of achieving a strong and efficient internal control system in relation to the Bank's banking operations.

Internal controllers conduct on-site control activities in the Bank's offices (including information systems divisions). On-site controls are supported with centralised computer-assisted control activities.

The duties and responsibilities of the AML Compliance Officer are set out in Turkey's Law No. 5549 on Prevention of Laundering Proceeds of Crime and other relevant regulations. The activities and controls in relation to the prevention of money laundering and the financing of terrorism are executed in compliance with applicable legislation, regulation and standards, as well as the Bank's internal policies. The results of the compliance activities are also regularly evaluated by the Audit Committee through the annual reports.

Risk Management Department

The Risk Management Department is responsible for measuring, monitoring, analysing and reporting on both financial and non-financial risks. The Risk Management department covers credit risk management, asset liability risk management, market risk management, operational risk management and the management of other risks. The Risk Management department reports to the Audit Committee regularly and to the Board of Directors on a monthly basis.

Treasury Department

The Bank's Treasury department is responsible for managing and implementing the Bank's asset and liability positions on a day-to-day basis with a special emphasis on Turkish Lira and foreign currency liquidity, ensuring the availability of funds for all products and services provided by the Bank.

The Treasury department's activities are held in the domestic and international money, currency and capital markets. The Treasury department also has the responsibility of determining and publishing the fund transfer pricing ("FTP") of the Bank on a daily basis.

The Treasury department consists of three units concentrating on different activities: (a) the Asset Liability Management (ALM) Unit, (b) the Derivatives Transactions and Treasury Sales Unit, and (c) the Trading Unit. All treasury transactions are required to comply with the Bank's treasury policies as established by the Bank's Board of Directors. Treasury transactions are controlled and reported by the Treasury Control Unit, which includes a member who is also within the Budget Control Department.

The Treasury department's activities include, among others, the following:

- (a) managing the Bank's liquidity position;
- (b) managing the Bank's Turkish Lira- and foreign currency-denominated fixed income portfolio;
- (c) daily trading in order to enable the Bank to benefit from any advantageous market opportunities;

- (d) managing the Bank’s net foreign currency position, ensuring that its remains within the limits set by the Turkish banking authorities and the risk appetite of the Bank as set by its Board of Directors;
- (e) managing the composition of any long or short foreign currency position;
- (f) determining the Bank’s Turkish Lira/foreign currency rates, which are used in pricing Turkish Lira/foreign currency transactions for clients;
- (g) pricing money market transactions and the determination and publishing of the FTP of Turkish Lira and foreign currency-denominated loans;
- (h) utilising derivative instruments, such as currency and interest rates swaps and forward, futures and options transactions, for hedging the Bank’s portfolio and other general hedging purposes; and
- (i) developing new products according to changing market conditions and institutional client needs.

Asset and Liability Management

The main responsibility of the Treasury Department is to manage the Bank’s assets and liabilities in accordance with the strategies set by the Asset and Liability Committee (“ALCO”). ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of the Bank and its objective is to structure the Bank’s balance sheet in view of liquidity needs and market risk (including interest rate, maturity and exchange rate risks), while ensuring that the Bank has adequate capital and is using its capital to maximise net interest income. ALCO generally meets monthly, or more frequently if necessary, to review the Bank’s risk exposure, set the Bank’s policy for risk exposure (arising from its positions in respect of loans and investment securities in terms of market risk, together with risks arising from inflation rates, the Bank’s liquidity position, the Bank’s capital adequacy and the macro-economic environment including domestic and international political and economic events), determine the Bank’s strategies for interest rate levels and maturities and the pricing of loans. ALCO also supervises the implementation process relating to these decisions.

ALCO is chaired by the Bank’s Chief Executive Officer and also includes the Executive Vice Presidents in charge of the treasury, financial institutions, development finance institutions, corporate banking, project finance, financial control, budget planning and investor relations. The other members of the committee are heads of departments who are responsible for treasury, financial institutions, development finance institutions, corporate banking, project finance, budget planning and investor relations, risk management, and chief economist.

Considering the Bank’s strategy and the competitive environment, ALCO takes decisions to be implemented by the appropriate departments of the Bank for the optimal management of the Bank’s balance sheet and cash flows, and then monitors the actual results.

Composition of the Group’s main assets and liabilities

The Group’s main assets are comprised of loans, cash and securities. As of 31 March 2019, the Group’s total assets increased to TL41,130 million from TL 38,269 million as of 31 December 2018. The following table sets forth details of the composition of the Group’s main assets and liabilities by currency as of the indicated dates:

	As of 31 December				As of 31 March			
	2016		2017		2018		2019	
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
Assets								
Cash and Banks	4.0%	5.57%	6.5%	3.8%	7.2%	5.1%	10.8%	6.4%

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
Loans ⁽¹⁾	22.1%	84.49%	30.7%	88.9%	25.7%	86.0%	24.3%	84.2%
Securities Portfolio	55.4%	6.4%	46.4%	5.5%	43.7%	5.3%	42.0%	5.2%
Others	18.5%	3.7%	16.4%	1.8%	23.3%	3.6%	22.8%	4.1%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities								
Funds Borrowed ⁽²⁾	26.7%	98.4%	23.6%	98.9%	7.0%	98.9%	16.7%	98.8%
Others	73.3%	1.6%	76.4%	1.1%	93.0%	1.1%	83.3%	1.2%
Total Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

- (1) Foreign currency index loans are represented in the foreign currency column.
- (2) Including interbank and repo funds and issued bonds.

The following table sets forth the composition of the Group's main assets and liabilities by maturity as of 31 March 2019:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months	Undistributed	Total
<i>(TL thousands)</i>						
Assets						
Cash and Banks	2,015,182	61,667	—	—	—	2,076,849
Loans	1,856,926	1,953,805	4,781,044	20,435,160	—	29,026,935
Securities Portfolio	41,083	296,722	914,694	4,509,708	91,890	5,854,097
Total Assets	4,909,533	2,400,863	6,128,273	25,857,774	1,833,794	41,130,237
Liabilities						
Funds Borrowed ⁽¹⁾	1,328,436	622,664	5,203,586	28,265,619	—	35,420,305
Others	58,617	13,496	269,773	451,915	4,916,131	5,709,932
Total Liabilities	1,387,053	636,160	5,473,359	28,717,534	4,916,131	41,130,237

Note:

- (1) Including debt securities, interbank and repo funds.

As part of its internal asset and liability management policy, the Bank seeks to structure its securities and loan portfolios such that the borrowing side matches the lending side in terms of total Turkish Lira/foreign currency exposures or fixed rate/floating rate exposures in order to minimise risk. The Bank also utilises derivative transactions in order to hedge itself against interest rate risk and foreign currency risk, as well as liquidity risk.

Market risk

Market risk is defined as the risk of loss in the trading portfolio of the Bank arising from movements in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads that may affect the Bank's assets, income or the value of its holdings of financial instruments. The objective of market risk management is to monitor and control market risk exposures within acceptable parameters, while optimising the return on risk.

The level of market risk to which the Bank is subject can be measured by either the "Standard Method" or the "Value at Risk Method". The "Standard Method" is used for legal requirements and the "Value at Risk Method" is used for internal reporting purposes. The "Value at Risk Method" is highly consistent with local Turkish regulations as adopted from internationally accepted practices, but the Bank uses the "Standard Method" due to legal reporting requirements.

Using the Standard Method, market risk measurements are carried out on a monthly basis. The results of these measurements are included in the Bank's public regulatory reports as well as in internal reports, which are addressed to the Bank's Board of Directors and senior management.

The Value at Risk ("VaR") Method is used to measure market risk in terms of interest rate risk, exchange rate risk, equity risk and volatility risk on a daily basis and is a part of the Bank's daily internal reporting procedure. Back-testing is carried out to determine the reliability of the daily market risk measurements under the VaR Method.

The total VaR amount was calculated as TL 1,067 thousand (0.02 per cent. of the Bank's equity) as of 31 December 2018, TL 4,288 thousand (0.07 per cent. of the Bank's equity) as of 31 March 2019.

In order to support the VaR model that measures the loss that may occur under ordinary market conditions, analyses are developed and performed based upon generally accepted scenarios. The potential impact of these scenarios on the value of the Bank's trading book is determined and the results are reported to the Bank's Board of Directors and senior management.

The ALCO, comprising members of senior management of the Bank, manages market risk by monthly meetings based upon reports prepared by the risk management and related executive departments. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, match the interest and duration structure of its assets and liabilities, and keep a sufficient level of liquid assets. The limits, which are established for managing market risk within the framework of the Bank's asset and liability management risk policy, are monitored by the Audit Committee and reviewed in accordance with current market conditions.

Interest Rate Risk

A significant component of the Bank's asset and liability management risk policy is the management of interest rate risk. Interest rate risk is the possibility of loss in relation to the structural position arising from adverse movements in interest rates. The Bank is exposed to interest rate risk due to mismatches in the maturity or re-pricing characteristics of interest earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets or liabilities mature or re-price in that period. Any mismatch of interest earning assets and interest-bearing liabilities is known as a gap position. A positive gap denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income, while a decrease in interest rates would have a negative effect on net interest income.

The potential effects of interest rate risk on the Bank's assets and liabilities, market developments, general economic environment and expectations are regularly addressed in ALCO meetings where further measures to reduce risk are implemented when necessary.

While interest rate risk in trading book is managed through the VaR method, interest rate risk in the banking book is monitored and controlled by the limit established on the ratio of structural interest rate risk to regulatory capital. Structural interest rate risk is quantified by calculating the change in the Bank's economic value of equity under standardised interest rate shocks (i.e. plus 2 per cent. for foreign currency and 5 per cent. for local currency). The interest rate risk limits determined by the Board of Directors are monitored by the Risk Committee in accordance with the Bank's asset and liability management policy. Furthermore, scenario analyses that are developed based upon future predictions are conducted for managing interest rate risk.

The following table sets forth the Group's "re-pricing" gap, which is the difference between the interest rate sensitivity of assets and the interest rate sensitivity of liabilities, as of 31 March 2019:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months	No Interest	Total
	<i>(TL Thousands)</i>					
Cash balances and balances with the Central Bank.....	445,554	—	—	—	348,869	794,423
Balances with banks	1,176,491	61,667	—	—	44,268	1,282,426
Trading securities	263,372	538,366	536,173	92,916	4,324	1,435,151
Interbank funds sold	907,068	74,865	—	—	—	981,933
Securities available for sale loans	486,105	668,605	765,639	1,643,320	90,910	3,654,579
Loans ⁽¹⁾	6,018,403	9,224,111	7,531,389	6,253,032	—	29,026,935
Held-to-maturity investments	—	537,341	1,373,001	276,175	—	2,186,517
Other assets.....	—	—	—	—	1,767,333	1,767,333
Total assets	9,296,993	11,104,955	10,207,142	8,265,443	2,255,704	41,130,237
Interbank funds borrowed.....	1,014,876	97	—	—	—	1,014,973
Miscellaneous payables	—	—	—	—	193,163	193,163
Debt securities issued	1,986,033	8,231,519	8,571,079	6,492,673	—	25,281,304
Funds borrowed from other financial institutions	—	—	—	7,171,871	—	7,171,871
Other liabilities	170,134	301,209	203,376	119,082	4,722,968	5,516,769
Total liabilities	3,171,043	8,532,825	10,726,612	13,783,626	4,916,131	41,130,237
Asset/liability gap.....	—	2,572,130	—	(5,518,183)	(2,660,427)	—
Off-balance sheet gap	(3,678,304)	—	(2,185,487)	7,685,467	—	406,007
Total gap.....	2,447,646	1,156,461	(2,704,957)	2,167,284	(2,660,427)	406,007

Note:

(1) Includes factoring receivables.

Liquidity risk

In general, liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to become unavailable. Liquidity risk is a substantial risk in Turkish markets, which have historically exhibited significant volatility.

The Bank's principal sources of funding are loans from multilaterals and other lenders. The average maturity of the corporate loans made by the Bank is shorter (approximately 5.5 years) than the average maturity of the funding that the Bank receives from multilaterals (approximately 11 years). As a result of the Bank's long-term, wholesale funding base, the Bank's liquidity gap is usually negative for its obligations with a maturity period of one to seven days due to its short-term repo transactions. Thereafter, the liquidity gap generally becomes positive due to the Bank's securities portfolio and loan instalments. For the Bank's obligations with a maturity period of more than nine years, the liquidity gap turns negative due to the long-term funding nature of the Bank's funding.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to the need to preserve liquidity and efforts in this respect are supported by projections of Turkish Lira and foreign currency cash flows. Based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined where required for extraordinary circumstances. Foreign currency, total liquidity adequacy and liquidity coverage ratios, which are subject to legal reporting requirements, are also used to monitor liquidity on an ongoing basis.

Within the framework of the Bank's asset and liability management risk policy, internal limits established for liquidity risk management are monitored by the Audit Committee and, in the case of extraordinary situations where prompt action is required to be taken due to unfavourable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

The major objectives of the Bank's asset and liability management risk policy are to ensure that sufficient liquidity is available to meet its commitments to its clients, to satisfy the Bank's other liquidity needs and to ensure compliance with the capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of the Bank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

As of 31 March 2019, 1 per cent. of the Group's borrowings were denominated in Turkish Lira. The funds supplied from DFIs and funding sources including syndicated loans, Eurobond issuances, bilateral loans, and treasury funding opportunities are denominated in foreign currencies (principally U.S. Dollars and Euro). Such funds are also provided by the Bank to its borrowers as foreign currency-denominated loans. Thus, only a very moderate foreign exchange mismatch for loans exists. In general, the foreign exchange short position of the Bank is either at low levels or the Bank has a foreign exchange long position.

The following table sets forth the original maturity profile of the Group's funds borrowed (including accrued interest that may be payable thereon) as of each of the indicated dates:

	As of 31 December		As of 31 March	
	2016	2017	2018	2019
No term.....	—	—	—	—
Turkish Lira-denominated.....	—	—	—	—

	As of 31 December		As of 31 March	
	2016	2017	2018	2019
Foreign currency–denominated	—	—	—	—
Up to three months	494,259	120,020	5,000	151,623
Turkish Lira–denominated.....	47,169	30,040	5,000	151,623
Foreign currency–denominated	447,090	89,980	—	—
Greater than three months and less than or equal to 12 months	2,170,810	1,657,935	—	—
Turkish Lira–denominated.....	—	190,972	—	—
Foreign currency–denominated	2,170,810	1,466,963	—	—
Over 12 months	13,462,427	17,223,672	23,814,670	25,129,680
Turkish Lira–denominated.....	97,938	—	122,007	119,766
Foreign currency–denominated	13,364,489	17,223,672	23,692,663	25,009,915
Total Funds Borrowed	16,127,469	19,001,627	23,819,670	25,281,304
Turkish Lira–denominated.....	145,107	221,012	127,007	271,389
Foreign currency–denominated	15,982,389	18,780,615	23,692,663	25,009,915

Currency Risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that a bank is subject to due to the exchange rate movements in the market.

The Bank effectively hedges its foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

ALCO meets regularly to manage exchange rate and parity risks in accordance with the Bank's asset and liability management risk policy. The Bank manages foreign currency risk through monthly ALCO meetings by evaluating the positions taken by the Bank's Treasury Department.

The general net foreign currency positions of Turkish banks are also regulated by the BRSA and this figure, in absolute terms, cannot exceed 20 per cent. of the relevant bank's shareholder equity.

Both the Standard Method and VaR Method are used in order to measure currency risk. Using the Standard Method, currency risk measurements are carried out on a monthly basis and the results are used for calculating the regulatory capital requirement of the Bank. Risk measurements within the context of the VaR Method are performed on a daily basis using historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the VaR calculations.

The results of these currency risk measurements are reported to senior management and the risks are closely monitored by taking into account current market and economic conditions.

A 10 per cent. weakening of the Turkish Lira against foreign currencies as of 31 March 2019, 31 December 2018, 2017 and 2016 would have changed profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of 31 December		As of 31 March	
	2016	2017	2018	2019
	<i>(TL thousands)</i>			
U.S.\$.....	(1,955)	(2,555)	(9,715)	(2,639)
Euro.....	(19,425)	(23,808)	(11,842)	(6,290)
Other currencies.....	73	98	111	83
Total	(21,307)	(26,265)	(9,715)	(8,846)

Credit Risk

In general, credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank places emphasis mainly on the payment ability and cash generating ability of the borrower in any given transaction, and also obtains sufficient collateral from borrowers including, wherever possible, cash collateral, mortgages or security over other assets. The Bank seeks to manage its credit risk exposure through the diversification of its lending activities to avoid undue concentration of risks with individuals or groups of clients in specific locations or businesses. Development and investment banks (such as the Bank) are not subject to the credit limits imposed by the BRSA; however, the Bank's Board of Directors has approved certain principles and internal credit limits. As well as an internal rating system developed in-house by the Bank. The Bank has implemented centralised credit approval processes and loan proposals are evaluated and monitored by the relevant authorised departments (see "*Business of the Group — Lending Policies and Procedures*" above).

