FİBABANKA A.Ş.

US$300,000,000 Fixed Rate Resettable Tier 2 Notes due 2027, US$200,000,000 of which being newly issued and to be consolidated and form a single series with the existing US$100,000,000 Fixed Rate Resettable Tier 2 Notes due 2027
Purchase and issue price: 99.997% *plus* 0.990278% (46 days' accrued interest)

Fibabanka A.Ş., a banking institution organised as a public joint stock company under the laws of the Republic of Turkey ("*Turkey*") and registered with the İstanbul Trade Registry under number 272902 (the "*Bank*" or the "*Issuer*"), is issuing US$200,000,000 of Fixed Rate Resettable Tier 2 Notes due 2027 (the "*New Notes*"), which are to be consolidated and form a single series with the existing US$100,000,000 of Fixed Rate Resettable Tier 2 Notes due 2027 that were issued on 24 March 2016 (the "*Existing Notes*" and, together with the New Notes, the "*Notes*") that were issued and sold to its shareholder Fiba Holding A.Ş. ("*Fiba Holding*"), on 24 March 2016 (the "*Original Issue Date*"). All of the Existing Notes are being offered and sold by Fiba Holding together with the offering and sale of the New Notes by the Issuer.

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 are being offered for sale only in offshore transactions to persons who are not U.S. persons in reliance upon Regulation S under the Securities Act ("*Regulation S*"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Subscription and Sale*" herein.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "*RISK FACTORS*" HEREIN.

The Notes will bear interest from (and including) the Interest Payment Date (as defined herein) immediately preceding the Closing Date (as defined below) (*i.e.*, 24 March 2017) to (but excluding) 24 November 2022 (the "*Issuer Call Date*") at a fixed rate of 7.750% *per annum*. From (and including) the Issuer Call Date to (but excluding) 24 November 2027 (the "*Maturity Date*"), the Notes will bear interest at a fixed rate equal to the Reset Interest Rate (as defined herein). Interest will be payable semi-annually in arrear on 24 March and 24 September in each year and on the Maturity Date (each an "*Interest Payment Date*"), commencing on 24 September 2016, in the case of the Existing Notes, and 24 September 2017, in the case of the New Notes; *provided* that if any such date is not a Payment Day (as defined in Condition 7.4), then such payment will be made on the next Payment Day but without any further interest or other payment being made in respect of such delay. Subject to having obtained the prior approval of the Banking Regulation and Supervision Agency (the "*BRSA*") of Turkey and as further provided in Condition 8, the Issuer may redeem all, but not some only, of the Notes outstanding: (a) on the Issuer Call Date, (b) at any time for certain tax reasons or (c) upon the occurrence of a Capital Disqualification Event (as defined in Condition 8.4), in each case at their then Prevailing Principal Amount (as defined in Condition 5.5) together with interest accrued and unpaid to (but excluding) the date of redemption. The Notes are otherwise scheduled to be repaid on the Maturity Date. For a more detailed description of the Notes, see "*Conditions of the Notes*" herein. Reference to a "Condition" herein is to the corresponding clause of such "*Conditions of the Notes*."

The Notes are subject to loss absorption upon the occurrence of a Non-Viability Event (as defined in Condition 6.2), in which case an investor in the Notes might lose some or all of its investment in the Notes. See Condition 6.

This prospectus (this "*Prospectus*") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("*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 "*Main Securities Market*") of the Irish Stock Exchange plc (the "*Irish Stock Exchange*") or on another regulated market for the purposes of Directive 2004/39/EC ("*MiFID I*") and/or that are to be offered to the public in any member state (a "*Member State*") of the European Economic Area (the "*EEA*"). Application has been made to the Irish Stock Exchange for the Notes to be admitted to its official list (the "*Official List*") and to trading on the Main Securities Market. References in this Prospectus to the Notes being "*listed*" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market.

Application has been made to the Capital Markets Board (the "*CMB*") of Turkey, in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for its approval of the issuance and sale of the Notes by the Issuer outside of Turkey. The Notes cannot be sold before the necessary approvals are obtained from the CMB. The CMB-approved issuance certificate (*ihraç belgesi*) relating to the issuance of the Existing Notes was obtained on 10 March 2016 and the CMB-approved issuance certificate relating to the issuance of the New Notes was obtained on 13 February 2017. To the extent (and in the form) required by applicable law, a further approval of the CMB relating to the Notes will also be obtained from the CMB on or before the date of the issuance of the New Notes on 10 May 2017 (the "*Closing Date*").

Under current Turkish tax law, withholding tax at the rate of 0% applies to interest on the Notes. See "*Taxation - Certain Turkish Tax Considerations*."

The Notes are expected to be rated "B+" (stable outlook) by Fitch Ratings Ltd. ("*Fitch*") on the Closing Date. The Bank has also been rated by Fitch, as set out on page 86 of this Prospectus. Fitch is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the "*CRA Regulation*"). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. 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.

The Notes are being offered in reliance upon Regulation S by each of Citigroup Global Markets Limited and Standard Chartered Bank (each a "*Joint Bookrunner*" and, collectively, the "*Joint Bookrunners*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in book-entry form only through the facilities of Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking S.A. ("*Clearstream, Luxembourg*" and, with Euroclear, the "*Clearing Systems*"), against payment therefor in immediately available funds on the Closing Date (*i.e.*, the fifth Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as "*T+5*")).

Joint Bookrunners

Citigroup **Standard Chartered Bank**

The date of this Prospectus is 8 May 2017.

This Prospectus constitutes a prospectus for the purposes of the Prospectus Directive.

This Prospectus is to be read in conjunction with the financial statements that are incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents (or the applicable portions thereof) are incorporated into, and form part of, this Prospectus.

The Issuer accepts responsibility for the information contained in (including incorporated by reference into) this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in (including incorporated by reference into) this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither this Prospectus nor any other information supplied by (or on behalf of) the Issuer in connection with the Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Joint Bookrunners that any recipient of this Prospectus or any other information supplied in connection with the Notes should invest in the Notes. Each investor contemplating investing in the Notes should: (i) determine for itself the relevance of the information contained in (including incorporated by reference into) this Prospectus, (ii) 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 and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment, in each case based upon such investigation as it deems necessary.

Neither this Prospectus nor, except to the extent explicitly stated therein, any such other information constitutes an offer or invitation by or on behalf of the Issuer or either of the Joint Bookrunners to any person to subscribe for or purchase any Notes (or beneficial interests therein). This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Joint Bookrunners. The Notes (and beneficial interests therein) may not be offered or sold, directly or indirectly, and this Prospectus may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The distribution of this Prospectus and/or the offer or sale of the Notes (or beneficial interests therein) might be restricted by law in certain jurisdictions. The Issuer and the Joint Bookrunners do not represent that this Prospectus may be lawfully distributed, or that the Notes (or beneficial interests therein) 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 that is intended to permit a public offering of the Notes (or beneficial interests therein) or distribution of this Prospectus, any advertisement or other offering material in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, in each case except under circumstances that will result in compliance with all applicable laws. Persons into whose possession this Prospectus or any Notes (or beneficial interests therein) come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus, any advertisement or other offering material and the offering and sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Prospectus and the offer and/or sale of Notes (or beneficial interests therein) in (*inter alia*) the United States, Turkey and the United Kingdom. For a description of certain restrictions on offers, sales and deliveries of the Notes (or beneficial interests therein) and on the distribution of this Prospectus and other offering materials relating to the Notes, see "*Subscription and Sale*."

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

In making an investment decision, investors must rely upon their own examination of the Issuer and the terms of the Notes, 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 BRSA, the CMB 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 Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary might be unlawful.

No representation or warranty, express or implied, is made by the Joint Bookrunners as to the accuracy or completeness of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or should be relied upon as, a promise or representation, whether as to the past or the future, by the Joint Bookrunners. Neither of the Joint Bookrunners assumes any responsibility for the accuracy or completeness of the information set forth in this Prospectus.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that might be relevant to it in connection with such investment. The Notes might not be suitable investments for all investors. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) 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 in (including incorporated by reference into) this Prospectus or any supplement hereto,

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular circumstances, an investment in the Notes and the impact such investment will have on its overall investment portfolio,

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency,

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets, and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that might affect its investment in the Notes and its ability to bear the applicable risks.

Legal investment considerations might restrict certain investments. The investment activities of certain investors are subject to applicable laws and/or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) Notes (or beneficial interests therein) are legal investments for it, (b) Notes (or beneficial interests therein) can be used by it as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes (or beneficial interests therein). Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of their investments in the Notes under any applicable risk-based capital or other rules. Each potential investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

None of the Issuer, the Joint Bookrunners or any of their respective counsel or other representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under any applicable laws. Any investor in the Notes should ensure that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

GENERAL INFORMATION

In this Prospectus, "Bank" means Fibabanka A.Ş. on a stand-alone basis and "*Group*" means the Bank and its subsidiary.

The Issuer has obtained the approvals of the CMB (dated 18 March 2016 (No. 29833736-105.03.01-E.3266) with respect to the Existing Notes and 13 February 2017 (No. 29833736-105.03.01-E.1876) with respect to the New Notes) and the final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*) dated 13 February 2017 (together, the "*CMB Approvals*") and the approvals of the BRSA (dated 8 March 2016 (No. 20008792-10.02.01[55]-E.3506) with respect to the Existing Notes and 9 January 2017 (No. 20008792-101.01[55]-E.403) with respect to the New Notes) (the "*BRSA Approvals*" and, together with the CMB Approvals, the "*Approvals*") required for the issuance of the Notes. In addition, the CMB introduced an amendment to the Capital Markets Law and Communiqué VII-128.8 on Debt Instruments (the "*Debt Instruments Communiqué*") on 18 February 2017 pursuant to which an issuer is required, using an electronic application platform, to apply to the CMB before the issue date of securities to obtain the CMB's approval in respect of such securities; *however*, since the electronic application platform is yet to be established by the CMB as of the date of this Prospectus, a written approval from the CMB relating to the approval of the issue of the New Notes is expected to be obtained on or before the Closing Date. Pursuant to the Approvals, the offer, sale and issue of the Notes have 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 Turkish Banking Law No. 5411 of 2005, as amended (the "*Banking Law*"), and its related regulations and the Debt Instruments Communiqué and its related regulations.