Credit risk arising from treasury transactions is monitored on each business day. Exposure from over-the-counter derivative transactions is subject to daily margin call on counterparty basis under the relevant credit support annex agreements. All of the credit risk arising from over-the-counter derivative transactions is collateralised with cash.

Operational Risk

Operational risk is the risk of loss arising from faults or deficiencies in the regular operations of a bank, including problems with systems, hardware, technology and communication infrastructures, natural disasters, terrorist attacks or earthquakes, as well as with respect to personnel responsibilities for monitoring, controlling, reporting, taking action and being diligent.

The Bank uses the "Basic Indicator Approach" to assess capital for operational risk. Banks using the "Basic Indicator Approach" are required to hold capital for operational risk equal to a fixed percentage (i.e. 15 per cent.) of the average of the previous three years' positive annual gross income (which is defined as net interest income plus net non-interest income). Figures for any year in which the annual gross income is negative or zero are excluded from both the numerator and denominator when calculating the average. The maximum internal limit for operational risk capital is 10 per cent. of the Bank's total risk-weighted assets. If the limit exceeds 8 per cent., then it is immediately reported to the Bank's senior management with the early warning procedure.

Risks identified as a result of operational risk assessments are reported to the Audit Committee and Board of Directors. In terms of quantitative techniques, the Risk Management department employs a range of diagnostic tools, such as key risk indicators, together with data analysis. Operational error records are used for this purpose.

Risks derived from information technologies are primarily assessed within the scope of the Bank's operational risk management analysis. It is essential that those risks, which could be seen as multipliers of other risks

derived from activities of the Bank, are measured, closely monitored and controlled within the framework of the Bank's integrated risk management.

Subsidiaries' Risk Management

The Bank has a group-wide risk policy set by the Bank's Board of Directors. The Risk Management department monitors both internal and legal risk limits and other risks relating to subsidiaries falling within the scope of the group-wide risk policy. In addition to this, the Bank's subsidiaries also have their own internal, sector-specific risk policies, limits and procedures. The Bank's Risk Management department reports to the Audit Committee every three months in order for the Audit Committee to evaluate the Group's risk level on a consolidated basis.

Liquidity and Funding

Funding for the Bank primarily comes from DFIs, Eurobonds, syndicated loans, subordinated debt, bilateral loans, repo and money market transactions. Borrowings are the Group's main source of both Turkish Lira and foreign currency funding, with a 94.6 per cent. share in total liabilities (excluding shareholders' equity) as of 31 March 2019, amounting to TL 36,831 billion.

In terms of Turkish Lira, the primary funding sources currently available for the Bank are the repo and reverse repo market of the BİST, the over-the-counter interbank money market, the interbank money market of the Central Bank, collateralised loans and bill and bond issues. In June 2010, the Bank's Board of Directors authorised the issuance of discounted bonds with a value of up to TL 0.2 billion. In August 2010, the Bank issued zero-coupon bonds with a total value of TL 200 million, but while the Bank still has the capacity to tap the Turkish Lira market in case of a need for local funding, the Bank has not since issued further bonds in the Turkish Lira market.

As a last resort, the Bank also has the capacity to borrow funds through the Central Bank. The Bank's limits for this kind of transaction are determined by the Central Bank, generally carries a maturity of up to one month and is available at short notice. As of the date of this Base Prospectus, the Bank continued to have significant headroom under the limit set by the Central Bank. The Bank also has the ability to benefit from its securities portfolio for repo transactions to generate extra liquidity when necessary.

The Bank has been accessing the international markets for syndicated loan facilities since 2005. As of 31 March 2019, the balance of the outstanding syndicated term loan facilities obtained by the Bank was approximately U.S.\$ 200 million. The Bank also accessed the international debt capital markets for the first time in October 2014 when it issued notes for an amount of U.S.\$350 million due to mature in October 2019, followed by another issuance of notes in April 2015 for an amount of U.S.\$350 million due to mature in 2020. In May 2016, the Bank issued the first green/sustainable bond in Turkey and the wider CEEMEA region for an amount of U.S.\$300 million due to mature in 2021. The proceeds from the issuance of the green/sustainable bond were fully disbursed by the end of 2016. In March 2017, the Bank issued the world's first ever sustainable Tier II Bond for an amount of U.S.\$300 million. The Tier II Bond has a ten year maturity with an issuer call option after five years. In January 2018, the Bank issued notes for an amount of U.S.\$350 million under the GMTN programme due to mature in 2023.

In addition to the above, the Bank has entered into various transactions with DFIs, export credit agencies and other lenders, principally for project financing and the financing of small- to medium- size enterprises in the renewable energy sector, resource and energy efficiency projects and certain import related projects as well as working capital loans (see "*Business of the Group - Strong Relationships with the World Bank and other DFIs*").

The following tables show the Group's sources of funding as of the indicated dates and their respective changes period over period.

	As of 31 December				As of 31 March		
	2016	% Change	2017	% Change	2018	% Change	2019
	<i>(TL thousands except where in percentages)</i>						
Repos & Money Market	1,256,234	4.4%	1,311,922	(69.3)%	402,278	152.3%	1,014,973
Funds Borrowed ⁽¹⁾	16,127,496	24.9%	20,147,863	25.9%	25,369,444	6.1%	26,926,804
Securities Issued	3,486,732	7.4%	3,746,229	85.5%	6,949,189	7.6%	7,478,528
Other.....	861,971	16.0%	1,000,281	36.4%	1,364,453	3.4%	1,410,930
Equity	3,143,053	18.1%	3,711,341	12.7%	4,184,076	2.7%	4,299,002
Total.....	24,875,486	20.3%	29,917,636	27.9%	38,269,440	7.5%	41,130,237

Note:

(1) Including subordinated loans.

	As of 31 December		31 March	
	2016	2017	2018	2019
	<i>(%) of Total</i>			
Repos & Money Market	5.0%	4.4%	1.1%	2.5%
Funds Borrowed ⁽¹⁾	64.8%	67.3%	66.3%	65.5%
Securities Issued	14.0%	12.5%	18.2%	18.2%
Other.....	3.6%	3.4%	3.5%	3.3%
Equity	12.6%	12.4%	10.9%	10.5%
Total.....	100.0%	100.0%	100.0%	100.0%

Note:

(1) Including subordinated loans.

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies).

Within the context of the implementation of the Basel III framework in Turkey, the calculations regarding capital adequacy for periods from 1 January 2014 are performed in accordance with the 2013 Equity Regulation and other regulations newly enacted and/or amended by the BRSA. In accordance with these guidelines, the Bank must maintain a total capital ratio in excess of 8 per cent. calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio. As of 31 March 2019, the Bank's regulatory capital adequacy ratio was 15.95 per cent. and the Group's regulatory capital adequacy ratio was 15.74 per cent, each significantly exceeding the minimum legal ratio of 8 per cent. The Bank also monitors its capital adequacy ratio with current exchange rates to ensure that the ratios are meeting and exceeding current regulatory limits. Furthermore, the Bank has

the capacity to generate further capital. See “*Turkish Regulatory Environment — Capital Adequacy*” for additional information.

MANAGEMENT

In accordance with the Bank's articles of incorporation and the relevant laws of Turkey, the Bank is ultimately controlled by its shareholders through its General Assembly. According to the Bank's articles of incorporation, general resolutions at the General Assembly are adopted by affirmative votes of an absolute majority of the votes present at the meeting, provided that a quorum is attained.

The Bank's business is organised into 28 departments. 25 of these departments are managed by the Executive Committee, which consists of the Chief Executive Officer and the various Executive Vice Presidents. The remainder of the departments – the Board of Internal Auditors, Internal Control, and Risk Management – report to the Board of Directors through the relevant Executive Vice President, who in turn reports directly to the Audit Committee.

Board of Directors

According to the Bank's articles of incorporation, the Board of Directors consists of at least five members, as elected by the shareholders at the General Assembly, with the exception of the Chief Executive Officer, who is appointed by the Board of Directors. The Chief Executive Officer is by law a member of the Board of Directors. Each director serves for a term of three years. The responsibilities of the Board of Directors include: (a) administration of the Bank's real estate, securities and properties, (b) executing all kinds of agreements and transactions related with the Bank's activities, (c) ensuring the orderly performance of the Bank's internal operations, (d) keeping the books and accounts necessary for the Bank's operations and submitting such books, balance sheet, profit and loss accounts to the General Assembly, (e) issuing a report reflecting the commercial, industrial and financial status of the Bank, including a summary of the Bank's transactions performed within the year at year-end and (f) implementing the General Assembly resolutions.

Under the Bank's articles of incorporation, the Board of Directors must hold their meetings at least once a month at the address where the Bank's head office is located. They may also hold meetings in any other suitable place, provided that more than one half of the Board members concur.

The presence of a majority of the Board of Directors is required for the validity of a board meeting. Resolutions are adopted by the majority of the members present and, in the event of an equality of votes, the relevant matter is postponed until the subsequent meeting. Should the votes again be equal, the proposal in question is considered as rejected.

The Turkish Commercial Code allows the appointment of a legal entity as a member of the board of directors of a joint stock company. Under such rules, a legal entity on a board of directors would be represented by a natural person designated by it. Alternatively, natural persons can be members of the board. Notwithstanding this recent change, the BRSA does not favour the appointment of a legal entity as a member of the board of directors of any joint stock company that it regulates, and thus members of the Bank's board can (in practice) only be natural persons.

The business address of each of the members of the Board of Directors is Meclisi Mebusan Cad. No 81 Fındıklı 34427 İstanbul, Turkey. As of the date of this Base Prospectus, the Board of Directors comprises the following:

Name	Position	Year first appointed to the Board
H. Ersin Özince	Chairman	2017

Mehmet Şencan	Vice Chairman and Independent Board Member	2017
Suat İnce	Board Member & CEO	2016
Yavuz Canevi	Board Member	2015
Abdi Serdar Üstünsalih	Board Member	2019
Gamze Yalçın	Independent Board Member	2019
Mithat Rende	Independent Board Member	2017
Zeynep Hansu Uçar	Board Member	2015
Can Yücel	Board Member	2016
Hüseyin Yalçın	Board Member	2018
Ahmet Hakan Ünal	Board Member	2018

H. Ersin Özince (Chairman)

Born in Havran in 1953, Mr H. Ersin Özince graduated from Middle East Technical University, Faculty of Administrative Sciences, Business Administration Department. He started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors in 1976. After working in various managerial positions at İşbank, Mr Özince was promoted to the post of Deputy Chief Executive in 1994 responsible for Treasury, Financial Management, Capital Markets, Loans and the Credit Information and Financial Analysis departments of the Bank. Mr Özince was appointed as the 15th Chief Executive Officer of İşbank on 28 October 1998.

Having been elected as a Board member on 31 March 2011 and re-elected on 28 March 2014 and 31 March 2017, Mr Özince has been serving as the Chairman of the Board of Directors since 1 April 2011. He also has been serving as the Chairman of the Remuneration Committee since 29 December 2011, as a member of the Audit Committee, T.R.N.C. Internal Systems Committee and an alternate member of the Credit Committee since 4 April 2017.

Mr Özince served as the Chairman of the Board of Directors of the BAT between 2 November 1998 - 31 May 2000 and 3 June 2002 - 1 April 2011, as the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. between 17 April 2009 – 1 April 2011, and the Chairman of the Board of Directors of T. Şişe ve Cam Fabrikaları A.Ş. between 28 November 1998 - 14 April 2006 and 1 April 2011 - 6 April 2017.

In addition to his duties at the Bank, he serves as the Chairman of the Board of Türkiye İş Bankası A.Ş. Members Supplementary Pension Fund, and as a member of the Board of Trustees of Turkish Foundation for Combating Soil Erosion for Reforestation and the Protecting of Natural Habitats (TEMA Foundation). Mr Özince has also served as the Chairman of the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş. since 4 May 2017.

Mehmet Şencan (Vice Chairman and Independent Board Member)

Born in Adapazarı in 1964, Mr Mehmet Şencan graduated from Management Engineering Department of İstanbul Technical University. He began his career at İşbank as an Officer at Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. He was appointed to Bursa Branch as an Assistant Manager in 1997. Mr Şencan served as the Manager of Antakya, Gebze, Denizli and Bursa Branches, and was appointed as the Manager of Bursa Corporate Branch in 2007, Başkent Corporate Branch in 2011 and Kozyatağı Corporate Branch in 2016. Mr Şencan was appointed as Deputy Chief Executive on 27 April 2017. Mr Şencan has been the vice president of the Bank's Board of Directors since 7 June 2017. Mr Şencan has also been appointed as the Vice Chairman of the Bank's Board of Directors. Due to being a member of the Bank's Audit Committee, Mr Şencan is an independent board member.

Suat İnce (Board Member and Chief Executive Officer)

Born in Ankara in 1964, Mr Suat İnce graduated from the Economics Department at the Faculty of Economics and Administrative Sciences of Middle East Technical University. Having started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors, he was appointed as Assistant Manager of Corporate Loans Underwriting Division in 1995. Between 1997 and 2008, he was positioned as Manager in various units and branches of İşbank. He served as Deputy Chief Executive of İşbank between 2008 and 2016. Mr İnce was elected to the Board of Directors and as the Bank's Chief Executive Officer on 1 April 2016.

Yavuz Canevi (Board Member)

Born in Konya in 1939, Mr Canevi graduated from the Finance and Economics Department of the Faculty of Political Sciences of Ankara University in 1960 and completed a master's degree at the University of Southern California in 1969. After serving as an inspector for the Ministry of Finance from 1960 to 1963, he held a variety of public and private sector positions from 1963 to 1989, after which he retired from his position as Treasury Undersecretary. Mr Canevi has been the Chairman of the Board of Directors at Türk Ekonomi Bankası A.Ş. ("TEB") since 1996 and served as a member of the Bank's Board of Directors between 1993 and 2012. He was re-elected as a member of the Bank's Board of Directors on 26 March 2015.

Abdi Serdar Üstünsalih (Board Member)

Mr Üstünsalih began his career as an associate in 1991 at VakıfBank. After having served as manager in various branches and departments in VakıfBank, he served as the Head of IT, Retail Banking, Banking Operations, Basic Banking Application Development departments. Currently, Mr Üstünsalih is also the Deputy Chairman of Güneş Sigorta A.Ş. and Vakıf Enerji A.Ş., Board member of VakıfBank Private Social Security Fund and auditor of VakıfBank Social Pension Fund. He was appointed as Executive Vice President at VakıfBank on 5 July 2018. He was elected as Board Member at the 65th Ordinary General Assembly Meeting of VakıfBank, held on 27 May 2019. He was also elected as the CEO of VakıfBank by the Board decision as of the same day. Mr Üstünsalih has been member of the Bank's Board of Directors since 25 June 2019.

Gamze Yalçın (Independent Board Member)

Gamze Yalçın has a BSc degree in Economics from the Middle East Technical University. She also holds a master's degree in International Banking and Finance from the University of Birmingham, UK. She attended to the Advanced Management Program (AMP193) in Harvard Business School in 2017. Ms Yalçın started her professional career at İşbank as a business analyst in 1993 and has served in various functions of the Bank. She worked in the establishment and implementation of risk management systems and processes as a risk manager. Ms Yalçın was appointed as Deputy Chief Executive in charge of Financial Institutions and Investor Relations on November 28, 2017. Ms Yalçın was appointed as a member of the Board of Directors of the Bank on April 8, 2019. Due to being a member of the Bank's Audit Committee, Ms Yalçın is an independent board member.

Mithat Rende (Independent Board Member)

Born in 1953 in Antakya, Mithat Rende graduated from the Faculty of Political Science of the University of Ankara. After graduation he worked in the Ministry of Commerce and then was admitted to the Ministry of Foreign Affairs, where he held posts in Damascus, Rome, Brussels (NATO), Sofia, Vienna (OSCE) and London. Ambassador Rende also served as the Director of the Human Rights Department at the Ministry after completing the post-graduate program in Security and International Relations at the London-Royal College of Defence Studies. In 2005 he was appointed as Deputy Director General of Energy Environment and Water Affairs, served as Chairman of the Trade and Transit Working Group of the Energy Charter Conference in Brussels between 2005 and 2008, and was appointed as Ambassador to Doha (Qatar) in 2007. Ambassador Rende served as Director General of Multilateral Economic Affairs and Turkey's Chief Negotiator for Climate

Change between 2010-2013. He was also a member on the Turkish Nuclear Energy Commission during the same period. Ambassador Rende was appointed as the OECD Permanent Representative of Turkey in 2013, and was elected as Chairman of the Executive Committee of the OECD in 2014. He retired in 2016 and was elected as a member of the Bank's Board of Directors on 4 April 2017.

Zeynep Hansu Uçar (Board Member)

Born in Ankara in 1971, Ms Uçar graduated from the Department of Business Administration at the Faculty of Economics and Administrative Sciences of Middle East Technical University in 1993. Ms Uçar started her professional career at İşbank as an assistant specialist in the Subsidiaries Department. Having served as the Unit Manager between 2007 and 2015, she was then promoted as Department Manager of the Subsidiaries Department. Ms Uçar has been a member of the Bank's Board of Directors since 27 November 2015.

Can Yücel (Board Member)

Born in Ankara in 1978, Mr Can Yücel graduated from the Economics Department at the Faculty of Economics and Administrative Sciences, Middle East Technical University in 1999. Having started his professional career at İşbank as an Assistant Inspector on the Board of Inspectors, from 2008 he was promoted to several management positions within the SME Loan Allocation and Corporate Loan Allocation Departments, respectively. In 2011, Mr Yücel was appointed as Project Finance Unit Manager under the Corporate Loan Allocation Department of which he has since become Department Manager in 2016. In June 2016, Mr Yücel was elected as a member of the Bank's Board of Directors.

Hüseyin Yalçın (Board Member)

Hüseyin Yalçın holds a degree in Economics from the Faculty of Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990. From 1990 to 2000, Mr. Yalçın served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey. After the transfer of banks to the Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, as a Deputy General Manager at Sümerbank, as a Deputy General Manager at Kent Portföy and as the General Manager Consultant at Toprakbank from 2000 until 2002. He was elected as a member of the Board of Directors at İşbank in 2011 and worked for six years in the same position. Hüseyin Yalçın was elected as a member of the Board of Directors at Milli Reasürans between 2017 and 2018. Mr. Yalçın has been a Board Member of the Bank since 6 April 2018.

Ahmet Hakan Ünal (Board Member)

Hakan Ünal was born in 1974 in Ankara and graduated from the Economics Department of the Faculty of Economics and Administrative Sciences, Hacettepe University in 1997. He then earned his MBA degree from the Institute of Social Sciences, Istanbul Bilgi University in 2007. Having started his professional career at İşbank as Assistant Inspector on the Board of Inspectors in 1998, he was appointed as Assistant Manager of Credit Information and Financial Analysis Division in 2008. Having served as Unit Manager between 2011 and 2016, he was promoted as Division Head of Financial Analysis Division. Mr. Ünal has been a Board Member of the Bank since 6 April 2018.

Executive Committee

The Bank's Executive Committee consists of the Chief Executive Officer and the Executive Vice Presidents. The meetings of the Executive Committee are held once a month. However, the Chief Executive Officer may call for a meeting whenever it is necessary. Resolutions of the Executive Committee require unanimous approval. The Executive Committee is responsible for implementing the overall strategy of the Bank formulated by the Board of Directors. Current Members of the Executive Committee are:

Name	Position	Date of Appointment
Suat İnce	Chief Executive Officer	2016
Meral Murathan	Executive Vice President	2019
Gökhan Çanakpınar	Executive Vice President	2012
Ece Börü	Executive Vice President	2013
Hakan Aygen	Executive Vice President	2013
Aslı Zerrin Hancı	Executive Vice President	2017
Hidayet Yetkin Kesler	Executive Vice President	2017
Aziz Ferit Eraslan ⁽¹⁾	Executive Vice President	2015
Hasan Hepkaya	Executive Vice President	2019
Melih Yalçın	Director	2019

Note:

(1) Mr Eraslan reports directly to the Audit Committee.

Additional information on each of these Executive Vice Presidents is set forth below:

Meral Murathan

Executive Vice President

Meral Murathan was born in Erzurum in 1977. She graduated with a degree in Economics from Boğaziçi University. Her career at the Bank started in the Treasury Department in 1998. In 2012, after serving in a diverse set of capacities at the Bank, she was promoted to Head of Financial Institutions. She was appointed as Executive Vice President on 1 April 2019. She is currently in charge of the Development Finance Institutions, Financial Institutions and Investor Relations Departments.

Gökhan Çanakpınar

Executive Vice President

Gökhan Çanakpınar was born in Ardahan in 1964 and graduated from the Department of Business Administration, Middle Eastern Technical University. Mr Çanakpınar began his professional career at İpekiş Mensucat as a Systems Analyst in 1988. After 1990, Mr Çanakpınar served as Project Manager at İşbank for six years. In 1995, he started serving as a Systems Analyst at the Bank and was later appointed as the Head of Application Development Department in 2000. Mr Çanakpınar was promoted to Director of the Information Technology Unit in 2011. Since 27 December 2011 he has been working as an Executive Vice President. He is currently in charge of the System and Network Support, Application Development and Support Services Departments.

Ece Börü

Executive Vice President

Ece Börü was born in İstanbul in 1966 and graduated from the Management Engineering Department of İstanbul Technical University in 1988. Ms Börü joined the Bank as an assistant specialist in the Financial Control

Department in 1989. She was promoted to Head of Financial Control in 2000 and to Head of the Board of Internal Auditors in 2006. Since 28 November 2013, Ms Börü has been serving as the Executive Vice President of the Bank. She is currently responsible for the Budget Planning, Financial Control, Loans and Loan Monitoring Departments.

Hakan Aygen

Executive Vice President

Hakan Aygen was born in Konya in 1965 and graduated from the Management Engineering Department of İstanbul Technical University. Mr Aygen started his professional career in the non-financial sector in 1989. He joined the Bank in 1995 as an assistant specialist in the Financial Analysis Department and completed his master's degree in Management and Organisation at the Marmara University in 1996. Mr Aygen was appointed to Head of the Corporate Finance Department in 2006 and promoted to Group Head in 2011. Having received his Accounting Finance doctorate degree from Marmara University in 2013, he was promoted to Executive Vice President on 28 November 2013. Mr Aygen is currently in charge of the Corporate Finance Department.

Aslı Zerrin Hancı

Executive Vice President

Aslı Hancı was born in Ankara in 1969 and graduated from the Faculty of Business Administration at Istanbul University in 1990. Ms Hancı began her professional career at Citibank in 1991. She worked in the Treasury departments of both Chase Manhattan and BNP Ak Dresdner Bank. Ms Hancı joined the Bank's Treasury Team in 2005. She was appointed as the Head of Securities Department in 2007 and as Head of the Treasury Department in 2008. Since 1 January 2017, she has been an Executive Vice President. Ms Hancı is currently in charge of the Treasury, Treasury and Capital Markets Operations and Loan Operations Departments.

Hidayet Yetkin Kesler

Executive Vice President

H. Yetkin Kesler was born in Istanbul in 1966 and graduated from the Department of Industrial Engineering at Boğaziçi University in 1989. He started his career as an Assistant Internal Auditor at Koçbank in 1992, before completing his master's degree in Management Engineering at Istanbul Technical University in 1993. Mr Kesler joined the Bank as a Financial Controller Specialist in 1994 and was appointed as Head of System Development in 2005, as Head of Internal Control in 2011, and as Head of the Enterprise Architecture and Process Management Department in 2013. On 1 January 2017, Mr Kesler was appointed as Executive Vice President responsible for Human Resources, Enterprise Architecture and Process Management, Corporate Compliance and Pension and Assistance Funds.

Aziz Ferit Eraslan

Executive Vice President

Aziz Eraslan was born in İstanbul in 1969 and graduated from the Department of Public Administration of Middle East Technical University in 1991 and subsequently completed the Banking School of Ziraat Bank. In 1992, Mr Eraslan started his professional career at İşbank's Board of Inspectors. He received his master's degree from Stirling University in Scotland in 1997. At the Accounting Department of İşbank, Mr Eraslan was appointed as Deputy Manager in 2000 and Group Manager in 2003. Between 2007 and 2012, he was Department Head at İşbank's Accounting Department, which eventually became the Financial Management Department. Between 2013 and 2015, Mr Eraslan was Chief Executive Officer of İşbank Russia. In October 2015, he was appointed as Executive Vice President responsible for the Board of Inspectors, Risk Management and Internal Control Departments at the Bank.

Hasan Hepkaya

Executive Vice President

Hasan Hepkaya was born in Samsun in 1981. He graduated with a degree in Business Administration from Hacettepe University. He started his career in Garanti Leasing in 2003. After serving in a variety of roles and positions in Corporate Banking and Project Finance Departments in the Bank between 2005 and 2014, he was promoted as Head of Project Finance and Head of Corporate Banking respectively between 2014 and 2018. As of 1 April 2019, Mr Hepkaya has been appointed as Executive Vice President in charge of the Corporate Banking, Project Finance and Corporate Communications Departments.

Melih Yalçın

Director

Melih Yalçın was born in 1978. He studied management at Mount Ida College in Boston, Massachusetts and continued his final years at Yeditepe University where he obtained his Bachelor of Arts in Business Administration with honors. He also holds a MSc in Development Management and Political Economy from the London School of Economics.

After serving in a variety of roles and positions in 2014, Mr Yalçın has taken a role in the establishment of Strategy Loop. As an angel investor and mentor, he also supports young entrepreneurs during their incubation efforts and supports their projects in advisory boards. He has been a Board Member of the Turkish Foundation for Children in Need of Protection since 2015. As of 1 April 2019, Mr Yalçın has been appointed as the Bank's Director, where he has been in charge of advisory services and oversees the Bank's Economic Research, Financial Advisory and Engineering and Technical Advisory divisions.

Board Committees

Pursuant to the Turkish Commercial Law (No. 6102) and the CMB Corporate Governance Communiqué II-17.1, the Board of Directors has established the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Credit Revision Committee. The Board of Directors has also established the Sustainability Committee.

Audit Committee. The Audit Committee consists of two members who serve on the Board of Directors. The Audit Committee members are selected by the Board of Directors and are currently Mehmet Şencan and Ebru Özşuca. The Audit Committee informs the Board of Directors of the results of its activities and the measures that are required to be taken by the Bank, and offers its opinions on other matters that it considers to be significant for the Bank to conduct its business in a safe manner.

The Audit Committee is in charge of:

- (a) ensuring that the Bank's internal audit and risk management systems function effectively and efficiently and that the Bank's accounting and reporting systems operate in compliance with the related regulations;
- (b) carrying out the preliminary assessment of external auditors and monitoring on a regular basis the activities of the appointed auditors;
- (c) ensuring that the internal audit functions of subsidiaries that are subject to consolidation are being performed in line with the related regulations;
- (d) reporting and advising to the Board of Directors in relation to the operations and activities of the Bank's internal audit, risk management, internal control units and external auditors and the measures deemed

necessary to be taken in order for the Bank to operate in a manner compliant with the relevant external and internal regulations and policies;

- (e) where necessary, gathering information, reports and documents from the relevant units of the Bank or its supporting service providers and independent auditors and, subject to the approval of the Board of Directors, receiving consulting service from persons who are experts in their respective fields;
- (f) evaluating the information and reports received from independent auditors and divisions that fall under the internal systems with respect to their activities; and
- (g) analysing and submitting quarterly internal audit reports to the Board of Directors, which are prepared by the internal audit department according to the Banking Law.

Corporate Governance Committee. The Corporate Governance Committee was established in 2009 for the purpose of assuring that the Bank complies with corporate governance principles. The Corporate Governance Committee consists of two members of the Board of Directors and the Manager of the Investor Relations Department Ms Ebru Özşuca, Ms Zeynep Hansu Uçar and Ms Özen Çaylı are the current members of Corporate Governance Committee, which meets at least four times a year. The committee's principal duties and responsibilities include:

- (a) ensuring that the corporate governance principles are implemented and advising the Board of Directors of the measures deemed necessary to be taken in order for the Bank to operate in a manner compliant with the corporate governance principles;
- (b) coordinating investor relation activities, monitoring the Bank's communication with investors and shareholders within this framework, determining the fundamental principles of the Bank's communication with its investors and shareholders and reviewing these principles periodically;
- (c) collaborating with the Investor Relations Department to advise the Board of Directors with respect to ensuring the continued efficiency of the Bank's communication with its investors and shareholders and preventing and dealing with potential conflicts of interest;
- (d) reviewing the corporate governance compliance report prior to its publication in the annual report and submitting its opinions thereon to the Board of Directors;
- (e) ensuring the independency and efficiency of the Board of Directors by supervising compliance with regulations related with conflict of interests among the committee members, the members of the Board of Directors, the Executive Committee or other employees;
- (f) ensuring that the Bank's public disclosures are in accordance with the relevant laws and regulations and the Bank's information policy principles;
- (g) developing policies, strategies and a transparent system for the purpose of determining, assessing and training the candidates to the Board of Directors;
- (h) implementing the Bank's ethics rules and corporate governance principles internally;
- (i) preparing an assessment report to the Board of Directors;
- (j) advising on independent nominees for the Bank's Board of Directors;
- (k) advising the Board of Directors on the remuneration to be provided to the members of the Board of Directors;
- (l) where necessary, subject to the approval of the Board of Directors, receiving consulting services from persons who are experts in their respective fields; and

- (m) reporting to and advising the Board of Directors in relation to the results of its activities and the measures deemed necessary to be taken in order for the Bank to operate in a manner compliant with the relevant external and internal regulations and policies.

Remuneration Committee. The Remuneration Committee was established in 2011 for the purpose of executing functions and activities related to monitoring and controlling remuneration implementations of the Bank on behalf of Board of Directors. The Committee has two members of the Board of Directors; Ms Ebru Özsucu and Ms Z. Hansu Uçar.

The Remuneration Committee is responsible for establishing a written remuneration policy that is in compliance with the Bank's operations, strategic goals and risk management strategies, reviewing the remuneration policy at least once a year to ensure its efficiency and submitting a report to and advising the Board of Directors regarding evaluation of the Bank's policy with respect to risk management strategies.

Sustainability Committee. The Sustainability Committee was established in 2015 in order to oversee and coordinate all sustainability-related activities at the Bank. The Committee's mission is to integrate the concept of sustainability into all of the Bank's business operations and services by ensuring that all bank employees understand and identify with the concept of sustainability, developing new products and business opportunities in the area of sustainable banking, and increasing the level of sustainability awareness throughout the business community and banking industry in particular. The Sustainability Committee consists of three members of the Board of Directors, Mithat Rende, Can Yücel and Zeynep Hansu Uçar, and three Executive Vice Presidents, Mr Hakan Aygen, Mr Hidayet Yetkin Kesler and Ms Çiğdem İcel.

Credit Revision Committee. The Credit Revision Committee consists of the Chief Executive Officer, three members of the Board of Directors, two Executive Vice Presidents and related department heads. The Committee meet at least once a year to review the loan portfolio and revise the necessary loan limits.

Conflicts of Interests

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors and the Executive Committee and their respective private interests or other duties.

Address

The business address of each Executive Committee member is Meclisi Mebusan Cad. No 81 Fındıklı 34427 İstanbul, Turkey.

Remuneration

Monthly remunerations of the Board members and auditors are determined annually at the Bank's General Shareholders' Meetings and disclosed to the BİST. After the legal reserves and the first dividend have been allocated from the net profit of the Bank, up to 0.5 per cent. of the remaining balance is distributed among the members of the Board of Directors (including the Chief Executive Officer) equally. Pursuant to the CMB's corporate governance principles, independent board members do not receive any dividend payment.

The corporate governance principle numbered 4.6.3 under the Communiqué No. II-17.1 on Corporate Governance (as amended, the "Corporate Governance Communiqué") provides that the remuneration of a company's independent board members cannot consist of dividends, stock options or payment plans based on the company's performance, and requires that such remuneration be at a level that would allow the independent board members to maintain their independence. Therefore, dividends calculated for the independent members of the Board of Directors are recommended to be transferred to the reserves. The aggregate amount of the remuneration paid and benefits in hand granted to the members of the Board of Directors and senior management on an unconsolidated basis for the year ended 31 December 2018 was TL 11,961 thousand (TL 11,209 thousand for the year ended 31 December 2017).

Corporate Governance

The Bank recognises the importance of maintaining sound corporate governance practices. The relationship between the Bank's management, shareholders, employees and third parties including customers, legal authorities, suppliers and various other individuals and institutions with whom the Bank does business are based upon fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency, accountability and sustainability.

CMB Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué to replace the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 dated 30 December 2011 and Communiqué on the Principles Applicable to Joint Stock Companies Subject to Capital Markets Law Series IV, No. 41 dated 19 March 2008. The Corporate Governance Communiqué provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the BİST, whereas some others are applicable solely to companies whose shares are traded in certain markets of the BİST. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the BİST.

As of the date of this Base Prospectus, the Bank is subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. In case of any non-compliance with any of the non-mandatory principles applicable to the Bank under the Corporate Governance Communiqué, the Bank is required to explain such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of its annual report.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. The Bank is classified as a "1 Group" company.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict these principles.

OWNERSHIP

The Bank was established in 1950 as a development and investment bank with the mission to finance Turkey's private sector investments.

As of 31 March 2019: (a) the majority shareholder of the Bank, with a 50.92 per cent. shareholding, was İşbank Group (with 41.44 per cent. held directly by İşbank and the remainder held through its subsidiaries, including 5.80 per cent. held by Trakya Yatırım Holding), (b) 8.38 per cent. of the Bank's shares were held by Vakıfbank, (c) 38.6 per cent. of the Bank's shares were traded publicly on the BİST (52.68 per cent. of which were owned by foreign investors) and (d) the remaining shares were owned by other institutional shareholders.