The Issuer has obtained letters from the BRSA dated 23 March 2016 (No. 20008792-101.01[55]-E.4484) with respect to the Existing Notes and 21 April 2017 (No. 32521522-101.01[55]-E.6562) with respect to the New Notes (the "*BRSA Tier 2 Approvals*") approving the treatment of the Notes as Tier 2 capital of the Issuer for so long as the Notes comply with the requirements of the Regulation on Equities of Banks as published in the Official Gazette No. 28756 dated 5 September 2013 (as amended from time to time) (the "*Equity Regulation*"). The BRSA Tier 2 Approvals are conditional upon the compliance of the Notes with the requirements of the Equity Regulation. For a description of other regulatory requirements in relation to Tier 2 capital requirements, see "*Turkish Regulatory Environment – Capital Adequacy*."

In addition, in accordance with the Approvals, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey. Under the CMB Approvals, the CMB has authorised the offering, sale and issue of the New Notes (together with any further offering and sale of the Existing Notes) on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) 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 may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; *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 such licensed banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and should transfer the purchase price through such licensed banks. Monies paid for any purchase of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) of Turkey (the "*SDIF*").

Pursuant to the Debt Instruments Communiqué, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt Kuruluşu A.Ş.*) (trade name: Central Registry İstanbul (*Merkezi Kayıt İstanbul*)) ("*Central Registry İstanbul*") within three İstanbul business days from the Closing Date of the amount, Closing Date, ISIN code, interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

The Notes will be offered and sold only in offshore transactions to persons who are not U.S. persons pursuant to Regulation S and initially will be represented by beneficial interests in a permanent global note in fully registered form without interest coupons (the "*Global Note*"). The Global Note will be deposited on or about the Closing Date with a common depositary (the "*Common Depositary*") for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee of the Common Depositary. Except as described in this Prospectus, beneficial interests in the Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect accountholders in Euroclear and Clearstream, Luxembourg. Except as described in this Prospectus, owners of beneficial interests in the Global Note will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the agency agreement relating to the Notes dated 24 March 2016, as supplemented by a supplemental agency agreement to be dated the Closing Date (together, the "*Agency Agreement*").

STABILISATION

In connection with the issue of the Notes, Citigroup Global Markets Limited (the "*Stabilisation Manager*") (or persons acting on behalf of the Stabilisation Manager) 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 might not necessarily occur. Any stabilisation action or over-allotment might begin on or after the date on which adequate public disclosure of the terms of the offer of the 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 Closing Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorised by the CMB.

INFORMATION CONTAINED IN THIS PROSPECTUS

To the fullest extent permitted by law, neither of the Joint Bookrunners accepts any responsibility for the information contained in, or incorporated by reference into, this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement made, or purported to be made, by a Joint Bookrunner or on its behalf in connection with the Notes. Each Joint Bookrunner 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.

All of the information contained in this Prospectus concerning the Turkish market and the Bank's competitors has been obtained (and extracted without material adjustment) from publicly available information. Where third-party information has been used in this 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 information published by such third-party sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other party.

The language of this Prospectus is English. Certain legal 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 laws and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translations of these titles and names are direct and accurate.

All data relating to the Turkish banking sector in this Prospectus have been obtained from the BRSA's website at www.bddk.org.tr, the Turkish Banks Association (*Türkiye Bankalar Birliği*) (the "*Turkish Banks Association*") website at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*) at www.http://www.bkm.com.tr/bkm, and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("*TurkStat*") 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 Turkish Treasury's website at www.hazine.gov.tr (the "*Undersecretariat of Treasury*") or the European Banking Federation's website at www.ebf.fbe.eu. Such data have been extracted from such websites without material adjustment, but might 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 Prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains some statements that might be considered to be "forward-looking statements." Forward-looking statements include (without limitation) 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 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 Prospectus, including (without limitation) under "Risk

Factors," "Use of Proceeds," "Operating and Financial Review" and "The Group and its Business" and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group's results of operations and financial condition,
- asset portfolios,
- loan loss reserves,
- capital spending,
- legal proceedings, and
- the Group's potential exposure to market risk and other risk factors.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results might differ materially from those expressed in these forward-looking statements.

The Issuer has identified certain of the risks inherent in these forward-looking statements and these are set out under "*Risk Factors*."

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's management believes that the expectations, estimates and projections reflected in such forward-looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties inherent in these forward-looking statements materialise(s), including those identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, then the Issuer's actual results of operation might vary from those expected, estimated or projected and those variations might be material.

There might be other risks, including some risks of which the Issuer is unaware, that could adversely affect the Group's results, the Notes or the accuracy of forward-looking statements in this 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 Prospectus speak only as of the date of this Prospectus. Without prejudice to any requirements under applicable laws, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this 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 upon which any such forward-looking statement is based.

IMPORTANT - EEA RETAIL INVESTORS

The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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: (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("*MiFID II*"), (b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (c) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (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.

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 BRSA's accounting and reporting regulations, which include the Regulation on Accounting Policies for Banks and Safeguarding of Documents, published in the Official Gazette No. 26333 dated 1 November 2006, other regulations on accounting records of banks published by the Banking Regulation and Supervision Board, circulars and pronouncements published by the BRSA and requirements of the Turkish Auditing Standards for matters that are not regulated by the aforementioned regulations (together, the "*BRSA Accounting and Reporting Regulations*").

The Group's consolidated and the Bank's unconsolidated annual statutory financial statements as of and for the years ended 31 December 2015 and 2016 (including any notes thereto and the independent auditor's report thereon, together the "*BRSA Financial Statements*") have been prepared and presented in accordance with the BRSA Accounting and Reporting Regulations.

The BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial assets held for trading), financial assets available-for-sale, derivative financial instruments, real estate that is held for the Group's own use and used for investment purposes, equity shares that are traded in an active market (*i.e.*, a stock exchange), which are recorded with their market prices, and equity shares that are not traded in an active market, which are recorded on a historical cost basis less impairment, and (b) loans, investments categorised as held-to-maturity and other financial assets, which are, in each case, presented at amortised cost.

The BRSA Financial Statements have been audited by DRT Bağımsız Denetim ve SMMM A.Ş. (Member of Deloitte Touche Tohmatsu Limited) ("*Deloitte*") in accordance with the Regulation on Independent Audit of Banks, published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015, 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 (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) (together, the "*BRSA Auditing Standards*"). See Deloitte's reports included within the BRSA Financial Statements. According to Turkish laws, the Bank is required to rotate its external auditors every seven years. On 28 February 2017, the Bank's Board of Directors resolved to submit the appointment of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) ("*Ernst & Young*") as the Bank's external auditors for 2017 for the approval of the General Assembly. In the General Assembly meeting held on 27 March 2017, the Bank's shareholders approved the appointment of Ernst & Young. See "*Risk Factors – Risks Relating to the Group's Business – Audit Qualification*."

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 incorporation by reference into this Prospectus.

While neither the Bank nor the Group is required by law to prepare its accounts under any accounting standards other than according to the BRSA Accounting and Reporting Regulations, including under International Financial Reporting Standards ("*IFRS*"), the Bank's management has elected to publish audited annual (consolidated and unconsolidated) financial statements that have been prepared in accordance with IFRS, with the most recent such financial statements being the Group's audited IFRS financial statements for the fiscal year ended 31 December 2016. IFRS financial statements are not used for any regulatory purposes and the Bank's management uses the BRSA Financial Statements and the BRSA Accounting and Reporting Regulations for the management of the Bank and communications with investors. While the information in this Prospectus is based upon the BRSA Financial Statements, the Group's IFRS audited financial statements as of and for the year ended 31 December 2015 (the "*IFRS Financial Statements*") have been incorporated herein by reference. There are differences between the BRSA Financial Statements and the IFRS Financial Statements. A summary of the most material of such differences as they apply to the Group has been included in Appendix A ("*Summary of Significant Differences Between IFRS and the BRSA Accounting and Reporting Regulation*").

Certain figures included in, or incorporated by reference into, this 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 might 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.

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

Alternative Performance Measures

To supplement the Bank's consolidated and unconsolidated financial statements presented in accordance with the BRSA Accounting and Reporting Regulations, the Bank uses certain ratios and measures included in this Prospectus that might be considered to be "alternative performance measures" (each an "*APM*") as described in the ESMA Guidelines on Alternative Performance Measures (the "*ESMA Guidelines*") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs: "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

The APMs included in this Prospectus are not alternatives to measures prepared in accordance with the BRSA Accounting and Reporting Regulations and might be different from similarly titled measures reported by other companies. The Bank's management believes that this information, when considered in conjunction with measures reported under IFRS and the BRSA Accounting and Reporting Regulations, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under the BRSA Accounting and Reporting Regulations, in measuring the Group's performance and comparing it to the performance of its competitors. Furthermore, because the Group has historically reported certain APMs to investors, the Bank's management believes that the inclusion of APMs in this Prospectus provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Accounting and Reporting Regulations.