As of 31 March 2019, the share capital of the Bank was TL 2,800,000,000, consisting of 2,800,000,000 fully paid-up shares. Registered shareholdings in the Bank as of 31 March 2019 were as follows:

Shareholder ⁽¹⁾	Shares ⁽²⁾	Percentage
İşbank.....	1,263,478,661	45.12% ⁽³⁾
Vakıfbank	234,569,502	8.38%
Trakya Yatırım Holding.....	162,301,658	5.80%
Public Free Float and Others.....	1,139,650,178	40.70%
Total	2,800,000,000	100%

Notes:

- (1) According to data from the Public Disclosure Platform (Kamuyu Aydınlatma Platformu) (KAP) as of 31 March 2019.
- (2) Each share has a nominal value of one Kuruş. One hundred Kuruş are equal to one Turkish Lira.
- (3) İşbank Group holds 50.92 per cent. of the Bank's shares as of 31 March 2019, with 41.44 per cent. of the shares being held directly and the remainder being held through its subsidiaries, Trakya Yatırım Holding (5.80 per cent.), Milli Reasürans (1.90 per cent.), Anadolu Sigorta (0.89 per cent.) and Anadolu Hayat Emeklilik (0.89 per cent.), the latter three of which are reflected in the table above in "Public Free Float and Others".

Dividends

Dividends are paid by the Bank from its net profit in accordance with its articles of incorporation. Under its articles of incorporation, the Bank is required to allocate 5 per cent. of its net profit towards its legal reserve fund. From the balance of net profit, a "first dividend" is distributed to the shareholders according to the Capital Markets Law. Once the first dividend is provided for, the balance of the net profit is distributed as follows: 5 per cent. for founder shares (limited to TL 200,000 of paid-up capital), up to 0.5 per cent. for the members of the Board of Directors (including the Chief Executive Officer and excluding the Independent Board Member) to be shared among them equally, up to 3 per cent. for the employees of the Bank, provided that such amount does not exceed the equivalent of three salaries. The General Assembly is authorised to decide whether the amount remaining from the net profit after the reserve funds and payments indicated above shall be completely or partially distributed as dividends or reserved as a reserve fund. The Bank's articles of incorporation require that 10 per cent. of the total amount to be distributed to shareholders out of profit is required to be added to the Bank's legal reserve fund.

The Bank distributed TL 82 million, TL 96 million and TL 110 million in cash dividends with respect to 2016, 2017 and 2018, respectively.

In accordance with the Bank's Dividend Policy, the board of directors decided not to distribute dividend but to keep the profit as reserve and strengthen the Bank's capital for long term stability and sustainability of the Bank considering national and global economic conditions, the long term growth targets of the Bank, the sustainability of the Bank's strong equity structure, as well as the Banking Regulatory and Supervisory Agency's guidance regarding the banking sector.

Preferential rights

Under the Bank's articles of incorporation, existing shareholders have preferential rights with respect to the purchase of new shares to be issued by the Bank. The duration and conditions of the exercise of these rights are to be determined by the Board of Directors in accordance with the relevant Turkish regulations. To the extent that these preferential rights are not exercised in respect of any new shares within the prescribed period, these shares are to be made available for subscription by the public.

Voting rights

At least one share is needed for participating in any Ordinary or Extraordinary General Assembly. Each share provides one vote to its owner. Votes may be cast by proxy.

In accordance with the Turkish Commercial Law (No. 6102) and the Turkish Code of Obligations (Law No. 6098), each share exercises its voting right in proportion to its total nominal value. Accordingly, each share with a nominal value of one Kuruş has one share of voting right.

Major Shareholders

İşbank

İşbank was established under the laws of the Republic of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of Turkey to operate in all kinds of banking activities and to initiate and/or participate in all kinds of financial and industrial sector undertakings. As of 31 March 2019, İşbank was the largest bank in Turkey in terms of total loans and assets among private sector banks (source: BRSA), each as measured on an unconsolidated basis. İşbank Group holds 50.92 per cent. of the Bank's shares (both directly and through its subsidiaries, including Trakya Yatırım) and appoints seven members to the Bank's Board of Directors, including the CEO.

Trakya Yatırım

Trakya Yatırım is a holding company and is a wholly-owned subsidiary of İşbank. As a result, the shares of the Bank held by Trakya Yatırım should also be considered as being indirectly owned and controlled by İşbank.

Vakıfbank

Founded in 1954, Vakıfbank is a full service commercial and retail bank, and as of 31 March 2019, was the sixth largest Turkish bank in terms of assets, fourth in terms of loans, seventh in terms of deposits and fourth in terms of branch network according to the BRSA, BAT and bank data. Vakıfbank's market share in total assets was 8.78 per cent. as of 31 March 2019 (Source: BRSA and bank data) and its lending market share was 8.47 per cent. as of the same date. Vakıfbank appoints one member to the Board of Directors.

Free Float and Other Shareholders

As of 31 March 2019, 38.60 per cent. of the Bank's total shares were on free float, of which 52.68 per cent. was owned by foreign investors.

The remaining 2.10 per cent. of shares are owned by other institutional shareholders.

RELATED PARTY TRANSACTIONS

The Bank and its qualified shareholders, Board of Directors (including the Chief Executive Officer) and the undertakings that they control individually or jointly, directly or indirectly, or in which they participate with unlimited responsibility or where they are members of board of directors or general manager, are considered and referred to as related parties. The Bank enters into transactions with related parties in the ordinary course of its business and on an arm's length basis and will continue to do so in the future. See also "*Business of the Group – Related Party Transactions*".

Restrictions relating to loans extended by the Bank to the members of its Board of Directors are defined in Article 50 of the Banking Law. The Bank does not extend loans to the members of the Board of Directors other than those allowed by the law.

None of the members of the Bank's Board of Directors or executive officers have or have had any interest in any transaction effected by the Bank that are or were unusual in their nature or conditions or significant to the business of the Bank and that were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed. None of these individual transactions are material.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans extended by a bank to its risk group must not be more than 20 per cent. of its equity. The Bank is not subject to this requirement, as the Bank is a development and investment bank. Nevertheless, the Bank is technically within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates. As of 31 March 2019, the Bank's total net exposure to its risk group totalled TL 615 million, an amount corresponding to 9.61 per cent. of its equity.

The following table shows the breakdown of the Group's business transactions with related parties as of the dates indicated.

	As of 31 December						As of 31 March	
	2016		2017		2018		2019	
	Amount	Percentage of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Item
	<i>(TL thousands, except percentages)</i>						<i>(TL thousands, except percentages)</i>	
Cash loans.....	405,458	2.3%	334,401	1.5%	599,866	2.17%	615,125	2.17%
Non-cash loans.....	7,878	0.6%	260	0.01%	262	0.01%	291	0.01%
Derivatives.....	417,925	1.0%	444,536	1.1%	496,499	0.85%	20,639	0.04%

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Bank's management believes to be reliable but the Bank has not independently verified such information.

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to U.S.\$4,916 million at the end of 2001 from U.S.\$8,056 million for 28 banks at the end of 2000, according to the BAT.

The Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8 per cent. minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; however, the 3 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. In addition, effective from 2 January 2013, RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years changed from 0 per cent. to 1 per cent. and those with an average maturity of between two to three years changed from 0 per cent. to 0.5 per cent., while those with an average maturity of three years or more remained at 0 per cent. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers set the RUSF charged on consumer credits to be utilised by real persons (for non-commercial utilisation) to 15 per cent. with its decision numbered 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

As of 31 March 2019, 53 banks (including domestic and foreign banks, including participation banks, but excluding the Central Bank) were operating in Turkey. 34 of these were deposit-taking banks, 13 (including the Bank) were development and investment banks, and 6 were participation banks, which conduct their business under separate legislation in accordance with Islamic banking principles. Among the deposit-taking banks, 3 were state-controlled banks, 9 were private domestic banks, one was under the administration of the SDIF and 21 were private foreign banks. On 3 February 2015, the SDIF took over management of Asya Katılım Bankası A.Ş. (“Bank Asya”), a private participation bank. The BRSA announced that this action was taken due to Bank Asya’s violation of a provision of the Banking Law that requires banks to have a transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the bank by the BRSA. On 29 May 2015, the BRSA announced that shareholding rights (except dividends), management and audit of Bank Asya were to be transferred to the SDIF for partial or full transfer, sale or merger of the bank pursuant to Article 71 of the Banking Law; provided that any loss shall be deducted from the shares of the existing shareholders. Following the abolishment of Bank Asya’s banking licence by the BRSA, the number of participation banks operating in Turkey decreased to five; and upon BRSA providing license to operate as a participation bank to Emlak Katılım Bankası A.Ş. in 2019 the number of participation banks have increased to 6.

The Turkish banking sector has seen the establishment of various banks since 2015, along with the removal of banks through mergers or liquidations. The BRSA announced its approval of the establishment and operation of Ziraat Katılım Bankası A.Ş. on 10 October 2014 and 12 May 2015, respectively. In February 2016, the BRSA granted permission to Vakıf Katılım Bankası A.Ş. to start operations as a participation bank. Bank of China Limited acquired the approval of the banking regulator to establish a deposit bank in Turkey with a paid in capital of U.S.\$300 million in May 2016 and transferred the required capital to Turkey in December 2016. Bank of China Turkey A.Ş. was established on 10 January 2017, its major shareholder being Bank of China Limited. The BRSA approved the operation licence of Bank of China Turkey A.Ş. on 1 December 2017 and the licence was published in the Official Gazette numbered 30263 and dated 7 December 2017. The BRSA has provided license to operate to Emlak Katılım Bankası A.Ş. as of February 26, 2019. The banking licence of participation bank Asya Katılım Bankası A.Ş. was abolished in July 2016 and the banking licence of The Royal Bank of Scotland plc (trading as NatWest Markets) was abolished in May 2017. A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking system as of the end of each indicated year except for 2019, which is as of March:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of banks ⁽¹⁾	45	45	45	44	45	45	47	47	47	46	47	47

Source: BAT (www.tbb.org.tr)

Note:

(1) Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

Additionally, Posta ve Telgraf Teşkilatı Anonim Şirketi is expected to establish a new participation bank in the near future but as of 29 May 2019, there had been no official application made to the BRSA. The BRSA has approved the establishment of Golden Global Yatırım Bankası A.Ş. as an investment and development bank with paid-in capital of TL 150 million on 16 May 2019.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a CAGR of 20.7 per cent. from 31 December 2011 to 31 March 2019, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 22.4 per cent. and 20.0 per cent., respectively, between 31 December 2011 and 31 March 2019, in each case according to the BRSA. Despite strong growth of net loans and customer deposits since 2011, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the Eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 70.2 per cent. and 58.1 per cent., respectively, as of 31 December 2017 according to BRSA data, whereas the EU's banking sector had loan and deposit penetration ratios of 160 per cent. and 149 per cent., respectively, as of the same date according to a report published by BAT and based upon the European Central Bank's data.

The following table shows key indicators for the banking sector (deposit banks only) in Turkey as of (or for the period ended on) the indicated dates.

	As of 31 December (for 2019, as of 31 March)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR ⁽¹⁾
	<i>(TL millions, except CAGR⁽¹⁾)</i>									
Balance sheet										
Loans	621,379	716,307	939,772	1,118,887	1,339,149	1,558,034	1,869,476	2,088,599	2,198,610	22.4%
Total assets.....	1,119,911	1,247,653	1,566,190	1,805,426	2,130,600	2,455,366	2,922,704	3,403,305	3,625,783	20.7%
Deposits	656,276	724,296	884,457	987,463	1,171,251	1,372,359	1,605,926	1,899,352	2,051,497	20.0%
Shareholders' equity....	123,007	157,553	165,954	201,116	228,142	262,503	314,519	367,745	374,910	19.5%
Income statement										
Net Interest Income.....	36,056	47,837	52,353	59,705	70,409	83,488	103,385	133,019	31,157	22.0%
Net Fees and Commission Income ...	13,345	14,704	17,444	19,355	21,037	22,761	27,167	34,866	11,020	21.1%
Total income	61,669	73,831	84,397	91,116	102,979	125,218	144,955	191,606	54,504	22.4%
Net Profit	18,177	21,539	22,473	22,927	23,889	34,224	44,158	47,712	10,668	14.6%
Key ratios										
Loans/deposits	97.33%	101.88%	109.3%	116.6%	118.0%	117.5%	120.1%	114.7%	112.0%	
Net interest margin.....	3.4%	4.1%	3.7%	3.6%	3.5%	3.7%	3.8%	4.0%	0.9%	
Return on average equity	16.8%	16.8%	15.1%	13.2%	12.0%	15.0%	16.5%	14.9%	2.9%	
Capital adequacy ratio.	15.5%	17.3%	14.6%	15.7%	15.0%	15.1%	16.4%	16.9%	16.0%	

Source: BRSA monthly bulletin (www.bddk.org.tr)

Note:

- (1) CAGR is calculated by dividing the ending value by the initial value, raising the result to the power of one divided by the period length and subtracting one from the subsequent result.

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 91.2 per cent. of total assets of deposit-taking banks as of 31 March 2019 according to the

BRSA. Among the top 10 deposit-taking Turkish banks, there are three state-controlled banks – Ziraat Bank, Halkbank and Vakıfbank, which were ranked first, third and, respectively, in terms of total assets as of 31 March 2019 according to the non-consolidated financial information published by Turkish banks. These three state-controlled banks accounted for 37.3 per cent. of deposit-taking Turkish banks' loans including gross non-performing loans and 36.3 per cent. of customer deposits as of 30 September 2018. The top four privately-owned domestic banks are İşbank, Garanti Bank, Yapı ve Kredi Bankası A.Ş. and Akbank A.Ş. ("Akbank"), which in total accounted for approximately 39.8 per cent. of deposit-taking Turkish banks' loans (including gross performing loans), and approximately 41.4 per cent. of customer deposits as of 31 March 2019 according to the non-consolidated financial information published by Turkish banks and data provided by the BRSA in relation to deposit-taking banks. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely QNB Finansbank A.Ş., Denizbank A.Ş. ("Denizbank") and TEB, which were controlled by Qatar National Bank, Sberbank and TEB Holding, respectively, as of 31 March 2019. Sberbank has subsequently agreed to sell its entire stake in Denizbank to Emirates NBD Bank PSJC, although as of the date of this Base Prospectus, the sale has not been completed.

The Bank's management perceives: (a) leading commercial banks, such as Akbank and Garanti Bank, which provide foreign exchange loans, (b) the state-owned banks, such as Halkbank and Vakıfbank, which are capable of borrowing from supranational institutions with the guarantee from the Turkish Treasury, and (c) other development banks, such as Türkiye İhracat ve Kredi Bankası A.Ş. and Türkiye Kalkınma ve Yatırım Bankası A.Ş. (Development Bank of Turkey), as its primary competitors.

As of 31 March 2019, the Bank ranked 16th among Turkish banks in terms of assets according to non-consolidated financial information published by Turkish banks and data provided by the BAT including the participation banks. The market share of the Bank in long-term foreign currency denominated commercial loans, excluding the non-performing loans allocated by in the banking sector was 2.4 per cent. as of 31 March 2019. As the Bank has an important presence in energy loans, the market share of the Bank in such sector was approximately 5.5 per cent. as of 31 December 2018.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks (including development and investment banks such as the Bank) and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 (which has been replaced by the Banking Law) established the BRSA, which is responsible for ensuring that banks observe banking legislation, supervising the application of banking legislation and monitoring the banking system. The BRSA has administrative and financial autonomy.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardise the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including development and investment banks (including the Bank), foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure. The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are employed by the BRSA. In addition, the chairman of the BRSA has the authority to commission independent audit teams to examine specific matters within any bank that the chairman deems appropriate.

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 (the "ICAAP Regulation") banks are obligated to establish, manage and develop (for themselves and all affiliates that they consolidate) internal audit, internal control and risk management systems commensurate with the scope and structure of their organisations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans. This process, referred to as the "Internal Capital Adequacy Assessment Process," should be designed according to the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is

required to prepare an internal capital adequacy assessment process report (the “ICAAP Report”) representing the bank’s own assessment of its capital requirements. An ICAAP Report is required to be submitted annually to the BRSA, together with the stress test analysis, the internal audit report on the internal capital adequacy assessment process and the model validation report by the end of March of the following year. The Board of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, determining the exchange rate regime in Turkey jointly with the government and to design and implement this regime, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including development and investment banks (including the Bank) and foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors’ reports and auditors’ reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

Banks Association of Turkey

The BAT is an organisation that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members’ professional interests; however, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the Banking Regulation and Supervision Board (the “BRSB”) in order to preserve full voting and other shareholders’ rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSB. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders’ rights with respect to the shares but not of the right to collect dividends declared on such shares. Additionally, the transfer of an amount of shares exceeding the above thresholds of legal persons who, directly or indirectly, own 10 per cent. or more of the capital of a bank are (under the terms and conditions mentioned above) subject to the permission of the BRSB. The BRSB’s permission may be given on the condition that the person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in which such shares of a bank (including a development and investment bank such as the Bank) are transferred without the permission of the BRSB, the

shareholder rights of the legal person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), in particular:

- Credits extended in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, credits include cash credits and non-cash credits such as letters of guarantee, counter guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25 per cent. of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, in the case of a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25 per cent. or to lower it to the legal limit.
- Loans made available to a bank's controlling shareholders or registered shareholders holding more than 1 per cent. of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above mentioned lending limits:

- transactions against cash, cash like assets and accounts and precious metals;
- transactions carried out with the Undersecretariat of Treasury, Central Bank, Privatisation Administration and the Mass Housing Administration of Turkey, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;
- transactions carried out with the Central Bank and in legally organised money markets;
- in case of new credit allocations, valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits;
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;
- interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities provided that such shares are disposed of in the time and manner determined by the BRSA;
- transactions considered as “deductibles” in the shareholders’ equity account; and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against depreciation or impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans under review, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. The Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on 1 November 2006 was replaced by the Regulation on Provisions and Classification of Loans published in the Official Gazette No. 29750 on 22 June 2016 (“2016 Provisioning Regulation”). The 2016 Provisioning Regulation was issued by the BRSA to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Program (a joint programme of the International Monetary Fund and the World Bank).

Loan Loss Reserves Prior to 1 January 2018

Prior to 1 January 2018, BRSA regulations required banks to classify their loans and receivables into one of the following groups:

- (a) Group I: Loans of a Standard Nature and Other Receivables: This group involves loans and other receivables:
- (i) that have been disbursed to natural persons and legal entities with financial creditworthiness;
 - (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
 - (iii) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected; and
 - (iv) for which no weakening of the creditworthiness of the applicable debtor has been found.

The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to satisfy the conditions of this group.

- (b) Group II: Loans and Other Receivables Under Close Monitoring: This group involves loans and other receivables:
- (i) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan;
 - (ii) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems may result in partial or full non-reimbursement risk;
 - (iii) that are very likely to be repaid but the principal and interest due dates are delayed for more than 30 days for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below; or
 - (iv) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer has multiple loans and one or more of these loans is classified in Group II and other are classified in Group I, then all of such customer's loans are required to be classified in Group II. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to satisfy the conditions of this group.

- (c) Group III: Loans and Other Receivables with Limited Collection Ability: This group involves loans and other receivables:
- (i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed are not eliminated, they are likely to cause loss;
 - (ii) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;
 - (iii) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date; or

- (iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.
- (d) Group IV: Loans and Other Receivables with Remote Collection Ability: This group involves loans and other receivables:
 - (i) that seem unlikely to be repaid or liquidated under existing conditions;
 - (ii) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;
 - (iii) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase; or
 - (iv) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.
- (e) Group V: Loans and Other Receivables Considered as Losses: This group involves loans and other receivables:
 - (i) that are deemed to be uncollectible;
 - (ii) collection of whose principal or interest or both has been delayed by one year or more from the due date; or
 - (iii) for which, although sharing the characteristics stated in Groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Loan Loss Reserves post-1 January 2018

On 22 June 2016, the BRSA published the 2016 Provisioning Regulation. The 2016 Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the IFRS 9 compliant financial reporting standards of Turkey, by the end of 2017 unless an exemption is granted by the BRSA. Under the 2016 Provisioning Regulation, from 1 January 2018 banks are still required to classify their loans and receivables into groups, but there are certain changes in the criteria of the groups. Group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, from 1 January 2018 banks are required to classify their loans and receivables into one of the following groups:

- (a) *Stage I: Loans of a Standard Nature and Other Receivables:* This group involves each loan (which, for the purposes of the 2016 Provisioning Regulation, includes other receivables and shall be understood as such elsewhere in this section):
 - (i) that has been disbursed to financially creditworthy natural persons and legal entities;
 - (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
 - (iii) the repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any security;

- (iv) in respect of which no weakening of the creditworthiness of the applicable debtor has been found; and
 - (v) to which 12 months expected credit loss reserve applies under TFRS 9.
- (b) *Stage 2: Loans Under Close Monitoring:* This group involves each loan:
- (i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor;
 - (ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan;
 - (iii) in connection with which problems are likely to occur as to principal and interest payments in accordance with the conditions of the loan agreement, and where the failure to resolve such problems may result in risk of non-collection in full without recourse to any security;
 - (iv) where although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of a weakening due to the debtor's irregular and unmanageable cash flow;
 - (v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following its payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;
 - (vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;
 - (vii) the repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;
 - (viii) that has been subject to restructuring when monitored under Stage 1 or Stage2 without being able to be classified as an NPL; or
 - (ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.
- (c) *Stage 3: Loans with Limited Collection Possibility:* This group involves each loan:
- (i) in connection with which the debtor's creditworthiness has weakened;
 - (ii) that has limited possibility for the collection of the full amount without recourse to any security due to the insufficiency of net realisable value of the security or the debtor's equity to meet the repayment of the full amount on the due date, and that would likely result in losses in case such problems are not resolved;
 - (iii) the collection of the principal and interest (or both) of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date;
 - (iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor; or

- (v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of a restructuring or have been subject to another restructuring within such one year of the previous restructuring.
- (d) *Stage 4: Loans with Doubtful Collection Possibility:* This group involves each loan:
- (i) the principal and/or interest payments of which will probably not be collected in full under the terms of the loan agreement without recourse to any security;
 - (ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not yet considered as an actual loss by virtue of contribution expected from factors such as merger, the possibility of finding new financing or a capital increase to the debtor's creditworthiness and the collection possibility of the credit;
 - (iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following its payment due date (including the maturity date); or
 - (iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following its payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.
- (e) *Stage 5: Loans Having the Nature of Loss:* This group involves each loan:
- (i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected;
 - (ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year; or
 - (iii) the collection of principal and/or interest payments of which has been overdue for more than one year following its payment due date.

Pursuant to the 2016 Provisioning Regulation, loans: (a) that are classified under Stages 3, 4 and 5, (b) the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) to which, as a result of a debtor's default, the lifetime expected credit loss reserve applies under TFRS 9, are classified as NPLs. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in situations where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in limbs (a), (b) or (c) above. If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs. As of 1 January 2018, with the implementation of IFRS 9 (and, accordingly TFRS 9), the provisions for the Group's NPL's (Stage 3) are calculated via individual assessment, while the provisions for the Group's performing loans (Stage 1 and Stage 2) are determined via an internal rating model. Prior to the implementation of IFRS 9, the Group's internal policy was to apply a 100 per cent. provision for all NPLs. According to the decision of the BRSA dated 15 November 2018 and numbered 8095, CGF-guaranteed loans will not be classified as an NPL unless there is an overdue amount for more than 90 days following the due date. As per the BRSA regulation published in the Official Gazette dated 27 March 2018 and numbered 30373, banks may choose to not classify any receivable up to TL 100 as an NPL.

The 2016 Provisioning Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans:

Reclassification

As for the reclassification of loans, banks are required to evaluate such loans with a view as to whether such loans are to be reclassified under different groups. Such evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments that pose a risk on such debtor's performance of its obligations, in macroeconomic circumstances, or in the sector in which the respective debtor operates, or solely related to the respective debtor regardless of the macroeconomic circumstances and the sector. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as an NPL have been collected in full without recourse to any security, (b) as of the date of the reclassification, there has been no overdue repayment and the last two repayments preceding such date (except the repayments mentioned in limb (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Stage 1 or 2 have been fulfilled.

Furthermore, loans (i) that have been fully or partially excluded from the assets of the bank, (ii) security for which has been enforced to satisfy the debt or (iii) repayment of which has been made in kind, cannot be classified as a performing loan.

Restructuring

The restructuring of a loan includes privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, where such privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan.

In this respect, an NPL may be reclassified as a restructured loan to be included in Stage 2 subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL for at least one year following a restructuring, (iii) as of the date of reclassification as a Stage 2 loan, there has been no delay in principal and/or interest payments or any expectation of any such delay in the future, and (iv) overdue payments and/or principal payments excluded from assets in relation to the restructured loan have been collected.

Furthermore, such restructured NPL being reclassified as a performing restructured Stage 2 loan may be excluded from the scope of further restructuring if all the following conditions are met: (a) such loan has been monitored as a restructured loan under Stage 2 at least for one year, (b) at least 10 per cent. of the outstanding debt amount has been repaid during such one year monitoring period, (c) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (d) the financial difficulty that led to the restructuring of the loan no longer exists. On 15 August 2018, the BRSA published an amendment regulation to the 2016 Provisioning Regulation, introducing the possibility of a performing restructured loan being reclassified as a Stage 1 loan, after being monitored as a restructured loan at least for three months and if conditions (c) and (d), above, are met (without seeking the satisfaction of conditions (a) and (b), above). Further, the same amendment regulation has provided that changes to the loan terms, or partial or full refinancing of loans which are classified as Stage 1 and that are not in distress, will not be considered a restructuring and may continue to be monitored under Stage 1.

Collateral Classifications Prior to 1 January 2018

Prior to 1 January 2018, banks were also required to monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatisation Administration and transactions made against promissory notes, debenture bonds, lease certificates and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organisation for Economic Co-operation and Development (the “OECD”), (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank, (f) sureties, letters of guarantee, avals and acceptance and endorsement of non-cash loans issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds, debentures and covered bonds issued, or lease certificates the underlying assets of which are originated, by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities, (j) commercial receivable insurance policies, and (k) Credit Guarantee Fund sureties which do not have Undersecretariat of Treasury support.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) vehicle pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) other promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower is deducted from such borrower’s loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	Discount Rate
Category I collateral	100%
Category II collateral.....	75%
Category III collateral	50%
Category IV collateral	25%

Application of the 2016 Provisioning Regulation

Pursuant to the 2016 Provisioning Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; however, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the 2016 Provisioning Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, “twelve-months expected credit loss reserve” and “lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor” are considered as general provisions while “lifetime expected credit loss reserve set aside due to debtor’s default” is considered a special provision.

The Bank adopted TFRS 9 on 1 January 2018 and has applied provisions for its loans pursuant to TFRS since that date. Certain banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the 2016 Provisioning Regulation. In this respect, such banks shall set aside general provisions for at least 1.5 per cent. and 3.0 per cent. of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside shall be calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2016 Capital Adequacy Regulation.

In respect of both general and special provisions, banks are required to consider country and transfer risks. In addition, the BRSA may increase such provision requirements on a case by case basis, including on the basis of banks or loans, taking into account the concentration, from time to time, in matters such as loan size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, security, and the credit risk level and management.

According to the amendments to the 2013 Equity Regulation and the 2016 Capital Adequacy Regulation that will become effective from 1 January 2020, general provisions will, from that date, no longer be allowed to be included in the supplementary capital (i.e. Tier II capital) of Turkish banks and will be deducted from their risk-weighted assets.

Collateral Classifications Post-1 January 2018

After the adoption of TFRS 9, the Bank uses five collateral classification categories as follows:

Discount Ratio	%
Category I Collateral	100
Category II Collateral	80
Category III Collateral	60
Category IV Collateral	40
Category V Collateral.....	20

The Bank determines the amount of provisions for NPL loans on an “individual assessment” basis. TFRS 9 allows such provisions to be determined on either an “individual assessment” or a “model-based calculation” basis. Due to the small number of NPLs held by the Bank, the Bank elects to determine such provisions on an “individual assessment” basis.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the 2016 Provisioning Regulation also increased the number of categories of collateral (from four to five), amended the criteria for inclusion in such categories, and amended the proportions to be deducted, in order to determine the net realisable values of the collateral, from the borrower’s NPLs.

Capital Adequacy

Article 45 of the Banking Law defines “Capital Adequacy” as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA’s regulations, cannot be less than 8 per cent.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank’s internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the legal capital ratio of 8 per cent.

In order to implement the rules of the report titled “A Global Regulatory Framework for More Resilient Banks and Banking Systems” published by the Basel Committee in December 2010 and revised in June 2011 (i.e., Basel III) into Turkish law, the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e. Tier I capital), which is composed of core capital and additional principal capital (i.e. additional Tier I capital) and (b) supplementary capital (i.e. Tier II capital) minus capital deductions.

The BRSA published the 2016 Capital Adequacy Regulation in the Official Gazette No. 29511 on 23 October 2015, which entered into force on 31 March 2016, at which time it replaced the 2012 Capital Adequacy Regulation. Pursuant to the 2016 Capital Adequacy Regulation: (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent. and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0 per cent.

The 2016 Capital Adequacy Regulation mostly maintained the capital adequacy ratios introduced by the previous 2012 Capital Adequacy Regulation, but changed certain items including: (a) increasing the risk weights of foreign exchange-denominated required reserves in the Central Bank from 0 per cent. to 50 per cent. (however, on 24 February 2017, the BRSA amended its guidance to reverse this change and to allow foreign exchange-denominated required reserves held with the Central Bank to remain subject to a 0 per cent. risk weight), and (b) exclusion of free provision for possible losses from capital calculations. The new amendments to the 2016 Capital Adequacy Regulation also lowered the risk weights of certain assets, including reducing: (a) the risk weights of loans collateralised by residential real estate from 50 per cent. to 35 per cent., (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the 2016 Capital Adequacy Regulation and instalment payments of credit cards from a range of 100 per cent. to 250 per cent. (depending upon their outstanding tenor) to 75 per cent. (irrespective of their tenor); provided that such receivables are not re-classified as “non-performing loans” and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20 per cent. to 0 per cent. Further changes include a credit valuation adjustment in the calculation of counterparty credit risk and a shift to calculating the risk weight of short term bank and securities firms using the original maturity date rather than the residual maturity date. These revisions are expected to result in a slight decline in the Group’s capital adequacy ratio.

While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey. However, the Turkish rules implementing the Basel principles in Turkey (the “Turkish National Discretion”) revised this general rule by providing that all TL-denominated claims on sovereign entities in Turkey and the

Central Bank shall have a 0 per cent. risk weight. According to the 2016 Capital Adequacy Regulation, only TL-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0 per cent. risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves will be increased from 0 per cent. to 50 per cent. According to the guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank will now also be subject to a 0 per cent. risk weight.

In addition, the Regulation on the Capital Conservation and Countercyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812. Both regulations entered into force on 1 January 2014 (with the exception of certain provisions of Regulation on the Measurement and Evaluation of Leverage Levels of Banks which entered into force on 1 January 2015). The Regulation on the Capital Maintenance and Countercyclical Capital Buffer provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks was 1.25 per cent. for 2017 and 1.875 per cent. for 2018, which will be phased to 2.5 per cent. through 2019. The BRSA published: (a) its decision dated 18 December 2015 No. 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 No. 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0 per cent. of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio may fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks.

The BRSA also published the D-SIBs Regulation on 23 February 2016 in line with the requirements of Basel III, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology uses an indicator-based approach to identify and classify D-SIBs in Turkey under four different categories: size, interconnectedness, lack of substitutability and complexity. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. As of 1 January 2019, these buffers are to be applied as 3 per cent. for Group 4 banks, 2 per cent. for Group 3 banks, 1.5 per cent. for Group 2 banks and 1 per cent. for Group 1 banks. In 2016, capital buffer requirements for D-SIBs were introduced at one-fourth of the full requirements (i.e., Group 4: 0.75 per cent.; Group 3: 0.5 per cent., Group 2: 0.375 per cent. and Group 1: 0.25 per cent.). The buffers are to be fully implemented by 2019 subject to a transitional period as set out below:

	2016	2017	2018	2019
Groups				
Group 4 (empty group).....	0.75%	1.50%	2.25%	3.00%
Group 3	0.50%	1.00%	1.50%	2.00%
Group 2	0.375%	0.75%	1.125%	1.50%
Group 1	0.25%	0.50%	0.75%	1.00%

As of the date of this Base Prospectus, the Bank is not identified as a D-SIB. Following the amendments to certain regulations and communiqués of the BRSA as published in the Official Gazette dated 23 October 2015 and numbered 29511, the BRSA published several new amendments to its regulations and communiqués on matters such as internal capital adequacy ratios and internal systems (as published in the Official Gazette dated 20 January 2016 and numbered 29599) in accordance with the RCAP, which is conducted by the BIS and reviews Turkey’s compliance level with Basel regulations. These new amendments included revisions relating to internal systems and internal capital adequacy ratios and entered into force on 20 January 2016 and, with regard to the 2013 Equity Regulation and the 2016 Capital Adequacy Regulation, entered into force on 31 March 2016.

In addition, recent regulatory changes include BRSA Letter No. 10513 dated 12 August 2018 and BRSA Letter No. 10578 dated 13 August 2018. Under Letter No. 10513, the valuation differences of the securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount in the capital adequacy ratio calculation as of 12 August 2018. Under Letter 10578, the foreign exchange bid rate to be used in the calculation of amount subject to credit risk shall be determined as the higher of average CBRT’s foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018. These resolutions were revoked by the BRSA in December 2018 and thus are not reflected in the 31 December 2018 financial statements.