For the Group, measures that might be considered to be APMs in this Prospectus (and that are not defined or specified by the BRSA Accounting and Reporting Regulations or any other legislation applicable to the Bank) include (without limitation) the following (such terms being used in this Prospectus as defined below):

adjusted net interest income as a percentage of average interest-earning assets: For a particular period, this is: (a) the sum of: (i) net interest income for such period *plus/minus* (ii) net foreign exchange gains/losses for such period *plus/minus* (iii) net derivative financial transactions gains/losses *plus/minus* (iv) net provision for probable loan losses, excluding general loan loss provisions, during such period *as a percentage of* (b) average interest-earning assets during such period.

adjusted net interest margin: For a particular period, this is: (a) net interest income for such period reduced by net provision for loan losses, excluding general loan loss provisions, during such period *as a percentage of* (b) average interest-earning assets.

adjusted operating expenses to average total assets: For a particular period, this is: (a) total operating expenses for such period excluding depreciation and amortisation expenses and reserve for employee severance indemnities for such period *as a percentage of* (b) average total assets calculated as the average of the opening, quarter-end and closing balances during such period.

free capital ratio: As of a particular date, this is: (a) total shareholders' equity *minus* goodwill, tangible assets, assets held for resale, investment property, investments in equity participations and net non-performing loans

(“*NPLs*”) excluding allowance made on a portfolio basis to cover any inherent risk of loss *as a percentage of* (b) total assets.

loan loss provisions to gross loans: As of a particular date, this is: (a) the total loan loss provisions as of such date *as a percentage of* (b) the sum of total cash loans and non-cash loans as of such date.

loan to deposit ratio: As of a particular date, this is: (a) the total loans as of such date *as a percentage of* (b) the total deposits as of such date.

net interest margin: For a particular period, this is: (a) net interest income during such period *as a percentage of* (b) average interest-earning assets during such period.

non-performing loans to total gross cash loans: As of a particular date, this is: (a) the total NPLs as of such date *as a percentage of* (b) the total cash loans as of such date.

NPL coverage ratio: As of a particular date, this is: (a) the allowance for probable loan losses as of such date excluding allowances made on a portfolio basis to cover any inherent risk of loss *as a percentage of* (b) the total NPLs as of such date.

return on average shareholders’ equity: For a particular period, this is: (a) net income for such period *as a percentage of* (b) average shareholders’ equity for such period.

return on average total assets: For a particular period, this is: (a) net income for such period *as a percentage of* (b) average total assets for such period.

Reconciliations for the above APMs to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (*e.g.*, where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

The following are definitions of certain terms that are used in the calculations of the APMs listed above (such terms as so defined above having the same meaning when used elsewhere in this Prospectus):

average interest-earning assets: For a particular period, this is the average of 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, December 31 of the previous year) and each intervening quarter-end date during such period.

average interest-bearing liabilities: For a particular period, this is the average of the amount of interest-earning liabilities as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening quarter-end date during such period.

average shareholders’ equity: For a particular period, this is the average of the amount of shareholders’ equity as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening quarter-end date during such period.

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 year, December 31 of the previous year) and each intervening quarter-end date during such period.

net interest income: For a particular period, this is total interest earned during such period *minus* total interest expensed during such period.

Currency Presentation and Exchange Rates

In this Prospectus, all references to:

- “*U.S. Dollars*,” “*US$*” and “*$*” refer to United States dollars,
- “*Turkish Lira*” and “*TL*” refer to the lawful currency for the time being of the Republic of Turkey, and

- "*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 European Union, as amended.

No representation is made that the Turkish Lira or U.S. Dollar amounts in this Prospectus could have been or could be converted into U.S. Dollars or 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 Relating to the Group's Business - Foreign Exchange and Currency Risk*" and "*Operating and Financial Review.*"

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

Capitalised terms that are used but not defined in any particular section of this Prospectus have the meaning attributed thereto in "*Conditions of the Notes*" or any other section of this Prospectus.

In this Prospectus, any reference to "*law*" shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

In the case of the presented statistical information, similar statistics might be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, might 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 in this Prospectus regarding the Bank's shareholders has been based upon public filings, disclosure and announcements by such shareholders.

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OVERVIEW

The following overview of the Notes does not purport to be complete but sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following information is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, "Conditions of the Notes."

Words and expressions defined in "*Conditions of the Notes*" shall have the same meanings in this overview.

Issue:	US$200,000,000 principal amount of Fixed Rate Resettable Tier 2 Notes due 2027 (*i.e.*, the New Notes), which are to be consolidated and form a single series with the existing US$100,000,000 of Fixed Rate Resettable Tier 2 Notes due 2027 that were issued on 24 March 2016 (*i.e.*, the Existing Notes and, with the New Notes, the Notes) and originally sold to Fiba Holding and are now being offered and sold by Fiba Holding. The Notes are (or, as applicable, have been) issued in compliance with Article 8 of the Equity Regulation and the BRSA Tier 2 Approvals and subject to Article 15(b) of Decree 32.
Interest and Interest Payment Dates:	The Notes bear (or, as applicable, will bear) interest from the Interest Payment Date immediately preceding the date of this Prospectus (*i.e.*, 24 March 2017) to (but excluding) the Issuer Call Date (*i.e.*, 24 November 2022) at a fixed rate of 7.750% *per annum*. From (and including) the Issuer Call Date to (but excluding) the Maturity Date (*i.e.*, 24 November 2027), the Notes will bear interest at a fixed rate equal to the Reset Interest Rate. Interest will be (or, as applicable, was) payable semi-annually in arrear on each Interest Payment Date (*i.e.*, 24 March and 24 September in each year and the Maturity Date), commencing on 24 September 2016, in the case of the Existing Notes, and 24 September 2017, in the case of the New Notes; *provided* that if any such date is not a Payment Day (as defined in Condition 7.4), then such payment will be made on the next Payment Day but without any further interest or other payment being made in respect of such delay. "*Reset Interest Rate*" means the rate *per annum* equal to the aggregate of: (a) the Reset Margin (*i.e.*, 5.758% *per annum*) and (b) the 5 Year Mid-Swap Rate (as defined in Condition 5.5), as determined by the Fiscal Agent on the third Business Day immediately preceding the Issuer Call Date (*i.e.*, the Reset Determination Date).
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Issuer at their then Prevailing Principal Amount on the Maturity Date (*i.e.*, 24 November 2027).
Use of Proceeds:	The net proceeds of: (a) the offering of the New Notes will be used by the Issuer (with respect to the New Notes) and Fiba Holding (with respect to the Existing Notes) for general corporate purposes, including paying the commissions and other expenses relating to the offering of the Notes, and (b) the offering of the Existing Notes by the Issuer to Fiba Holding were used by the Issuer for general corporate purposes.
Regulatory Treatment:	Application has been made by the Issuer to the BRSA for confirmation that the full principal amount of the Notes will qualify for initial treatment as "Tier 2" capital (as provided under Article 8 of the Equity Regulation), which approval (*i.e.*, the BRSA Tier 2 Approval) was received on 23 March 2016 and 21 April 2017. See "*Turkish Regulatory Environment - Capital Adequacy – Tier 2 Rules*."

Status and Subordination:.......................... The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and claims for payment by the Issuer in respect of Notes shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank: (a) subordinate in right of payment to the payment of all Senior Obligations; (b) *pari passu* without any preference among themselves and with all Parity Obligations; and (c) in priority to all payments in respect of Junior Obligations.

By virtue of the subordination of the Notes set out in Condition 3, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied. Please refer to Condition 3.1.

Non-Viability/Write-Down of the Notes: .... If a Non-Viability Event occurs at any time, the Issuer will: (a) *pro rata* with the other Notes and any other Parity Loss-Absorbing Instruments and (b) in conjunction with, and such that no Write-Down shall take place without there also being:

(i) the maximum possible reduction in the principal amount of and/or corresponding conversion into equity being made in respect of all Junior Loss-Absorbing Instruments, and

(ii) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations (including Common Equity Tier 1 Capital (*Çekirdek Sermaye*)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of the Banking Law and/or otherwise under Turkish law,

reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount in the manner described in Condition 6. Please refer to Condition 6 for further information on such potential Write-Downs, including for the definitions of various terms used in this paragraph.

No Set-off or Counterclaim:....................... All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. Following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived. Please refer to Condition 3.2.

No Link to Derivative Transactions, Guarantees or Security:.............................. The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security. Please refer to Condition 3.3.

Certain Covenants:	In the Existing Notes, the Issuer has agreed to certain covenants, including covenants limiting transactions with affiliates, which covenants will apply to all of the Notes once the New Notes have been issued. Please refer to Condition 4.
Taxation; Payment of Additional Amounts:	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 (as defined in Condition 9), unless such withholding or deduction of the Taxes is required by law or regulation. In such event, the Issuer will (subject to certain exceptions set out in Condition 9) 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 otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction. See "*Taxation - Certain Turkish Tax Considerations*." Notwithstanding the previous paragraph, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9, no additional amount will be payable by the Issuer in respect of any such withholding or deduction. Under current Turkish law, withholding tax at the rate of 0% applies on interest on the Notes. See "*Taxation - Certain Turkish Tax Considerations*." See "*Conditions of the Notes - Condition 9*".
Issuer Call:	The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice will be irrevocable and will specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date (*i.e.*, 24 November 2022) at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the Issuer Call Date. Please refer to Condition 8.3 for further information.
Optional Redemption for Capital Disqualification Event:	If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given notice to the Noteholders in accordance with Condition 14, redeem all, but not some only, of the Notes then outstanding at any time at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. Please refer to Condition 8.4.
Optional Redemption for Taxation Reasons:	The Issuer will have the right, having given notice to the Noteholders in accordance with Condition 14 and having obtained a prior approval of the BRSA, redeem all, but not some only, of the Notes then outstanding at any time at their respective then Prevailing Principal Amount together with interest accrued and unpaid to but excluding the date of redemption: (a) upon the occurrence of certain tax changes after 8 May 2017 that would require the Issuer to pay additional amounts to Noteholders under Condition 9 or (b) if the Issuer would no longer be entitled to claim a deduction in calculating its tax liability in respect of the payment of interest, or the value of such deduction to the Issuer, as compared to what

it would have been on such date, is or would be reduced. Please refer to Condition 8.2.

Events of Default: .... Upon the occurrence of certain events, the holder of any Note may exercise certain limited remedies. Please refer to Condition 11 for further information.

Form, Transfer and Denominations: .... The Notes will be represented by beneficial interests in the Global Note, which is a global note in registered form, without interest coupons attached, and will be deposited with the Common Depositary and registered in the name of the Common Depositary (or a nominee thereof). Except in limited circumstances, Notes will not be issued in definitive form to investors in exchange for beneficial interests in the Global Note.

The Notes are (or, as applicable, will be) issued in denominations of US$200,000 and in integral multiples of US$1,000 in excess thereof.