Under the 2013 Equity Regulation, debt instruments and their issuance premia can be included either in additional Tier I capital or in Tier II capital subject to certain conditions; however, such amount is required to be reduced by the amount of any cash credit extended to creditors holding 10 per cent. or more of such debt instruments of a bank (or to any person within such creditors’ risk group).

In accordance with Basel III rules and the ICAAP Regulation (which implements Basel III rules), each bank is required to prepare an internal capital adequacy assessment process report (“ICAAP Report”) representing its own assessment of its capital requirements. Annual filings of the ICAAP Report are required to be made at the end of March in each year together with the stress test reports, internal audit report and validation report. The latest ICAAP Report was submitted in March 2018, and the Board of Directors of a bank is responsible for the maintenance of adequate equity to ensure the establishment and implementation of the ICAAP Report.

See also a discussion of the implementation of Basel III in “— *Basel Committee — Basel III*” below.

Tier II Rules under Turkish Law

Previous Tier II Rules. Secondary subordinated debts were, until 31 December 2013, regulated under the 2006 Equity Regulation. This section thus describes the rules previously applicable to the Bank’s secondary subordinated debts that were issued before 1 January 2014, which rules continue to apply to such subordinated debts notwithstanding the 2013 Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (i.e. the bank’s own funds) consists of main capital and supplementary capital minus capital deductions. In the relevant definition, “secondary subordinated loans” (which as defined can also include bonds) are listed as one of the items that constitute a bank’s supplementary capital (i.e. Tier II capital); however, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such “secondary subordinated loans”. Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of Tier I capital plus the total secondary subordinated debts that, in aggregate, exceeds 50 per cent. of Tier I capital is not taken into consideration in the calculation of Tier II capital. During

the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the Tier II capital would be reduced by 20 per cent. per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of Tier II capital. Any cash credits extended by the bank to the provider(s) of the “secondary subordinated loans” (if debt instruments, to the investor(s) holding 10 per cent. or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier II capital. A secondary subordinated debt is taken into account in the calculation of Tier II capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a “secondary subordinated loan”. In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarised copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five business days of the signing of such agreement). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

- (a) the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; it being understood that interest and other charges may be payable during such five year period;
- (b) there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined;
- (c) the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts;
- (d) it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank;
- (e) it must be utilised as one single drawdown if utilised in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument; and
- (f) payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA may not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilisation), they would be required to apply for the BRSA’s permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank’s credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (i.e. not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

New Tier II Rules. According to the 2013 Equity Regulation (which includes provisional articles relating to the transition period to the new Tier II rules), which came into force on 1 January 2014 (as amended by the Equity Regulation Amendments, which amendments came into force on 31 March 2016), Tier II capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and issuance premia and the debt instruments that have been approved by the BRSA upon the application of board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with conditions set forth below (the “New Tier II Conditions”):

- (a) the debt instrument shall have been issued by the bank and approved by the Capital Markets Board of Turkey and shall have been fully collected in cash;
- (b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors;
- (c) the debt instrument shall not be related to any derivative operation or contract nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly, in a manner violating the condition stated in clause (b);
- (d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate;
- (e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:
 - (i) the bank should not create any market expectation that the option will be exercised by the bank;
 - (ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank’s ability to sustain its operations; or
 - (iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2016 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer, (B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any),

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; provided that the above conditions in this clause (e) are met and the BRSA approves;

- (a) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer;
- (b) the debt instrument’s dividend or interest payments shall not be linked to the creditworthiness of the issuer;
- (c) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;

- (d) if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the bank's loss, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides;
- (e) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above; and
- (f) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under subsection 8(2)(d) of the BRSA Equities Regulation.

Furthermore, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except approval by the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the 2013 Equity Regulation also provides that general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate credit risk amounts of the applicable receivables) can be included in Tier II capital subject to an amended limit for general provisions and a new limit for surplus of provisions and capital deductions. In the 2006 Equity Regulation, the portion of the general provisions that exceeded 125 parts per 10,000 of the total risk-weighted assets (i.e. risk-weighted assets related to credit risk, market risk and operational risk) had not been taken into consideration in calculating the Tier II capital. In the 2013 Equity Regulation, the portion of general provisions that exceeds 125 parts per 10,000 of the risk-weighted sum of the receivables that are subject to a standardised approach in accordance with the 2012 Capital Adequacy Regulation and/or the portion of the surplus of provisions and capital deductions that exceeds six parts per 1,000 of the receivables to which they relate shall not be included in Tier II capital. However, as of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (i.e. Tier II capital) of Turkish banks and the aforementioned limit which is calculated on the basis of risk-weighted assets related to credit risk will not be applicable.

Furthermore, in addition to the New Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier II capital are required to be accompanied with the original copy or a notarised copy of the applicable agreement(s) or CMB's letter approving the issuance of the respective debt instrument; or, if an applicable agreement is not yet signed, a draft of such agreement. The amendments to the 2013 Equity Regulation, which entered into force on 31 March 2016, provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier II capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı izahnamesi*), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA may not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

The Equity Regulation Amendments introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier I and Tier II instruments prior to 1 January 2014. While the Group does not have any additional Tier I instruments, according to these amendments, Tier II instruments that were issued (among others): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier II Conditions other than the condition stated in sub-clause (i) of the New Tier II Conditions (i.e. the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of the bank's management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier II calculations after being reduced by 20 per cent. for the period between 1 January 2014 and 31 December 2014 and by 10 per cent. for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier II calculations only if they satisfy all of the New Tier II Conditions.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20 per cent. each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 100 per cent. risk weighting for Turkey according to credit quality assessments; however, the Turkish rules implementing the Basel principles in Turkey (i.e. the "Turkish National Discretion") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Central Bank will have a 0 per cent. risk weight. Nonetheless, required reserves related claims will have a 0 per cent. risk weight rather than all foreign currency-denominated claims on the Central Bank.

Basel III. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, both of which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorised under "other assets". The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, including those published in the Official Gazette dated 23 October 2015 and numbered 29511, dated 20 January 2016 and numbered 29599 and dated 23 February 2016 and numbered 29633, some of which amendments also entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "*Turkish Regulatory Environment – Capital Adequacy*" above.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank. The Regulation on Liquidity Coverage Ratios, published in the Official Gazette dated 21 March 2014 and numbered 28948, seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period.

The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and unconsolidated liquidity and 80 per cent. in respect of total consolidated and unconsolidated foreign exchange liquidity; however, pursuant to the BRSA decision on Liquidity Ratios dated 26 December 2014 and numbered 6143 (the “BRSA Decision on Liquidity Coverage Ratios”), for a period from 1 January 2016 to 31 December 2016, such ratios were applied as 70 per cent. and 50 per cent., respectively, and, pursuant to the BRSA Decision on Liquidity Coverage Ratios, such ratios shall be applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. Accordingly, from 1 January 2018, the ratios were applied as 90 per cent. and 70 per cent. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year. This includes non-compliance that has already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including non-compliance that has already been remedied. The BRSA is implementing the transition period provided under Basel regulation for liquidity coverage ratio limits for deposit banks and the BRSA Decision on Liquidity Coverage Ratios further provides that a 0 per cent. liquidity adequacy ratio limit applies to deposit banks.

The BRSA decided that the development and investment banks could follow a 0 per cent. legal liquidity coverage ratio requirement with its decision dated 12 December 2016 and numbered 7123 until it is determined otherwise. Although the liquidity coverage ratio requirement is also currently determined as 0 per cent. for development and investment banks, the BRSA is entitled to increase the ratio from 2018 onward at any time and such banks are still required to calculate and report their liquidity coverage ratios to the BRSA.

Pursuant to the Communiqué Regarding Reserve Requirements, the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 28 May 2019 and numbered 30787 (the “Communiqué Regarding Reserve Requirements”), the reserve requirements starting from 17 May 2019 and onwards for foreign currency liabilities, are as set forth below:

	Required Reserve Ratio
Category of Foreign Currency Liabilities	
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to one-month, three-month, six-month and one-year maturities	15%
Deposit/participation accounts with maturities of one-year and longer	11%
Other liabilities up to one-year maturity (including one-year).....	21%

	Required Reserve Ratio
Category of Foreign Currency Liabilities	
Other liabilities up to two-year maturity (including two-year)	16%
Other liabilities up to three-year maturity (including three-year)	11%
Other liabilities up to five-year maturity (including five-year).....	7%
Other liabilities longer than five-year maturity	5%
Borrowers' deposit accounts held at development and investment banks ⁽¹⁾	15%

Note:

- (1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

Pursuant to the Communiqué Regarding Reserve Requirements, the reserve requirements starting from 8 February 2019 regarding Turkish Lira liabilities vary by category, as set forth below:

	Required Reserve Ratio
Category of Turkish Lira Liabilities	
Demand deposits, notice deposits and private current accounts	7%
Deposits/participation accounts up to one-month maturity (including one-month)	7%
Deposits/participation accounts up to three-month maturity (including three-month).....	7%
Deposits/participation accounts up to six-month maturity (including six-month)	4%
Deposits/participation accounts up to one-year maturity	2%
Deposits/participation accounts with maturities of one-year and longer.....	1%
Other liabilities up to one-year maturity (including one-year).....	7%
Other liabilities up to three-years maturity (including three-years)	3.5%
Other liabilities longer than three-year maturity	1%
Borrowers' deposit accounts held at development and investment banks ⁽¹⁾	7%

Note:

- (1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. Dollars and/or Euro and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. Dollar-denominated liabilities in U.S. Dollars only.

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements in May 2019, banks are permitted to maintain: (a) up to a maximum of 30 per cent. of the Turkish Lira reserve requirements in U.S. Dollars (first 20 per cent. at 1.0 times, second 5 per cent. at 1.4 times, third 5 per cent. at 1.7 times the reserve requirement) and up to a maximum of 30 per cent. of the Turkish Lira reserve requirements in standard gold (first 15 per cent. at 1.6 times, second 5 per cent. at 1.7 times, third 5 per cent. at 2.1 times, and fourth 5 per cent. at 2.5 times the reserve requirement) and (b) up to the entire amount of reserve requirements that should be maintained for precious metal deposit accounts should be maintained in the form of standard gold in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their U.S. Dollar denominated liabilities in U.S. Dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- (a) its total liabilities;
- (b) its total non-cash loans and obligations;
- (c) its revocable commitments multiplied by 0.1;
- (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

In December 2018 and January 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (a) funds acquired on the Borsa İstanbul with repo transactions and (b) deposits and participation funds of official institutions. These amendments also removed a temporary article that distinguished the reserve requirement regime applicable to foreign currency liabilities other than deposits and participation funds that existed up to and prior to 28 August 2015 from those created after such date. The Central Bank further amended the Communiqué Regarding Reserve Requirements on 16 February 2019 to decrease the Turkish Lira reserve ratios for: (i) deposit/participation accounts (excluding deposit/participation accounts held with foreign banks) with a maturity of: (A) up to one year, by 1%, and (B) one year and longer, by 0.5%, (ii) borrowers' deposit accounts held with development and investment banks by 1% and (iii) other liabilities, including deposit/participation accounts held with foreign banks, with a maturity of: (A) up to one year (including one year), by 1%, (B) up to three years (including three years), by 1%, and (C) more than three years, by 0.5%. On 9 May 2019, the Central Bank reduced the upper limit of the foreign exchange maintenance facility within the Reserve Options Mechanism from 40% to 30%. In addition, the Central Bank increased the reserve requirement ratios for foreign exchange liabilities by 100 basis points for all maturity brackets. On 27 May 2019, the Central

Bank further increased the reserve requirement ratios for foreign exchange deposits by 200 basis points for all maturity brackets.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
Following the fourth quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

According to a Central Bank press release dated 21 October 2014 (No. 2014-72), interest is payable on the Turkish Lira portion of reserve requirements as of November 2014.

According to the Regulation on the Measurement and Evaluation of the Liquidity Adequacy of Banks issued by the BRSA and announced in the Official Gazette dated 1 November 2006 and numbered 26333, the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. On a weekly basis, a bank must maintain: (a) a 100 per cent. liquidity adequacy ratio for the first maturity period (assets and liabilities maturing within seven days are taken into account in calculations on a weekly average as defined by the regulation) and the second maturity period (assets and liabilities maturing within 31 days of the last working day are taken into account) on an aggregate basis and (b) a 80 per cent. liquidity adequacy ratio on a foreign currency-only basis.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base, issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the unconsolidated and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20 per cent., which calculation is required to be made on a weekly basis for unconsolidated and monthly basis for consolidated financial statements. The net foreign exchange position is the difference between the Turkish Lira-equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's boards of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation Independent Audit of Banks, published in the Official Gazette on 2 April 2015 and numbered 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year- end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The ICAAP Regulation established standards as to principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

On 23 October 2015 and 20 January 2016, the BRSA issued certain amendments to the ICAAP Regulation to align the Turkish regulatory capital regime with Basel III requirements imposing new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among other things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

The BRSA amended the Regulation on Principles and Procedures of Audits on 23 October 2015 to expand the scope of the audit of banks in compliance with the RCAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- (a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- (b) the bank is not complying with liquidity requirements;
- (c) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit;
- (d) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- (e) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure;
- (f) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- (g) such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems; or
- (h) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

- (i) to increase its equity capital;
- (ii) not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- (iii) to increase its loan provisions;
- (iv) to stop extension of loans to its shareholders;
- (v) to dispose of its assets in order to strengthen its liquidity;
- (vi) to limit or stop its new investments;
- (vii) to limit its salary and other payments;
- (viii) to cease its long-term investments;
- (ix) to comply with the relevant banking legislation;
- (x) to cease its risky transactions by re-evaluating its credit policy;
- (xi) to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA; and/or
- (xii) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA

determines that taking such actions will not lead to getting a favourable result, then the BRSB may require such bank to:

- (a) strengthen its financial structure, increase its liquidity and/or increase its capital adequacy;
- (b) dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- (c) decrease its operational and management costs;
- (d) postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees;
- (e) limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- (f) convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above;
- (g) implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing; and/or
- (h) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to getting a favourable result, then the BRSB may require such bank to:

- (a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period;
- (b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation;
- (c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them;
- (d) make available long-term loans; provided that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders;
- (e) limit or cease its non-performing operations and to dispose of its non-performing assets;
- (f) merge with one or more other interested bank(s);
- (g) provide new shareholders in order to increase its equity capital;
- (h) deduct any resulting losses from its own funds; and/or
- (i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may cancel the operating licence of such bank or, if such bank is not a development and investment bank, transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; provided that any loss is deducted from the share capital of current shareholders.

In the event that the operating licence of the Bank or another development and investment bank is cancelled, then such development and investment bank will be liquidated pursuant to the Turkish Commercial Code (No. 6102) and general execution and bankruptcy rules of the Republic of Turkey.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international accounting standards) when preparing their annual reports, Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade in the Official Gazette numbered 28395 and dated 28 August 2012, as well as the Corporate Governance Communiqué published in the Official Gazette dated 3 January 2014 and numbered 28871, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, evaluation of the year, information on the bank's corporate governance practices, corporate governance compliance report, assessment of financial standing, profitability and solvency, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

According to the Communiqué on Financial Reporting Standards in Capital Markets published in the Official Gazette dated 13 June 2013 and numbered 28676 and the BRSA regulations, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to CMB regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders on the Public Disclosure Platform and published on the Bank's website at least three weeks before the annual general assembly of the bank. Pursuant to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to the shareholders at least 15 days before the annual general assembly of the bank. Banks must also submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition, they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Disclosure of Financial Statements

The BRSA published amendments to the Communiqué on Financial Statements to be Disclosed to the Public, which entered into force on 31 March 2016, and set forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks published in the Official Gazette dated 23 October 2015 and numbered 29511 (the "Communiqué on Public Disclosure regarding Risk Management of Banks") and the 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the 2013 Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier 1 capital) and supplementary capital (i.e., Tier II capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control process.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué No. II-17.1 replacing the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 dated 30 December 2011. The Corporate Governance Communiqué provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the BİST, whereas some others are applicable solely to companies whose shares are traded in certain markets of the BİST. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the BİST.

As of the date of this Base Prospectus, the Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute one-third of the board of directors and should not be fewer than two; however, publicly traded banks are required to appoint at least three independent board members to their board of directors. The members of a bank's audit committee are qualified as independent board members, in which case the above-mentioned qualifications for independent members are not applicable; provided that when all independent board members are selected from the audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1 Group and 2 Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee", if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The Corporate Governance Communiqué also requires listed companies, except banks, to establish certain other board committees. The Bank is classified as a "1 Group" company.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions

and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

In addition to the provisions of the Corporate Governance Communiqué related to the remuneration policy of banks, the BRSA published a guideline on good pricing practices in banks on 26 October 2015 (which entered into force on 31 March 2016). This guideline sets out the general principles for employee remuneration as well as standards for remuneration to be made to the board of directors and senior management of banks.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

In an effort to ensure compliance with FATF, measures to combat the financing of terrorist activities in Turkey were introduced with the entry into force of Law No. 6415 on the Prevention of the Financing of Terrorism (the “CFT Law”) on 16 February 2013. In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduced an expanded scope to the financing of terrorism offense (as defined under Turkish anti-terrorism laws). The CFT Law also presented new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On 31 May 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of frozen assets. In addition, the Council of Ministers’ Decree dated 30 September 2013 implementing United Nations Security Council Resolutions 1267, 1988 and 1989 and recent court decisions have further improved Turkey’s compliance with the FATF standard on criminalisation of terrorist financing.

On 21 June 2014, “The Financial Crimes Investigation Board General Communiqué No. 12” (the scope of which consists of rules regarding: (a) the necessary actions to be taken by persons, institutions and organisations that keep assets or records of such assets in accordance with the provisions of applicable law for the enforcement of decisions to freeze assets, and (b) the management of frozen assets in accordance with provisions of applicable law within the scope of the permission granted by Financial Crimes Investigation Board) became effective.

Foreign Exchange Legislation

F/X Loan Restriction

Decree 32 and the Capital Movements Circular of the Central Bank of Turkey (“Capital Movements Circular”) have been amended, effective as of 2 May 2018, in order to introduce new restrictions on Turkish resident legal entities utilising foreign currency loans from Turkey and outside of Turkey. While the new regime continues to maintain the existing prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange indexed loans, it further introduces a strict prohibition on Turkish resident non-bank legal entities (“Corporate Borrower”) utilising foreign currency indexed loans and also brings in new restrictions on Corporate Borrowers utilising foreign currency loans (“F/X Loan Restriction”).

Accordingly, a Corporate Borrower shall only be permitted to utilise foreign currency loans if (i) it generates foreign currency-denominated income (which is defined as “the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities” in the new legislation, activities which are accepted as foreign currency income and other activities to be approved by the relevant Ministry) (the “F/X Income Exemption”); (ii) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the “Activity Exemption”); or (iii) if, as of 2 May 2018, the unpaid outstanding balance of its total foreign currency loans (“Loan Balance”) is more than U.S.\$15 million.

As far as the F/X Income Exemption is concerned, if the Loan Balance of a Corporate Borrower is below U.S.\$15 million, the sum of the foreign currency loan to be utilised and the existing Loan Balance must not be more than the combined value of its foreign currency incomes as stated in its financial statements for the last three financial years. The Turkish-resident financial institution lenders are obliged to control whether such Corporate Borrower complies with this rule. In case of any non-compliance with the F/X Loan Restriction rules, the Turkish-resident financial institution lenders are obliged to either cancel or convert into Turkish Lira, the portion of the foreign currency loan that exceeds this value. In case of a breach of Decree 32 and the relevant legislation, an administrative monetary fine may be imposed.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of, among others, (i) a domestic tender with an international element awarded to such Corporate Borrower; (ii) defence industry projects approved by the Undersecretariat of Defence Industry; (iii) public private partnership projects; or (iv) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency incomes (*muhtemel döviz geliri*). In order for a Corporate Borrower to benefit from the Activity Exemption summarised in item (iv), it must not have any foreign currency revenue within the last three financial years (which otherwise, would be subject to the F/X Income Exemption) and the maximum amount of foreign currency loan such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign revenue.

The Ministry of Treasury and Finance is entitled to extend the scope of the Activity Exemption, and has exercised such authority in respect of, among others, privatisation tenders, public tenders awarded with an F/X consideration, unlicensed electricity generation projects within this scope and the F/X loans to be used by fully owned (directly or indirectly) Turkish subsidiaries of foreign companies from other group companies resident abroad.

F/X Transaction Restriction

Furthermore, Presidential Decree No. 85 on Amendments to Decree No. 32 published in the Official Gazette numbered 30534 and dated 13 September 2018 amended Decree No. 32 by adding a new Article 4(g) to restrict the F/X transactions between Turkish residents. Following this amendment, Communiqué no. 2018-32/51 on

Amendments to Communiqué numbered 2008-32/34, published in the Official Gazette numbered 30557 and dated 6 October 2018 came into force on 6 October 2018 (the “Communiqué”), and it further specifies the scope of the restriction, introduces a number of exemptions, and provides calculation methods for the conversion of existing foreign currency agreements into Turkish Lira. Under this amendment, contract prices and other payment obligations specified in certain types of agreements executed between persons residing in Turkey must now be denominated in Turkish Lira. Accordingly, monetary obligations stipulated in sales and lease agreements for real estate property and vehicles, agreements to commission a work, service agreements (including consultancy, transportation and brokerage agreements) and employment agreements can no longer be determined in foreign currency or indexed to foreign currency, but need to be set in Turkish Lira. Additionally, contract prices of such agreements cannot be determined based on foreign currency-denominated precious metals or similar commodities. On 16 November 2018, the Communiqué and the scope of the exemptions were amended.

Among other exemptions, capital markets instruments (including the Notes) are exempted from this new set of restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law No. 6362 and its secondary legislation, as well as the determination of obligations in connection therewith, may be denominated in, or indexed to, foreign currency.

The impact of the F/X Transaction Restriction may have a negligible negative impact on the Bank in the short term, but the Bank’s management believes that this is a prudent action in the mid- to long-term in order to reduce the dependency of the Turkish economy on the U.S. Dollar and to de-dollarise the Turkish economy.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 (the “Enforcement and Bankruptcy Law”) prevents a contractual arrangement under which a contractual event of default clause is stipulated to be triggered on any application being made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of the Enforcement and Bankruptcy Law. In addition, on 15 March 2018, changes were introduced to the Enforcement and Bankruptcy Law including a provision that the contractual termination, default and acceleration clauses of an agreement cannot be triggered by the debtor making a concordat (*konkordato*) application under the Enforcement and Bankruptcy Law and such application not to constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the “Restructuring Regulation”) pursuant to which a framework agreement (the “Framework Agreement”) was drafted by the Banks Association of Turkey. On 19 September 2018, the Banks Association of Turkey announced that Turkish banks (including the Bank) and other financial institutions, whose shares correspond to approximately 90 per cent. of the total loans in the market, executed the Framework Agreement, which entered into force on the same date following the approval of the BRSA. The main aim of the regulation is to enhance the repayment ability of debtors in repaying their debts to the financial sector in order for these companies to sustain their operations and contribute to the employment in Turkey. The Framework Agreement determined: (a) the scope of debts to be restructured, (b) the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor’s eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. According to the Framework Agreement, debtors that have a principal debt of more than TL 100 million (including cash and non-cash debt) are eligible to apply to restructure their debts. As such, certain borrowers of the Issuer may apply for restructuring of their debt.

In this respect, eligible creditors (the “*Creditors*”) that have signed or will be signing the Framework Agreement will constitute a creditors consortium and, to the extent that a debtor is able to meet certain eligibility conditions set out in the Restructuring Regulation and the Framework Agreement (together the “New Restructuring

Framework”) it will have the right to apply to one of the three Creditors carrying the highest three exposures to initiate the restructuring process. Pursuant to the Framework Agreement, when a debtor makes an application for restructuring, there is a minimum 90 day standstill period, which can be extended to 150 days. If the restructuring agreement is signed, then, during the standstill period, all enforcement actions by the respective Creditors that sign the Framework Agreement are suspended and no new enforcement action can be initiated by such Creditors against such debtor. The debtor and any related party (including such debtor’s subsidiaries, other affiliates and their respective shareholders) are under the “equal treatment” principle during the standstill period, which requires them not to favour any Creditor over any other Creditor. Following the negotiations, if a restructuring protocol is entered into between such number of Creditors representing at least two-thirds of the outstanding debt of the debtor that has been agreed to be restructured under the Framework Agreement, then all Creditors that have signed the Framework Agreement must restructure their loans to such debtor. According to the New Restructuring Framework, a restructuring protocol may (*inter alia*) provide for a reduction of restructured debt, extension of maturities of the restructured debt, extension of new money loans, introduction of new framework for the governance of the debtor, injection of shareholder equity contribution, disposal of certain parts of the business of the debtor and the provision of additional collaterals. The Restructuring Regulation was further amended on 21 November 2018 to enable foreign credit institutions to participate in the restructuring process under the Framework Agreement. According to the Restructuring Regulation, only debtors that are expected to gain the financial ability to repay their obligations in a reasonable period of time are allowed to benefit from financial restructuring. To this end, the solvency of such debtors that would like to benefit from a restructuring scheme is to be determined by the entities specified in the Framework Agreement. The Framework Agreement was approved by the BRSA on 5 February 2019. Furthermore, a draft law on restructuring (the “Draft Restructuring Law”) was circulated to Turkish banks for their review and the Banks Association of Turkey sent the banks’ input to the BRSA on 25 September 2018. The Draft Restructuring Law contemplates certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring.

Other Legislative Amendments and BRSA Decision

A new Communiqué numbered 2018-32/48 regarding export prices published in the Official Gazette numbered 30525 and dated 4 September 2018 came into force on 4 September 2018 which obliges exporters to sell 80 per cent. of their foreign currency export revenues to Turkish banks within 180 days following the date of the export. This obligation applies to all Turkish resident exporters and the exporters are liable for fulfilment of those obligations and the intermediary banks need to monitor compliance. The BRSA extended the application of this provision to one year from the effect date of the requirement (i.e., until 4 September 2019).

In addition to the above, the BRSA capped Turkish banks’ swap, spot and forward transactions with foreign entities to 25 per cent. of the bank’s regulatory capital. New transactions will not be executed or renewed until the current excess is down to 25 per cent. which will be calculated on a daily basis. However, the transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. Separately, when calculating the transactions falling within the scope of the 25 per cent. threshold, local banks should consider transactions having a maturity of (i) 90 to 360 days as 75 per cent. and (ii) no less than 360 days as 50 per cent.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the CRA within three Turkish business days from the date of issuance of any Notes, of the amount, issue date, ISIN (if any), the first payment date, maturity date, interest rate, name of the custodian, currency of the Notes and country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by NYSE Euronext and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with Direct Participants, “Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes (“Beneficial Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners who hold interests in DTC Notes through Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the relevant Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner holds its interest in the DTC Notes. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf

of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and which, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions.*"

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants or if not possible to so effect it, to withdraw its Registered Notes from DTC as described below.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell,

pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of a number of currencies, including U.S. Dollars and Turkish Lira. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg accountholders.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition,

beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Notes

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Note(s) accepted in its book-entry settlement system. Upon the issue of any such Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by such Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer or investor. Interests in such a Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to accountholders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of Euroclear and/or Clearstream, Luxembourg accountholders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg accountholders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer or investor. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian (“Custodian”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Tranche, transfers of Notes of such Tranche between account holders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Tranche between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in Notes. This summary does not address all aspects of Turkish or any other tax law. While this summary is considered to be a correct interpretation of existing laws in force as of the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that may be relevant to an investor in light of such investor's particular circumstances. Prospective purchasers of Notes are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that may arise in respect thereof under the laws of any relevant state, municipality or other taxing jurisdiction.

References to "resident" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that

has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes issued abroad by Turkish corporates (such as Notes issued under the Programme) is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7 per cent. withholding tax for notes with an original maturity of less than one year;
- 3 per cent. withholding tax for notes with an original maturity of at least one year and less than three years; and
- 0 per cent. withholding tax for notes with an original maturity of three years and more.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 40,000 for 2019 together with the gains from other marketable securities and real income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; however, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by the Law No. 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Notes are subject to income tax or corporate tax declaration. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting periods of 2018, 2019 and 2020. The current rate for individuals ranges from 15% to 35% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 7 per cent. and 0 per cent. (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term “beneficial owner” is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the relevant jurisdiction in which the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant jurisdiction on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax

office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme and the relevant supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. This summary deals only with purchasers of Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term will be discussed in the applicable Final Terms.

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Turkey (the “Treaty”), all as of the date hereof and subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT

THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

The following summary applies to Notes that are properly treated as debt for U.S. federal income tax purposes.

Payments of Interest

General

Interest on a Note, whether payable in U.S. dollars or a currency other than U.S. dollars (a “foreign currency”), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount—General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such U.S. Holder’s method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by the Issuer on the Notes and original issue discount (“OID”), if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") generally will constitute income from sources outside the United States.

Time of Inclusion for Certain Accrual Basis U.S. Holders

Under the Code, U.S. Holders that maintain certain types of financial statements and use the accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on their financial statements. The application of this rule may require U.S. Holders that maintain such financial statements to include certain amounts realized in respect of the Notes in income earlier than would otherwise be the case under the rules described below, although the precise application of this rule is unclear at this time. For Notes issued with OID, this rule generally will be effective for tax years beginning after December 31, 2018. U.S. Holders that use the accrual method of accounting should consult their tax adviser regarding the potential applicability of this rule to their particular situation.

Effect of Turkish Withholding Taxes

As discussed in "*Taxation—Certain Turkish Tax Considerations*", payments of interest and OID on the Notes to non-Turkish resident investors may be subject to Turkish withholding taxes. As discussed under "*Terms and Conditions of the Notes—Condition 9*", the Issuer is generally liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Turkish withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders would be treated as having actually received the amount of Turkish taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the Turkish taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder generally will be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Turkish income taxes withheld by the Issuer. Interest generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of Turkish withholding taxes.

Original Issue Discount

General

The following is a summary of certain U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the applicable Final Terms may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID (a "Discount Note") if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "instalment obligation") will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*—Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes generally must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

Subject to the discussion below under "*Election to Treat All Interest as Original Issue Discount*", a U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include such OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the U.S. Internal Revenue Service ("IRS").

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the sale or retirement of a Market Discount Note (including any payment on a Note that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year for which the election is made. This election may not be revoked without the consent of the IRS.

A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. Such interest is deductible when paid or incurred to the extent of income from the Note for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Variable Interest Rate Notes

Notes that provide for interest at variable rates ("Variable Interest Rate Notes") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less

followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect

to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, all of the remaining payments on the Discount Note other than qualified stated interest, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original Issue Discount—Election to Treat All Interest as Original Issue Discount*".

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Original Issue Discount—General*," with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "*Notes Purchased at a Premium*") or acquisition premium. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed above under "*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Purchase, Sale and Retirement of Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Original Issue Discount—Market Discount*" or "*Original Issue Discount—Short Term Notes*", gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable

to any Turkish withholding tax imposed on a sale or disposition. Prospective purchasers should consult their tax advisers as to the availability of and limitations on any foreign tax credit attributable to any Turkish withholding tax.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale or disposition of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Note,

the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Note matures.

Sale or Retirement

As discussed above under "*Purchase, Sale and Retirement of Notes*", a U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis in the Note, in each case as determined in U.S. dollars.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (as adjusted for amortized bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest). U.S. Holders should consult their own tax advisers about how to account for proceeds received on the sale or retirement of Notes that are not paid in U.S. dollars.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

In general, payments of principal and interest and accruals of OID on, and the proceeds of a sale, or retirement of, Notes by a U.S. paying agent or other U.S. intermediary in the United States will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain "specified foreign financial assets." Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the

relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

FATCA Withholding

Pursuant to certain provisions of the Code, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, under proposed Treasury regulations such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are not treated as equity for U.S. federal income tax purposes and that have a fixed term that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under “*Terms and Conditions of the Notes—Condition 17*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The Proposed Financial Transactions Tax (FTT)

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements that are subject to the fiduciary responsibility or prohibited transaction provisions of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Code, and any entity or arrangement that is deemed to hold “plan assets” of the foregoing (each, a “Benefit Plan Investor”). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan Investor. A violation of these “prohibited transaction” rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor, and the transaction may need to be rescinded or otherwise corrected.

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Issuer or any Dealer is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could apply to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the fiduciary making the decision to acquire such investment and the relationship of the party in interest or disqualified person to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by “qualified professional asset managers.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions may or may not cover all acts that may be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes. Prospective investors that are Benefit Plan Investors and other plans or arrangements that are subject to Similar Law (as defined below) should consult with their legal advisers regarding the applicability of any such exemption and other applicable legal requirements.

In addition Title I of ERISA sets forth fiduciary standards applicable to any person that is a fiduciary within the meaning of Section 3(21) of ERISA as to a Benefit Plan Investor and any person that, for any direct or indirect compensation, renders “investment advice” to a Benefit Plan Investor may become a fiduciary within the meaning of Section 3(21) of ERISA to the Benefit Plan Investor. Each of the Issuer and the Dealers has its own interests in the offering and sale of Notes and related transactions, which differ from the interests of any Benefit Plan Investor considering the acquisition or holding of Notes, and accordingly the Issuer, the Dealers and their respective affiliates have not provided, and are not authorized and do not undertake to provide, any impartial or other investment advice in any fiduciary capacity to any Benefit Plan Investor or any fiduciary, representative or agent thereof. Each Benefit Plan Investor and the responsible fiduciary thereof as to an investment in Notes by the Benefit Plan Investor shall be required to make representations and warranties pertaining to the applicability of ERISA and Section 4975 of the Code.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code but may be subject to applicable U.S. federal, state, local or non-U.S. laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”).