Interests in the Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect participants, as applicable). Interests in the Global Note will be subject to certain restrictions on transfer. See "*Subscription and Sale - Transfer Restrictions*."

***Purchases by the Issuer and its Affiliates*:** .... Except to the extent permitted by applicable law, the Notes will not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of any Related Entity or the Issuer. If so permitted and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may purchase or otherwise acquire Notes in any manner and at any price in the open market or otherwise. Please refer to Condition 8.5.

Governing Law: .... The Notes, the Agency Agreement and the Deed of Covenant are (or, as applicable, will be), and any non-contractual obligations arising out of, or in connection with, any of them are (or, as applicable, will be), governed by and construed in accordance with English law, except for the provisions of Condition 3 (including as referred to in Condition 6.1), which are and will be governed by, and construed in accordance with, Turkish law.

Listing: .... Application has been made by the Issuer to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities Market.

Turkish Selling Restrictions: .... The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable laws. See "*Subscription and Sale - Selling Restrictions - Turkey*."

Other Selling Restrictions: .... The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) are also subject to restrictions in other jurisditions, including the United Kingdom. See "*Subscription and Sale*."

Risk Factors: .... For a discussion of certain risk factors relating to the Issuer, Turkey and the Notes that prospective investors should carefully consider prior to

	making an investment in the Notes, including certain risks relating to the structure of the Notes and certain market risks, see "*Risk Factors*."
Purchase and Issue Price:	99.997% of the principal amount of the Notes *plus* 0.990278% (46 days' deemed accrued interest as if the New Notes had been outstanding as of the Interest Payment Date preceding the Closing Date (*i.e.* 24 March 2017)).
Yield:	7.750% *per annum* (for the period through the Issuer Call Date).
Security Codes:	ISIN: XS1386178237 Common Code: 138617823
Representation of Noteholders:	There will be no trustee.
Expected Rating:	"B+" by Fitch.
Fiscal Agent, Paying Agent and Transfer Agent:	The Bank of New York Mellon, London Branch
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch

RISK FACTORS

An investment in the Notes involves certain risks. Investors in the Notes assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that 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 might not be aware of all relevant factors and certain factors that it currently deems not to be material might 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 Prospectus. The Issuer has identified in this Prospectus a number of factors that could materially adversely affect its ability to make payments due under the Notes.

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

Prospective investors should also read the detailed information set out elsewhere in (or incorporated by reference into) this Prospectus and reach their own views prior to making any investment decision; however, the Issuer does not represent that the risks set out herein are exhaustive or that other risks might not arise in the future. If potential investors are in doubt about the contents of this Prospectus, then they should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risks of investments in the Notes.

Factors that might affect the Issuer's ability to fulfil its obligations under the Notes

The following is a description of the principal risks associated with the Notes and the Group's business as of the date of this Prospectus; *however*, the Bank does not represent that the risks set out in the statements below are exhaustive or that other risks might not arise in the future.

Risks Relating to the Group's Business

Intended Growth – The Group's plan for growth might not be achieved or might create additional risks

The Bank is a small bank in the Turkish market and its management has plans to grow the business significantly in coming years in order to increase profitability and create a more efficient and diverse business model. Should the Bank not be able to achieve such growth, then it might be unable to achieve its desired cost efficiency goals and might be less competitive in the Turkish market. There are many reasons why the Bank might not obtain such growth, including competition, regulatory changes, limited access to capital and the other risks described elsewhere in these Risk Factors.

Growth itself also might create additional risks for the Group, including increasing exposure to different industries or market segments, greater complexity in its operations and heightened attention from competitors. As a result, both growth and lack thereof create risks that might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Counterparty Credit Risk – The Group is exposed to its counterparties' credit risk

As a financial organisation, the Group is subject to a broad range of general credit risks, including with respect to its retail, small- and medium-sized enterprises ("*SME*s") (including micro-enterprises), corporate and commercial customers and other third parties with obligations to the Group. These parties include borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties, customers of letters of credit provided by the Group and other financial counterparties of the Group, any of which might default in their obligations to the Group due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons, as a result of which the Group could suffer material credit losses. See "*Risk Management*."

The percentage of NPLs decreased from 2.1% as of 31 December 2014 to 1.7% as of 31 December 2015 and then increased to 1.8% as of 31 December 2016. Changes in NPL ratios can occur for various reasons, including changes in the levels of new NPLs, collection performance, NPL sales and the amount and nature of the Group's cash loans. For example, the level of NPLs and Group II loans (as described in "*Turkish Regulatory Environment - Loan Loss Reserves*") might rise due to the challenging political and economic operating environment in Turkey, including as a result of foreign exchange volatility, and the Group's focus on the lending growth toward higher-yielding loans to consumers and SMEs. While the Bank's management does not expect a material change in the NPL ratio in 2017, such will depend upon numerous factors. For instance, the Group's exposures to certain borrowers (particularly for loans to the construction, retail trade and tourism sectors) represent a large share of the Group's loan portfolio. In addition, the Group intends to increase its focus on lending to SMEs (including micro-enterprises), which are generally less credit-worthy than corporate and commercial borrowers. 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.

In 2014, 2015 and 2016, the Group periodically sold portions of its NPL portfolio when market conditions were attractive to do so. In 2016, NPLs amounting to TL 130,896 thousand were sold for a consideration of TL 16,350 thousand (TL 69,190 thousand and TL 36,700 thousand, respectively, in 2015 and TL 31,167 thousand and TL 600 thousand, respectively, in 2014). If the Group had not sold part of its NPL portfolio during these years, then the Bank's NPL ratios as of 31 December 2014, 2015 and 2016 would have been higher.

On a Bank-only basis, SMEs (including micro-enterprises) accounted for 36%, 46% and 58% of total NPLs as of 31 December 2014, 2015 and 2016, respectively. The Bank's NPL ratios for SME loans were 2.7%, 2.8% and 4.8%, respectively, as of such dates. A negative impact on the financial condition of the Group's SME customers or the inability of the Group to sell a part or all of its NPL portfolio might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Credit Risk Assessment – The Group might not correctly assess the creditworthiness of credit applicants or other counterparties

The Group might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions might change) and, as a result, the Group could suffer material credit losses. While the Group seeks to mitigate credit risk, including through diversification of its assets and requiring collateral or guarantees for many of its loans, such efforts might be insufficient to protect the Group against material credit losses. For example, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk and an increased risk of non-recovery if any credit exposure fails to perform. Estimates of the value of non-cash collateral are inherently uncertain and are subject to change as a result of market and other conditions, and might lead to increased risk if such values decline. In addition, since determining the amount of provisions and other reserves for probable credit losses is based upon calculating percentages of the relevant exposures (after taking in to consideration any relevant collateral) as specified in the relevant law, the level of provisions and other reserves that the Group has set aside might not be sufficient and the Group might have to create additional provisions for probable credit losses in future periods.

The Group continues to seek to increase its lending activities. The growth in the Group's credit portfolio could have a negative impact on the quality of the Group's assets. Failure to maintain the Group's asset quality could result in higher loan loss provisioning and higher levels of write-offs or defaults, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Loan Growth – The rapid growth of the Group's loan portfolio, and its increasing diversification, subjects the Group to the risk that it might not be able to maintain asset quality

The significant and rapid increase in the Group's loan portfolio (including a significant portion of unseasoned loans) over recent years 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. The Group intends to increase its loan portfolio further, including to increase its diversification by expanding the Group's lending to SMEs (including micro-enterprises), and any such increase could further increase the credit risk faced by the Group. Negative developments in the Turkish economy or in Turkey's principal export markets might affect these borrowers more than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by the Group to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels might have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

Reliance upon Deposits – The Group might not be able to obtain sufficient deposits or other funding

While the Group obtains funding through other sources (such as repos, local bond offerings and loans), customer deposits are its primary source of funding (62% of its total liabilities as of 31 December 2016). The Group's significant reliance upon deposits as a funding source, some of which are demand deposits (5.5% of its total customer deposits as of 31 December 2016), makes it susceptible to changes in customer perception of the strength of the banking sector in general and the Group in particular, and the Group could be materially and adversely impacted by substantial customer withdrawals of deposits. As deposits, including time deposits, are short-term by their nature, such an impact could be much faster than the Group's ability to obtain alternative sources of funding, thereby affecting the Group's liquidity and its ability to satisfy its obligations.

From the beginning of 2014 to 31 December 2016, the increase in cash loans to and receivables from the Group's customers (TL 5,252 million) outpaced the increase in customer deposits (TL 4,052 million), leading to an increased need for alternative sources of funding. If growth in the Group's customer deposit portfolio does not keep pace with growth in its loan portfolio, then the Group might need to become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased currency or interest rate gaps and exposure to volatility in international capital markets.

Competition in the Turkish Banking Sector – Intense competition in the Turkish banking sector might have a material adverse effect on the Group

The Group faces significant and continuing competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. According to the BRSA sector data, as of 31 December 2016, there was a total of 50 banks (including domestic and foreign banks, including participation banks, but excluding the Central Bank) licensed to operate in Turkey, with the top seven banking groups, three of which were state-controlled, holding approximately 72% of the banking sector's total loan portfolio in Turkey (excluding participation banks and development and investment banks), 70% of the total bank assets (including participation banks and development and investment banks) in Turkey and approximately 75% of the total customer deposits in Turkey. State-controlled banks in Turkey have historically had access to very inexpensive funding in the form of significant Turkish government deposits, which has provided them a competitive advantage over private banks. This competitive advantage has often resulted in such banks adopting aggressive pricing strategies on both deposit and loan products.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. Banco Bilbao Vizcaya Argentaria, S.A., HSBC Bank plc, UniCredito Italiano, BNP Paribas, Sberbank, Citigroup, ING, Bank Hapoalim, Bank Audi sal, Burgan Bank, Rabobank, Intesa Sanpaolo, Bank of Tokyo-Mitsubishi UFJ, Commercial Bank of China and Qatar National Bank ("*QNB*") are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices; *however*, some of such institutions have (or might) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances. The Bank's management believes that 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, might lead to further competitive pressures.

Competition has been particularly strong in certain sectors where state-controlled banks and foreign-owned banks have been active, such as SME lending and general purpose loans, for which state-controlled banks have been aggressive in terms of pricing. To date, the Bank has been successful in competing with other banks by expeditiously offering tailor-made solutions to customers; *however*, this might not continue in the future. The Bank might not be able to sustain this advantage as it continues to grow. Competitors might direct greater resources and be more effective in the development and/or marketing of technologically-advanced products and services that might compete directly with the Group's products and services, which might adversely affect the acceptance of the Group's products and services and/or lead to adverse changes in the spending and saving habits of the Group's customer base. Increased competition might affect the Group's growth, reduce the average interest rates that the Group can charge its customers or otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

Pressure on Profitability – The Group's profitability might be negatively affected as a result of laws, competition and other factors impacting the Turkish banking sector

The Group's profitability might be negatively affected in the short-term and possibly in future periods as a result of a number of factors that generally impact the Turkish banking sector, including a slowdown of economic growth in Turkey and volatility in interest rates (see "*Interest Rate Risk*" elsewhere in this section), increased competition (particularly as it impacts net interest margins (see "*Competition in the Turkish Banking Sector*" above)) and Central Bank and governmental actions, including those that seek: (a) 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, increased capital requirements and higher risk-weighting for general purpose loans, (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see "*Banking Regulatory Matters*" below and "*Risks Relating to Turkey - Current Account Deficit*" above) or (c) constrain the liquidity of Turkish Lira (see "*Risks Relating to Turkey - Turkish Economy*").

Banking Regulatory Matters – 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, consumer protection, competition, antitrust and other laws designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws include Turkish laws (and in particular those of the BRSA), as well as laws of certain other countries in which the Group operates. These laws increase the cost of doing business, limit the Group's activities and might be subject to enforcement action or litigation. See "*Turkish Regulatory Environment*" for a description of the Turkish banking regulatory environment.

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. In 2013, the BRSA announced its intention to adopt the Basel III requirements and published the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "*2012 Capital Adequacy Regulation*"), each entering into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (which entered into effect on 31 March 2016) (the "*2015 Capital Adequacy Regulation*"). The primary changes: (a) increased the risk weights of foreign currency-required reserves in the Central Bank from 0% to Turkey's foreign currency risk weight, which was 50% prior to 31 March 2016, (b) lowered the risk weights of residential mortgage loans from 50% to 35% and (c) lowered the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) from 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not re-classified as "non-performing loans;" *however*, on 24 February 2017, the BRSA published a decision that enables banks to use 0% risk weight for foreign currency-required reserves in the Central Bank.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into effect on 1 January 2014 and regulates the procedures and principles regarding the calculation of additional core capital amount. In this context, the BRSA further 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% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% 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.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), which entered into effect on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015).

Furthermore, in order 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 Measurement of Liquidity Coverage Ratios of Banks was published in the Official Gazette No. 28948 dated 21 March 2014 (the "*Regulation on Liquidity Coverage Ratios*"). According to this regulation, the liquidity coverage ratios of banks cannot fall below 100% on an aggregate basis and 80% on a foreign currency-only basis; *however*, pursuant to the BRSA decision dated 26 December 2014 (No. 6143) (the "*BRSA Decision on Liquidity Ratios*"), for the period from 5 January 2015 to 31 December 2015, such ratios were applied as 60% and 40%, respectively, and, pursuant to the BRSA Decision on Liquidity Ratios, such ratios have (and shall be) applied as increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. If the Bank and/or the Group is unable to maintain its capital adequacy, leverage or liquidity ratios above the minimum levels required by the BRSA or other regulators (whether due to the 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), then this might have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Turkish Regulatory Environment*" below for a further discussion on the implementation of Basel III in Turkey.

The BRSA also amended certain regulations and communiqués as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016 (entering into force on 31 March 2016) in accordance with the Basel Committee's Regulatory Consistency Assessment Programme ("*RCAP*"), which is conducted by the Bank for International Settlements (the "*BIS*") and reviews Turkey's compliance with Basel regulations. These new amendments include revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation.

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 Prospectus, the Bank is not classified as a D-SIB under the D-SIBs Regulation. See "*Turkish Regulatory Environment – Capital Adequacy*."

In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks to adopt Turkish Financial Reporting Standards 9, which are the IFRS 9-compliant financial reporting standards of Turkey ("*TFRS 9*") principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new laws, and there is still uncertainty as to what impact these changes might have. In addition, the Turkish government (including the BRSA or the Central Bank) has introduced (and might introduce in the future) new laws that impose limits with respect to fees and commissions charged to customers, increase reserves, increase provision requirements for loans, limit mortgage loan-to-value ratios or otherwise introduce rules that will negatively affect the Group's business and/or profitability (*e.g.*, see "*Turkish Regulatory Environment – Consumer Loan, Provisioning and Credit Card Regulations*"). The Group might 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 might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability might be materially adversely impacted until (if ever) such changes could be incorporated into the Group's pricing.

Such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and might need to access more expensive sources of financing to meet its funding requirements. 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 law could expose the Group to potential liabilities and fines and/or damage its reputation.

Interest Rate Risk – The Group might be negatively affected by volatility in interest rates

The Group's interest spread (which is the difference between the interest rates that the Group earns on its interest-earning assets and the interest rates that it pays on its interest-bearing liabilities) as well as the Group's net interest margin will be affected by changes in market interest rates. Sudden changes in interest rates or significant volatility in interest rates might result in a decrease in the Group's net interest income and net interest margin. As a result of declining market interest rates, a globalisation of markets and increased competition, the Group's net interest margin has declined in recent years and might be volatile in future periods. This volatility will require the Group to develop and enhance continuously its risk management systems.

The degree of the Group's exposure to interest rate risk is largely a function of the relative tenors of its interest-earning assets and interest-bearing liabilities, its ability to reprice (and the timing of any such repricing of) its interest-earning assets and interest-bearing liabilities (*e.g.*, whether their interest rates are determined on a fixed or floating basis) and its ability to hedge against interest rate risk. For example, an increase in interest rates could cause interest expense on deposits (which are typically short-term and reset interest rates frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential reduction in net interest income. See "*Risk Management.*"

An increase in interest rates (such as the large increases that the Central Bank implemented in its January 2014 meeting to combat the increase in Turkey's current account deficit) might reduce the demand for loans from the Group and might result in a reduction in net interest income. On the other hand, a decrease in the general level of interest rates might affect the Group through, among other things, increased pre-payments on its fixed rate loan portfolio and increased competition for deposits. As interest rates are highly sensitive to many factors beyond the Group's control, including national monetary policies and domestic and international economic and political conditions, the Group might be unable to mitigate effectively the adverse effect of such movements.

The Central Bank has alternated between increasing and tightening liquidity in recent years. For example, On 24 March 2016, the Central Bank took its first step towards normalisation and reduced the upper limit of its interest rate corridor by 25 basis points to 10.50% due to the reduction in the need for a wide interest rate corridor in line with the easing of global volatility. The Central Bank announced that it planned to maintain its tight liquidity stance as a result of the improving trend in the underlying core inflation rate. On 20 April 2016, following the appointment of a new Central Bank governor, the Central Bank reduced the upper limit of its interest rate corridor further by 50 basis points to 10.00% but left its one-week repo rate and overnight borrowing rate unchanged. From then until September 2016, the Central Bank cut its rates each month, totalling 250 basis points; *however*, following the sharp depreciation of the Turkish Lira, upside risk on inflation and market volatility, the Central Bank stopped its interest rate-cutting process in October 2016 and, on 24 November 2016, the Central Bank's Monetary Policy Committee ("*Monetary Policy Committee*") increased the upper bound of the interest rate corridor by 25 basis points to 8.50% from 8.25% and its one-week repo rate (policy rate) by 50 basis points to 8.00% from 7.50% (which increase was the first rate hike since January 2014), while leaving its overnight borrowing rate unchanged at 7.25. On 24 January 2017, the Monetary Policy Committee kept the one-week repo rate at 8.00%, while increasing the upper bound of the interest rate corridor by 75 basis points to 9.25% and the late liquidity window lending rate by 100 basis points to 11.00%. Following the meeting of the Monetary Policy Committee, the Central Bank announced that a significant increase in inflation is expected in the short-term due to delayed pass-through effects and the volatility in food prices. Accordingly, the Monetary Policy Committee decided to increase its monetary tightening in order to attempt to mitigate the inflation outlook. On 16 March 2017, the Monetary Policy Committee increased the late liquidity window lending rate by 75 basis points to 11.75%, which was then further increased by 50 basis points to 12.25% on 26 April 2017.

If the Group is unable for any reason to re-price its interest-earning assets and interest-bearing liabilities in a timely or effective manner, or if interest rates rise as a result of economic conditions or other reasons, and its interest-earning assets and interest-bearing liabilities are not match-funded or hedged, then the Group's net interest margin will be affected, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. As long as the Turkish financial markets remain volatile and subject to uncertainty, mismatch between the Group's short-term liabilities (*e.g.*, deposits) and long-term assets might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations, which might have a material adverse effect on the Group

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the U.S. Dollar and euro, which can have an impact on its financial position, results of operations and/or capital. These risks are both systemic (*i.e.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and unique to the Group (*i.e.*, due to the Group's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. Dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group). As of 31 December 2016, 27% of the Group's total loans and advances to customers and banks (excluding the Central Bank), of which 40% was in U.S. Dollars and 59% was in euro, as well as a significant portion of its off-balance sheet commitments such as letters of credit, were foreign currency-risk-bearing. Similarly, any 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) might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 25.4% compared to year-end 2014; *however,* on a real basis, based upon the CPI-based real effective exchange rate, there was only a 6.9% real depreciation compared to year-end 2014. In particular, the value of the Turkish Lira depreciated against major currencies in 2015 largely due to the increased risk perception in global markets regarding the market's expectation of U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey and other political events described above. Against these developments, the Central Bank prepared a roadmap to react to a possible rate hike by the U.S. Federal Reserve. The roadmap, which has as its base case a normalisation process by the U.S. Federal Reserve, proposes the implementation of tight liquidity for the Turkish Lira, a balanced foreign exchange liquidity and financial sector policies that are supportive of a tighter monetary policy. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. This initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In the first three months of 2016, the Turkish Lira appreciated against the U.S. Dollar by 3.2%. In this context, instead of responding to the U.S. Federal Reserve's actions by changing interest rates and implementing the roadmap, the Central Bank tightened further the liquidity of the Turkish Lira. Having declined to 7.6% in March 2015, the Central Bank's average funding rate increased initially to 8.3% in April 2015 and then climbed to 8.8% as of the end of 2015. The Central Bank's average funding rate further increased to 9.1% in February 2016, but then subsequently decreased to below 9.0% in March due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting. The Central Bank's average funding rate was 8.3% as of 30 December 2016.

In nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 17.9% between 31 December 2015 and 30 December 2016 and then depreciated further by 7.6% between 30 December 2016 and 31 January 2017, which depreciation was in part a result of geopolitical risks (see "*Risks Relating to Turkey - Terrorism and Conflicts*"), the uncertainty resulting from domestic political developments (see "*Risks Relating to Turkey - Political Developments*") and the pressure on emerging market currencies. As a response to the depreciation of the Turkish Lira, the Central Bank has adopted certain monetary policies. For instance, in October and November 2016, the Central Bank revised certain reserve option coefficients within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. Additionally, the Central Bank reduced the borrowing limit for Turkish banks in the Interbank Money Market (*Bankalararası Para Piyasası*) initially to TL 22 billion and subsequently to TL 11 billion on 10 January 2017 and 13 January 2017, respectively. The Central Bank also launched the Foreign Exchange Deposits against Turkish Lira Deposits Market in order to increase the Central Bank's flexibility and diversity in managing the Turkish Lira and foreign exchange liquidity. The Central Bank is expected to implement additional monetary tightening policies in the near future for price stability, if needed. See also "*Risks Relating to Turkey - Interest Rate Risk*."

The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey. As global conditions have been volatile in 2016 and the beginning of 2017, including as a result of, among other factors, expectations regarding slower growth in China and low commodity and oil prices, monetary policy remains subject to uncertainty. The fluctuations of foreign currency exchange rates and increased volatility of the Turkish Lira might adversely affect the Group's customers and the Turkish economy in general; thus these might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

A portion of the Group's assets and liabilities (including off-balance sheet commitments such as letters of credit) are denominated in, or indexed to, foreign currencies, primarily U.S. Dollars and euro. If the Turkish Lira is devalued or depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's U.S. Dollar-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira could adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. In addition, the Group's lending operations depend significantly upon the Group's capacity to match the cost of its foreign currency-denominated (or indexed) liabilities with the rates charged by the Group on its foreign currency-denominated (or indexed) assets. A significant devaluation or depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies and might have a material adverse effect on the capital ratios of the Bank and the Group and/or the Group's business, financial condition and/or results of operations.

The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or, to a lesser extent, by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange rates could lead to operating losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity Risk – The Group might have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk is the risk that a company will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance upon a particular source of funding (such as short-term funding), changes in credit ratings or market-wide dislocation. Perceptions of counterparty risk between banks also increased significantly during the recent global economic crisis, which led to further reductions in banks' access to traditional sources of liquidity such as the debt markets and asset sales. The Group's access to these wholesale sources of liquidity might be restricted or available only at a high cost and the Group might have difficulty extending and/or refinancing its existing wholesale financing such as syndicated and bilateral loans. In addition, the Group's significant reliance upon deposits as a funding source makes it susceptible to changes in customer perception of the strength of the banking sector in general and the Group in particular, and the Group might be materially and adversely impacted by substantial customer withdrawals of deposits. See "*Reliance upon Deposits*" above.

The Group's customer deposits are its primary source of funding, although the Group also obtains funding through loans from other banks and development finance institutions. The Bank relies primarily on short-term liabilities in the form of deposits (typically deposits with terms of less than three months) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail, SME, commercial and corporate loans, mortgages and credit cards, which might result in asset versus liability maturity gaps and ultimately liquidity concerns in the event of a banking crisis or similar event. The rate of growth of loans and advances to the Group's customers has in recent years outpaced the rate of growth of deposits from the Group's customers and this led to an increase in the Group's loan to deposit ratio from 116% as of 31 December 2015 to 119% as of 31 December 2016 (118% as of 31 December 2014). Accordingly, the Group has funded this growth in loans through the sale of securities and the use of borrowing facilities in addition to deposits and it might do so in the future.

If deposit growth does not fully fund loan and asset growth, then the Group would be increasingly dependent upon other sources of financing, including long-term funding via syndicated loans. If any member of the Group were to seek to raise long-term financing but is unable to at an acceptable price, or at all, then such funds would need to be raised in the short-term money market, thereby reducing the Group's ability to diversify funding sources and adversely affecting the length of the Group's funding profile.

The need to rely upon shorter-term funds, or the inability to raise financing via the capital or long-term loan markets, might adversely impact the Group's liquidity profile and might have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Risk Management*."

In the event of a liquidity crisis affecting the Group, any liquidity mismatch (that is, a mismatch between the maturities of the Group's assets and liabilities) might require the Group to liquidate some of its assets. Any liquidation of the Group's assets in such circumstances might be executed at prices below what the Group believes to be their intrinsic values.

A rising interest rate environment might 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 that has been provided during the recent global crisis, competition among banks and other borrowers for the reduced global liquidity might result in increased costs of funding. This and other factors might 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 might 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. While the Group aims to maintain at any given time an adequate level of liquidity reserves, 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 might adversely affect borrowing from other financial institutions. See also "*Foreign Currency Borrowing and Refinancing Risk*" below.

Similarly, if the credit rating of Turkey and/or members of the Group is downgraded or put on negative watch, then the Group might experience higher levels of cost of funding and/or difficulty accessing certain sources of international or wholesale funding.

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent on foreign currency-denominated debt, which might result in difficulty in refinancing or might increase its cost of funding, particularly if the Group and/or Turkey suffer(s) a ratings downgrade

While the Group's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Group to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Group has raised (and likely will seek to continue to raise) longer term funds from syndicated and bilateral loans, bond issuances and other transactions, many of which are denominated in foreign currencies. As of 31 December 2016, the Group's total foreign currency-denominated loans and advances from banks and subordinated liabilities (including the Existing Notes) constituted 20% of its consolidated liabilities and equalled 84% of its foreign currency-denominated assets with maturities of one year or more (22% and 88%, respectively, as of 31 December 2015), and approximately 99% of the Group's foreign currency-denominated borrowing (including the Existing Notes) was sourced from international banks, multilateral institutions and Fiba Holding (the share of which represented approximately 15% of the Group's foreign currency-denominated borrowings) (99% as of 31 December 2015, none of which came from Fiba Holding or any other member of the Fiba Group). To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future. Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to depreciation of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group might increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt.

Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risk Management Strategies – The Group's efforts to control and manage risk might be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk and operational risk. See "*Risk Management.*" Although the Group invests substantial time and effort in risk management strategies and techniques, it might nevertheless fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses might be greater than expected, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon the use of historical market data, which might not always accurately predict future risk exposures that could be significantly greater than historical measures indicate. If its measures to assess and mitigate risk prove insufficient, then the Group might experience material unexpected losses that might have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, assets held by the Group that are not traded on public markets might be assigned values that the Group calculates using mathematical risk-based models, which models might not accurately measure the actual risks of such assets, resulting in potential losses that the Group has not anticipated.

The Bank's subsidiary has its own risk management teams and procedures, which (in the context of its business and regulatory environment) are generally consistent with those of the Bank. The Bank's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Bank's subsidiary. Such coordination and monitoring might not be sufficient to ensure that the subsidiary's risk management team and procedures will be able to manage risks to the same degree as the Bank's risk management team and procedures. Any failure of the subsidiary's risk management procedures to manage risk effectively might have a material adverse impact on the Group's reputation, together with its business, financial condition and/or results of operations.

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.

Dependence upon Banking and Other Licenses – Group members might be unable to maintain or secure the necessary licenses for carrying on their business

All banks established in Turkey require licensing by the BRSA. The Bank and, to the extent applicable, its subsidiary 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 its subsidiary 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 might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Access to Capital – The Group 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 continued growth in Turkey and further penetration of banking services will result in increased lending (both in absolute terms as well as proportionately in comparison to the Group's zero risk-weighted investment in Turkish government securities, which the Group holds to a limited extent as of the date of this Prospectus) and, as a result, that there will be a continuing increase in the Group's risk-weighted assets.

The increase in lending might adversely affect the Group's capital adequacy ratios, which also might be affected by potential changes in law as to the manner in which capital ratios are calculated (see "*Banking Regulatory Matters*" and "*Pressure on Profitability*" above). 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, currency fluctuations or dividend payments. In addition, the Group might 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 might not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks materialise, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Correlation of Financial Risks – The occurrence of a risk borne by the Group might exacerbate or trigger other risks that the Group faces

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, might exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial trading losses due to a market downturn in Turkey, then its need for liquidity might rise sharply while the availability of such liquidity in the market could be impaired. In addition, in conjunction with a market downturn, the Group's customers might incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. If this or any other combination of risks occurs, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Operational Risk – The Group might be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorised transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruption to services to the Group's branches and/or impact customer service. Fraud or errors might occur. In addition, a number of banking transactions are not fully automated, which might further increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and control operational risk, then the Group might suffer losses that might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

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.