By acquiring a Note or any interest therein, each purchaser and transferee (and if the purchaser or transferee is a Benefit Plan Investor, its fiduciary) is deemed to represent, warrant and agree, at the time of its acquisition and throughout the period in which it holds such Note or any interest therein, that (a) either (i) it is not and will not be (I) a Benefit Plan Investor, or (II) a governmental plan, church plan, or non-U.S. plan that is subject to Similar Law, or (ii) the acquisition, holding and disposition of such Note or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of Similar Law, (b) if it is a Benefit Plan Investor, none of the Issuer, the Dealers, and their respective affiliates has provided or undertaken to provide any advice in a fiduciary capacity or has received any compensation for any such advice (as distinct from other services) from the Benefit Plan Investor as to the acquisition, holding and disposition of such Note or any interest therein by the Benefit Plan Investor, and (c) it will not sell or otherwise transfer such Note or interest therein to any person without first obtaining the same foregoing representations, warranties and covenants from that person.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA, Section 4975 of the Code and Similar Law of the acquisition, ownership or disposition of the Notes.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement (the “Programme Agreement”) dated 17 July 2019, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Dealers may be required to make because of those liabilities.

Any offers and sales of the Notes in the United States may only be made by those Dealers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. One or more Dealers participating in the offering of any Tranche of Notes issued under the Programme may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

The Issuer expects that delivery of interests in Notes will be made on the issue date for such Notes, as such date will be communicated in connection with the offer and sale of such Notes. Potential investors that are U.S. persons should note that the issue date may be more than two business days (this settlement cycle being referred to as “T+2”) following the trade date of such Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in Notes issued under the Programme on the trade date relating to such Notes or the next New York business days will be required, by virtue of the fact that the Notes initially may settle on a settlement cycle longer than T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in Notes issued under the Programme on their trade date or the next New York business days should consult their own adviser.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers

and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. In addition, certain of the Dealers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby from time to time.

The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of such notes has been advised, that any sale to it is being made in reliance on Rule 144A or (ii) it is not a U.S. person and purchased the Notes in an “offshore transaction”;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. Federal or State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in a Regulation S Global Note and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, only (i) to the Issuer or any affiliate thereof, (ii) in the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available);
- (d) that it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (c) above, if then applicable;

- (e) that Notes initially offered inside the United States to QIBs will be represented by one or more Rule 144A Global Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes, Definitive Regulation S Registered Notes or Bearer Global Notes;
- (f) at the time of its acquisition and throughout the period in which it holds such Note or any interest therein, that (i) either (a) it is not and will not be (I) a Benefit Plan Investor, or (II) a governmental plan, church plan, or non-U.S. plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of such Note or any interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or a violation of Similar Law, (ii) if it is a Benefit Plan Investor, none of the Issuer, the Dealers, and their respective affiliates has provided or undertaken to provide any advice in a fiduciary capacity or has received any compensation for any such advice (as distinct from other services) from the Benefit Plan Investor as to the acquisition, holding and disposition of such Note or any interest therein by the Benefit Plan Investor, and (iii) it will not sell or otherwise transfer such Note or interest therein to any person without first obtaining the same foregoing representations, warranties and covenants from that person. Any purported purchase or transfer of such Note or any interest therein that does not comply with the foregoing shall be null and void;
- (g) that the Rule 144A Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) IN THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT OR(4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

EACH PURCHASER AND HOLDER OF THIS SECURITY (OR ANY INTEREST HEREIN) AGREES THAT IT WILL BE DEEMED BY SUCH PURCHASE OR HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR HOLDER ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH

THE PURCHASER OR HOLDER DISPOSES OF THIS SECURITY (OR ANY INTEREST HEREIN), THAT (1) EITHER (A) IT IS NOT AND WILL NOT BE (I) AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR AN ENTITY OR ARRANGEMENT WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF AN INVESTMENT THEREIN BY ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN (ANY SUCH EMPLOYEE BENEFIT PLAN, OTHER PLAN, ENTITY OR ARRANGEMENT, A “BENEFIT PLAN INVESTOR”), OR (II) A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A VIOLATION OF SIMILAR LAW, (2) IF IT IS A BENEFIT PLAN INVESTOR, NONE OF THE ISSUER, DEALERS, AND THEIR RESPECTIVE AFFILIATES HAS PROVIDED OR UNDERTAKEN TO PROVIDE ANY ADVICE IN A FIDUCIARY CAPACITY OR HAS RECEIVED ANY COMPENSATION FOR ANY SUCH ADVICE (AS DISTINCT FROM OTHER SERVICES) FROM THE BENEFIT PLAN INVESTOR AS TO THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR ANY INTEREST THEREIN BY THE BENEFIT PLAN INVESTOR, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SECURITY OR INTEREST HEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (h) that the Notes in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Issuer:

“UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (DTC), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION

HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.”;

- (i) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue, of all Notes of the Tranche of which such Notes are a part), it will do so only (a) (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS A PART, SALES MAY NOT BE MADE IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS UNLESS MADE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE SECURITIES ACT.

EACH PURCHASER AND HOLDER OF THIS SECURITY (OR ANY INTEREST HEREIN) AGREES THAT IT WILL BE DEEMED BY SUCH PURCHASE OR HOLDING OF THIS SECURITY (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR HOLDER ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR HOLDER DISPOSES OF THIS SECURITY (OR ANY INTEREST HEREIN), THAT (1) EITHER (A) IT IS NOT AND WILL NOT BE (I) AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN THAT IS SUBJECT TO THE FIDUCIARY RESPONSIBILITY OR PROHIBITED TRANSACTION PROVISIONS OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR AN ENTITY OR ARRANGEMENT WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON

OF AN INVESTMENT THEREIN BY ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN (ANY SUCH EMPLOYEE BENEFIT PLAN, OTHER PLAN, ENTITY OR ARRANGEMENT, A “BENEFIT PLAN INVESTOR”), OR (II) A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR ANY INTEREST HEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR A VIOLATION OF SIMILAR LAW, (2) IF IT IS A BENEFIT PLAN INVESTOR, NONE OF THE ISSUER, DEALERS, AND THEIR RESPECTIVE AFFILIATES HAS PROVIDED OR UNDERTAKEN TO PROVIDE ANY ADVICE IN A FIDUCIARY CAPACITY OR HAS RECEIVED ANY COMPENSATION FOR ANY SUCH ADVICE (AS DISTINCT FROM OTHER SERVICES) FROM THE BENEFIT PLAN INVESTOR AS TO THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR ANY INTEREST THEREIN BY THE BENEFIT PLAN INVESTOR, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS SECURITY OR INTEREST HEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.” and

- (j) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira offshore on an unsolicited (reverse inquiry) basis in the secondary markets only and (b) may purchase or sell Notes denominated in Turkish Lira offshore on an unsolicited (reverse inquiry) basis in both the primary and secondary markets. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes offshore on an unsolicited (reverse inquiry) basis; provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to CMB and/or BRSA regulations and the purchase price is transferred through banks. As such, Turkish residents should use licensed banks or licensed brokerage institutions authorised pursuant to CMB and/or BRSA regulations while purchasing the Notes and should transfer the purchase price through licensed banks authorised under the BRSA Regulations.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme, save that in order to issue any Tranches of Notes denominated in a currency other than Turkish Lira on or after 27 December 2019, the Issuer will be required to renew its BRSA Approval and its CMB Approval which, in line with the relevant regulations, was granted only for a one year period. Pursuant to the CMB Approval and the BRSA Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and its related legislation, the Capital Markets Law and its related legislation and the Debt Instruments Communiqué. In addition, Notes may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis both in the primary and secondary markets. Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes offshore on an unsolicited (reverse inquiry) basis *provided* that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to CMB and/or BRSA regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should transfer the purchase price through licensed banks authorised under the BRSA regulations.

A written approval (whether in the form of a tranche issuance certificate (*tertip ihraç belgesi*) or in any other form required under the applicable legislation) approved by the CMB on or before the issue date of each such Tranche of Notes. The Issuer shall maintain all authorisations and approvals of the CMB as necessary for the offer, sale and issue of Notes under the Programme.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and in accordance with all applicable local, state or federal laws. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

In connection with any Regulation S Notes each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to

agree, that it will send to each distributor to which it sells any Regulation S Notes during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes other than in an offshore transaction to a person that is not a U.S. person or under Rule 144A under the Securities Act (“Rule 144A”) as set forth below by any distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, the Issuer has undertaken in the Deed Poll to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Prohibition of sales to EEA Retail Investor

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”);
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of Notes which are the subject of

the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression “Prospectus Directive” means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Belgium

Other than in respect of Notes for which “Prohibition of Sales to Belgian Customers” is specified as “Not Applicable” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the

Belgian Code of Economic Law, as amended from time to time (a “Belgian Consumer”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the “FIEA”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes to (i) the Public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001 of Bahrain)) in the Kingdom of Bahrain or (ii) any person in the Kingdom of Bahrain who is not an “accredited investor”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that, in Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Notes described herein. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be publicly offered, sold or advertised, directly or indirectly, by any such Dealer in, into or from Switzerland have not been and will not be listed by such Dealer on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority. Notes issued under the Programme do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

Singapore

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Base Prospectus has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Thailand

This Base Prospectus has not been approved by or filed with the Securities and Exchange Commission in Thailand or any other regulatory authority of the Kingdom of Thailand. Accordingly, the Notes may not be offered or sold, nor may this Base Prospectus or any other documents in relation to the offer of the Notes be distributed to any person in Thailand except under circumstances that will result in compliance with all applicable laws, regulations and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefore.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 30 April 2019.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID II.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in physical form for inspection from the registered office of the Issuer (the telephone number for the Issuer's headquarters is +90 212 334 5050) and from the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer;
- (b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for the years ended 31 December 2018, 2017 and 2016;
- (c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Issuer for the years ended 31 December 2018, 2017 and 2016;
- (d) the independent auditors' review reports and unaudited interim consolidated BRSA Financial Statements of the Group as of and for the three months ended 31 March 2019 and 2018;
- (e) the independent auditors' review reports and unaudited interim unconsolidated BRSA Financial Statements of the Issuer as of and for the three months ended 31 March 2019 and 2018;
- (f) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis (though the Issuer's IFRS financial statements do not constitute a part of, and are not incorporated by reference into, this Base Prospectus);
- (g) the Agency Agreement, the Deed of Covenant and the Deed Poll, and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (h) a copy of this Base Prospectus; and
- (i) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the

Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus and the documents incorporated by reference herein will also be available in electronic format on the Issuer's website.

See "*Documents Incorporated by Reference*" above.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN and, if applicable, the FISN and/or CFI for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN, Common Code and (if applicable) FISN and/or CFI, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been: (a) no significant change in the financial or trading position of either the Group or the Bank since 31 March 2019 and (b) no material adverse change in the financial position or prospects of either the Group or the Bank since 31 December 2018.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The BRSA Financial Statements as of and for the year ended 31 December 2016 have been audited by KPMG in accordance with the "Regulation on Independent Audit of Banks" as published in the Official Gazette No. 29314 on 2 April 2015 by the BRSA and the "Independent Standards on Auditing" which are a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA").

The BRSA Financial Statements as of and for the years ended 31 December 2017 and 2018 have been audited by EY in accordance with the “Regulation on Independent Audit of Banks” as published in the Official Gazette No. 29314 on 2 April 2015 by the BRSA and the “Independent Standards on Auditing” which are a component of the Turkish Auditing Standards published by the POA.

The BRSA Financial Statements as of and for the three month period ended 31 March 2019 and 2018 have been reviewed by EY in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Each of KPMG, which is located at İş Kuleleri, Kule 3, Kat:2-9, Levent, İstanbul, Turkey, and EY, which is located at Maslak Mahallesi Eski Büyükdere Cad., Orjin Plaza, No: 27, Kat:2-3-4, Daire: 54-57-59, Sarıyer, 34485 İstanbul, Turkey, is an independent certified public accountant in Turkey and is authorised by the BRSA to conduct independent audits of banks in Turkey.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Regulated Market for the purposes of the Prospectus Directive.

Dealers transacting with the Issuer

Certain of the Dealers, the Arrangers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates, including Notes issued under the Programme. The Arrangers, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

Certain of the financial statements and financial information included in this Base Prospectus have been prepared in accordance with Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the statements, communiqués and guidance published by the BRSA on accounting and financial reporting principles (i.e., the BRSA Principles). Although the TFRS is almost an exact translation of IFRS, the BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances. Such differences primarily relate to presentation of financial statements, disclosure requirements and accounting policies. The following paragraphs summarise major areas in which the BRSA Accounting and Reporting Regulations and IFRS differ from each other.

Consolidation

Consolidation principles under the BRSA Accounting and Reporting Regulations and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Under the BRSA Principles, only subsidiaries and associates operating in the financial services sector are required to be consolidated with a bank; the rest are carried at cost or at fair value. IFRS does not make such a sectoral distinction in terms of consolidation.

Presentation of Financial Statements

Although presentation of the financial statements under both the BRSA Accounting and Reporting Regulations and IFRS are similar to each other, there are still differences (e.g., IFRS 7). BRSA financial statements are presented under a special format determined by the BRSA. Similarly, both cash flow and comprehensive income statements are presented using this specified format.

There are other similar differences in the accounting policies and disclosure requirements applied to subsidiaries and associates that are subject to consolidation. These differences vary based upon the sector that the related associate or subsidiary operates in, especially factoring and leasing services, which are subject to specific BRSA policies/requirements.

Allowance for Loan Losses

From 1 January 2018, with the adoption of IFRS 9 (and, accordingly, TFRS 9), the differences between IFRS and BRSA Accounting Principles in relation to Allowances for Loan Losses are no longer applicable. However, they remain relevant for the financial information presented for the years ended 31 December 2015, 2016 and 2017.

Under the BRSA Principles, specific and general reserves for possible loan losses are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral (specific provision) and a separate rate for groups comprising performing loans (general provision – the general provision rate is specified by BRSA and applied consistently across the Turkish banking sector).

The Bank's policy is to provide fully (at a rate of 100 per cent.) for its non-performing loan portfolio. Legal requirements allow differing minimum provisions depending on the category of the non-performing loan, including minimum provisions of 20 per cent., 50 per cent. and 100 per cent. to be set aside for loans and receivables in Groups III, IV and V, respectively (see "*Turkish Regulatory Environment – Loan Loss Reserves*").

Under IFRS, for loans that have been identified as impaired, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Tax

In accordance with IFRS, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. On the other hand, under the BRSA Principles, it is not permitted to recognise deferred tax on a general provision allocated based upon BRSA rules although it constitutes a temporary difference based upon IAS 12 Income Taxes. Besides, under IFRS, it shall be calculated deferred tax base for the difference between allowances for loan losses calculated based upon the BRSA Accounting and Reporting Regulations and IFRS.

ISSUER

Türkiye Sınai Kalkınma Bankası A.Ş.

Meclisi Mebusan Cad.

No: 81 Fındıklı 34427

İstanbul

Republic of Turkey

ARRANGERS

Citigroup Global Markets Limited

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

DEALERS

Arab Banking Corporation (B.S.C.)

PO Box 5698
Diplomatic Area, Manama
Kingdom of Bahrain

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

ING Bank N.V., London Branch

8-10 Moorgate
London EC2R 6DA
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

SMBC Nikko Capital Markets Limited

One New Change
London EC4M 9AF
United Kingdom

Société Générale

29, boulevard Haussmann
75009 Paris
France

Standard Chartered Bank

One Basinghall Avenue
London EC2V 5DD
United Kingdom

UniCredit Bank AG

Arabellastrasse 12
81925 Munich
Federal Republic of Germany

FISCAL AGENT, EXCHANGE AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch

Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG

Reuterweg 16
D-60323 Frankfurt am Main
Federal Republic of Germany

LEGAL ADVISERS

To the Issuer as to Turkish law

Akol Namlı & Partners
Kanyon Office Building, Büyükdere Caddesi,
No: 185, Floor 12, 34394,
Şişli, İstanbul
Republic of Turkey

To the Issuer as to English and United States law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers as to English and United States law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

Allen & Overy LLP
52, Avenue Hoche
CS 90005
75379 Paris Cedex 08
France

To the Dealers as to Turkish law

Gedik Eraksoy Avukatlık Ortaklığı
River Plaza, Floor 17
Büyükdere Caddesi, Bahar Sokak No. 13
TR-34394
Levent, İstanbul
Republic of Turkey

AUDITORS

To the Issuer

Prior auditor (for the year ended 31 December 2016)

KPMG
KPMG Bağımsız Denetim ve SMMM A.Ş.
İş Kuleleri, Kule 3, Kat:2-9
Levent, 34330 İstanbul
Republic of Turkey

Current auditor (from 1 January 2017)

EY
Güney Bağımsız Denetim ve Serbest Muhasebeci Mali
Müşavirlik A.Ş.
Maslak Mahallesi Eski Büyükdere Cad.
Orjin Plaza
No: 27, Kat:2-3-4
Daire: 54-57-59
Sarıyer
34485 İstanbul
Republic of Turkey

LISTING AGENT

Arthur Cox Listing Services Limited

Ten Earlsfort Terrace

Dublin 2

Ireland

Linklaters LLP

A38776403