Money Laundering and/or Terrorist Financing – The Group is subject to risks associated with money laundering or terrorist financing

The Group is required to comply with applicable anti-money laundering and anti-terrorist financing laws and has adopted various policies and procedures, including internal control and "know-your-customer" procedures, aimed at preventing use of the Group for money laundering or terrorist financing. In addition, while the Group reviews its correspondent banks' internal policies and procedures with respect to such matters, 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. Such measures, procedures and compliance might not be completely effective in preventing third parties from using the Group (and its correspondent banks) as a conduit for money laundering (including illegal cash operations), terrorist financing or other criminal activities without the Group's (and its correspondent banks') knowledge. If the Group is associated with, or even accused of being associated with, money laundering, terrorist financing or similar criminal activities, then its reputation might suffer and/or it might become subject to criminal or regulatory fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), any one of which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there might not be any governmental or other support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this might not be the case for Turkey in general or the Group (which is not a D-SIB) in particular. Investors in the Notes should not place any reliance upon the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "*Turkish Regulatory Environment – The SDIF*" for information on the limited government-provided insurance for the Bank's deposit obligations.

Leverage Risk – The Group might become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive level of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debtor's rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it might be unable to satisfy its obligations in times of financial stress, and such failure might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Personnel – The Group's 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, retail 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, particularly in the Group's İstanbul headquarters, 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 might not continue with the Group. In addition, the Group's 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 might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Information Technology Systems – The Group's operations might be adversely affected by interruptions to or the improper functioning of its information technology systems

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology ("*IT*") systems and its ability to increase systems capacity. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business.

Any failure, interruption or breach in security of the Group's IT systems might result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period of time, then it might be unable to serve some or all of its customers' needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of the Group's IT systems might result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing IT systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its IT systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the Group's IT systems or increased costs associated with such systems might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Controlling Shareholder – The Group intends to continue its dealings with Fiba Holding and other shareholders although these might give rise to apparent or actual conflicts of interest

The Banking Law places limits on a Turkish bank's exposure to related parties. The Group is within the limits of the Banking Law in terms of its exposure to its related parties (including Fiba Holding and the other members of the Fiba Group (defined below)). With respect to the Bank, all credits with respect to, and services provided to, its related parties (including Fiba Holding and the other members of the Fiba Group) are made on an arm's-length basis and board members who are also on the board of the concerned related party cannot participate in the vote relating to the applicable transaction. From time to time the Group has purchased and sold assets and services to/from Fiba Holding and the other members of the Fiba Group and the Bank believes that the terms of such transactions have been at least as favourable as those the Group would have received from an unaffiliated party. Where applicable, the value estimations (to the extent that market prices were not available) were made by independent appraisers engaged by the Group's management. Although the Group intends to continue to enter into transactions with related parties on terms similar to those that would be offered to an unaffiliated third party, such transactions create the potential for, or could result in, conflicting interests. See "*Related Party Transactions*."

The interests of the Bank's shareholders (including the Fiba Group) might not be consistent with the interests of investors in the Notes and the Bank's shareholders might take (or cause the Bank to take) actions that might be harmful to investors in the Notes. Furthermore, the Bank's shareholders might disagree on material matters of policy relating to the Group, which disagreements might result in disputes between the shareholders, negatively impact the ability of the Group to take actions and/or result in negative publicity regarding the Group. The occurrence of these or similar circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Ownership*."

Independent Directors – Independent directors constitute a minority of the Bank's directors

As a majority of the members of the Board are associated with Fiba Holding, the opinions held by the Bank's directors might be the same as the views of the Bank's management and thus the Bank's Board might not present an independent voice to balance against the views of the Bank's management. See "*Management*."

Turkish Disclosure Standards – Turkish disclosure standards differ in certain significant respects from those in certain other countries, potentially resulting in 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 banks in the EU, the United States, the United Kingdom 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, the United States or in other similar markets and any information that is published might only be presented in Turkish.

The BRSA's rules require Turkish banks to publish their annual and quarterly financial reports on their websites. 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. Many Turkish banks (including the Bank) also prepare 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. Nonetheless, investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States and certain other markets.

Audit Qualification – The reports in relation to the Group's financial statements have included a qualified opinion and reports in relation to future financial statements might include similar qualifications

The Group's audit reports for the year ended 31 December 2016 was qualified with respect to a free reserve amounting to TL 36 million that was allocated by the Group in 2016 in line with the conservatism principle considering the circumstances that might arise due to changes in the economy or market conditions. Although these reserves do not impact the Group's level of tax or capitalisation ratios, the Group's net income might otherwise be higher in the periods in which such reserves were established and lower in the periods in which such provisions might be reversed. Such reserves might be increased or reversed by the Group in future periods, which might cause the Group's net income to be higher or lower in future periods than it otherwise would be. The auditor's statements on such qualification can be found in its opinion attached to the applicable financial statements incorporated by reference herein.

Risks Relating to Turkey

Most of the Group's operations are conducted, and substantially all of their customers are located, in Turkey. Accordingly, the Group's ability to recover on loans, and its business, financial condition and results of operations, are substantially dependent upon the political and economic conditions prevailing in Turkey.

Political Developments – Political developments in Turkey might 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, might 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 over 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.

Beginning in 2013, Turkish politics have been particularly volatile. Protests starting in May 2013 in İstanbul, and spreading to Ankara and other major cities in Turkey, against plans to replace Gezi Park, an urban park in İstanbul's central Taksim Square, with a commercial development, and resulting confrontations among protestors and security forces, contributed to a significant increase in the volatility of Turkish financial markets. Later in 2013, Turkish politics entered a second phase of uncertainty, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who then resigned) on suspicions of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Turkish government, police and judiciary. The government's responses to these events have included the removal of certain prosecutors and police from their offices and proposals to change the manner in which the police and judicial authorities are supervised by the national government, which has led to concerns about the separation of powers.

These events, 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 and/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 value and/or market price of an investment in the Notes.

Elections were held in Turkey on 7 June 2015 resulting in no party receiving a majority of the members of parliament. The parties with seats in parliament could not form a coalition within the period provided in the Turkish Constitution; therefore, early elections were held on 1 November 2015. In this election, the Justice and Development Party (known as the AKP) received approximately 49% of the vote and a significant majority of the members of parliament, thus enabling it to form a single-party government. On 5 May 2016, the Central Executive Board (*Merkez Yürütme Kurulu* (*MYK*)) of the AKP decided to hold an extraordinary congress on 22 May 2016, in which the AKP elected Mr. Binali Yıldırım as the new chairman of the AKP and the new prime minister of Turkey. The social and political conditions remain challenging in Turkey, including with increased tension resulting from Turkey's conflict with the People's Congress of Kurdistan (formerly known as the PKK) (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). The events surrounding any future elections and/or the results of such elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of Turkey's financial institutions, Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Perceptions of political risk have also increased as a result of increased violence in Turkey, including relating to terrorist attacks (See "*Terrorism and Conflicts*"), the AKP's intention to create an executive presidency and media reporting. On 4 November 2016, several members of the Turkish parliament from the People's Democracy Party (*Halkların Demokratik Partisi*) (*HDP*)), including its two co-leaders, were arrested.

On 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control.

On 20 July 2016, the government declared a three month state of emergency in the country, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months; *however*, this period may be extended. As of the date of this Prospectus, the state of emergency has been extended three times for additional three month periods pursuant to Article 121 of the Turkish Constitution and might be further extended. Following the coup attempt, there have been arrests of numerous individuals, including senior members of the military, police and judiciary, as well as restrictions of media outlets, suspensions, dismissals, travel bans and legal proceedings of and against police officers, public employees and members of the business community and journalism sector. As of the date of this Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws.

Further investigations and arrests and/or the continuation of the state of emergency might impact the ability of the Group's customers to meet their obligations to the Group. As of the date of this Prospectus, investigations with respect to the attempted coup are on-going. Although, through the date of this Prospectus, the Bank's operations have not been materially affected by the attempted coup, the political and social circumstances following the attempted coup, its aftermath (including rating downgrades of Turkey and the Bank) or any other political development might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), Turkey's institutions (including as a result of arrests, suspension or dismissal of a number of individuals working in the public sector) and regulatory framework, the Bank's and/or the Group's business, liquidity and/or conditions (financial or otherwise) and/or the value and/or market price of an investment in the Notes.

On 21 January 2017, the Turkish parliament approved a bill that would, if approved in a referendum, amend certain articles of the Turkish Constitution. In the referendum held on 16 April 2017, the majority of the votes cast approved the proposed constitutional amendments, most of which are expected to enter into force in November 2019. As a result (*inter alia*): (a) the current parliamentary system will be transformed into a presidential one, (b) the president will be entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister will be abolished, (d) the parliament's right to interpellate (*i.e.*, the right to submit questions requesting explanation regarding an act or a policy) the cabinet members will be annulled and (e) the president will have increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*)). It is unclear, as of the date of this Prospectus, what impact such structure might have on Turkish government institutions and Turkey's international relations, including with the EU. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights. This decision might result in (or contribute to) a deterioration of the relationship between Turkey and the EU. As such, political uncertainty is likely to continue.

There can be no assurance that the political situation in Turkey will not deteriorate. Furthermore, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions might increase perceptions of political conflict or instability. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumours and/or uncertainties) might 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.

Turkish Economy – The Turkish economy is subject to significant macro-economic risks

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally 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, Turkey might experience a further significant economic crisis in the future, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Since the implementation of fiscal and monetary measures in 2009, Turkey's GDP has been growing, albeit at low levels in recent years (source: Turkstat). In October 2016, the government announced a three year medium-term economic programme from 2017 to 2019. Under this programme, the government set GDP growth targets of 4.4% for 2017 and 5.0% for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy, the current account deficit and macroeconomic and political factors, such as changes in oil prices, uncertainty related with conflicts in Iraq and Syria (See "*-Terrorism and Conflicts*") and political developments in Turkey, including the failed coup attempt on 15 July 2016 and its aftermath and the constitutional changes resulting from the referendum held on 16 April 2017 (see "*-Political Developments*"). Any of these developments might cause Turkey's economy to experience macro-economic imbalances, which might impair the Group's business strategies and/or have a material adverse effect on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "*-Global Financial Crisis and Eurozone Crisis*" below and the discussion of certain of the Central Bank's policies, "*-High Current Account Deficit*" below.

The Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of, among other factors, a reduction in the level of economic activity, depreciation of the Turkish Lira, inflation or an increase in domestic interest rates, then a greater portion of the Group's customers might not be able to repay loans when due or meet their other debt service requirements to the Group, which would increase the Group's past due loan portfolio and could materially reduce its net income and capital levels. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in the demand for the Group's products. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Should Turkey's economy experience macro-economic imbalances, it might have a material adverse impact on the Group's business, financial condition and/or results of operations.

Global Financial Crisis and Eurozone Crisis – Turkey and the Group have been, and might continue to be, subject to risks arising from the recent global financial crisis and continuing eurozone crisis

Starting in mid-2007, the global financial crisis significantly affected global economic conditions. The crisis resulted in significant declines in the value of a broad range of real and financial assets, increased volatility in financial markets and reduced availability of funding. Internationally, many financial institutions sought to raise additional capital and a number failed or merged with larger institutions. As a result of concern about the stability of the financial markets generally and the strength of counterparties in particular, many lenders and institutional investors reduced lending and, in some cases, ceased providing funding to borrowers, including other financial institutions, which significantly reduced liquidity and the availability of credit in the global financial system. Certain of these conditions persist.

The global financial crisis and related economic slowdown also significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Since the implementation of fiscal and monetary measures in 2009, Turkey's GDP has been growing, albeit at low levels in recent years (source: Turkstat). While unemployment levels have also improved since the depth of the financial crisis, they remain elevated. There can be no assurance that the unemployment rate will not increase in the future. Continuing high levels of unemployment might affect the Group's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, also undermined investor confidence in recent years and resulted, and might continue to result, in a general deterioration of the financial markets. Although there have been indications of economic recovery in the eurozone, recent economic performance in Europe has been weak. Since the implementation of negative interest rates by the European Central Bank (the "*ECB*") in June 2014, an increasing number of central banks in Europe have taken their policy rates below zero. In January 2016, the Bank of Japan also adopted negative interest rates. There is uncertainty in the markets as to the possible impact of these policies. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, might have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects and/or financial condition of the Group's customers, which, in turn, could further reduce the Group's asset quality and/or demand for the Group's products and services and negatively impact the Group's growth plans. The Group's business, financial condition and/or results of operations might also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

Although there have been indications that the global economy has begun to recover from the economic deterioration of recent years, the recovery might also be weak in the upcoming years. A relapse in the global economy or continued uncertainty around the potential for such a relapse might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, any withdrawal by a member state from the EU and/or European Monetary Union, any significant changes to the structure of the EU and/or the European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur might have a material adverse effect on the Group's business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the euro and/or the potential deterioration of European institutions.

As of the date of this Prospectus, there is uncertainty in relation to the possible impacts of the leave vote in the United Kingdom (and the United Kingdom's March 2017 decision to trigger Article 50 of the Treaty on European Union and commence the process of leaving the EU), including any impact on the European and global economic and market conditions and its possible impact on Sterling, euro and other European exchange rates, as well as upcoming elections in a number of member states of the EU, including France and Germany. There has also been recent political tension between Turkey and certain members of the EU. Such circumstances might impact Turkey's relationship with the EU, including a potential suspension of its EU accession process, disruption to the agreement concluded to control the irregular flow of refugees from Turkey to the EU and/or a disruption of trade. See "*-Terrorism and Conflicts.*" As the EU remains Turkey's largest export market, a decline in demand for imports from the EU might adversely impact Turkish exports and Turkey's economic growth. See "*-High Current Account Deficit.*" Any effect of such events might adversely affect the economic stability in Turkey and the Group's business, financial condition and/or results of operations.

Current Account Deficit – Turkey's current account deficit might result in further governmental efforts to decrease economic activity

In 2011, Turkey's current account deficit was US$74.4 billion, which decreased to US$48.0 billion in 2012, according to the Central Bank. In early 2011, the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. The decline in the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures was to slow growth in the current account deficit by controlling the rate of loan growth. For example, regulations on the measurement and evaluation of capital adequacy and on maturity of customer loans were announced in 2013 and several measures were taken to limit credit card expenditures, which have reduced the growth in credit volumes. See "*Turkish Regulatory Environment*." These regulations might have a material adverse effect on the Group's business, financial condition and/or results of operations. Following these macro-prudential measures, the overall loan growth and retail loan growth in the Turkish banking sector declined, with annual loan growth rates and retail loan growth rates of 11% and 10.4%, respectively, in 2016 as compared to 29.9% and 29.7%, respectively, in 2011 (source: Central Bank).

The decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to US$63.6 billion in 2013 due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US$43.6 billion and US$32.1 billion in 2014 and 2015, respectively. In 2016, Turkey's current account deficit remained almost flat at US$32.6 billion due to a decline in the cost of energy imports, which offset the deterioration in tourism revenues. Various events, including geopolitical risks (see "*-Terrorism and Conflicts*"), political circumstances following the attempted coup in Turkey (see "*-Political Developments*") and an increase in the price of oil, might result in an increase in the current account deficit, including due to the possible adverse impact on Turkey's foreign trade and tourism revenues. See "*-Emerging Market Risks*."

If the value of the Turkish Lira relative to the U.S. Dollar and other relevant trading currencies changes, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank closely monitors the U.S. Federal Reserve's actions and takes (and has taken) certain actions to maintain price and financial stability. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. The Turkish Lira depreciated against the U.S. Dollar by 20.6% between 31 December 2015 and 31 December 2016 reaching its then-lowest level against the U.S. Dollar mainly due to the uncertainty resulting from the domestic political developments (see "*-Political Developments*"), the result of the presidential election in the United States and the then-existing expectation of a rate hike (and the actual rate hike on 14 December 2016) by the U.S. Federal Reserve. The depreciation continued in early 2017, including significant depreciation in January 2017. In August, October and November 2016, the Central Bank revised coefficients for certain tranches within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. See "*-Exchange Rates*."

Turkey is an energy import-dependent country and recorded US$24.9 billion of net energy imports in 2016, which declined from US$34.1 billion in 2015 and US$49.9 billion in 2014 (source: Turkstat, Central Bank). Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Turkey's current account balance.

If the current account deficit widens more than anticipated, financial stability in Turkey might deteriorate. Financing the high current account deficit might 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 might 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 might adversely affect the Group's business, financial condition and/or results of operations.

Emerging Market Risks – International investors might view Turkey negatively based upon adverse events in other emerging markets

Emerging markets such as Turkey are subject to greater risk than are more developed markets of being perceived negatively by investors based upon external events, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their market price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

Investors' interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Inflation Risk – Turkey's economy has been subject to significant inflationary pressures in the past and might 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 rates as high as 73.2% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009 and 6.4% at the end of 2010, the lowest level in many years. Consumer price inflation was 10.4%, 6.2%, 7.4%, 8.2%, 8.8% and 8.5% in 2011, 2012, 2013, 2014, 2015 and 2016, respectively, with producer price inflation of 13.3%, 2.5%, 7.0%, 6.4%, 5.7% and 9.9%, respectively, in such years. As of February 2017, annual consumer price inflation reached 10.1% largely due to base effects on food, higher energy prices and the depreciation of the Turkish Lira, while annual producer price inflation increased to 15.4% due to the sharp increase in commodity prices in terms of Turkish Lira. The consumer price inflation exceeded the Central Bank's inflation target of 5.0% in 2016 and the Central Bank announced that its inflation expectation for 2017 is 8.0%. Inflation-related measures that may be taken by the Turkish government and the Central Bank might have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring countries, such as Armenia, Georgia, Iran, Iraq 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 in Turkey, which might 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, Libya, Tunisia, Egypt, Syria, Iraq, Jordan, Bahrain and Yemen. Unrest in those countries might have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. 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, North Africa and Eastern Europe and might experience material negative effects. Any of such circumstances could adversely affect the Group's business, financial condition and/or results of operations.

The ongoing conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, which authorisation has been periodically extended. Elevated levels of conflict have arisen in Iraq and Syria as militants of the Islamic State of Iraq and Syria ("*ISIS*") seized control of key Iraqi cities, which has caused a significant displacement of people. Turkey has been one of the countries that have taken a significant number of Syrian refugees, which has had, and might continue to have, a negative economic, political and social impact on Turkey. In March 2016, Turkey signed an agreement with the EU in an effort to control the irregular flow of refugees from Turkey to the EU; *however*, such agreement might not be implemented in accordance with its terms, if at all. In August and September 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria. Recent developments in Iraq also raise concerns as Iraq is one of Turkey's largest export markets, ranking third in 2016 according to TurkStat. On 20 July 2015, a suicide bomber in Suruç, a Turkish town bordering Syria, killed at least 32 Turkish civilians and wounded nearly 100 civilians, which attack is suspected to have been carried out by ISIS. Following such incident, Turkey initiated air strikes against ISIS in Syria and against the PKK in northern Iraq. Since July 2015, Turkey has been subject to a number of bombings, including in tourist-focused centres in İstanbul and in the city centre in Ankara, which have resulted in a number of fatalities and casualties. On 28 June 2016, a terrorist attack occurred at the Atatürk Airport in İstanbul, resulting in 45 fatalities and over 230 injured persons. Such incidents have increased in frequency and are likely to continue to occur periodically. On 24 August 2016, Turkey began military operations in Syria in an effort to clear ISIS from the Turkish-Syrian border. These operations might lead to potential retaliation attacks by terrorist groups and additional security risks in Turkey. There is on-going tension in the region, which has been elevated following Iraq's 5 October 2016 request for a U.N. Security Council meeting to discuss the presence of Turkish troops in Northern Iraq.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which resulted in a deterioration in the relationship between Turkey and Russia. In January 2016, Russia implemented economic sanctions against Turkey primarily aiming at Turkey's agriculture, tourism and construction sectors. At the end of June 2016, the relationship between Turkey and Russia started to improve. On 19 December 2016, a Turkish policeman murdered the Russian ambassador to Turkey. While both Turkish and Russian leaders condemned the attack as a provocation aimed to undermine relations between the two countries, any deterioration of Turkey-Russia relations might have a material adverse effect on the Group's business, financial condition and/or results of operations and on the market price of the Notes.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and Russia's annexing of the Crimea, combined with Ukraine's very weak economic conditions, have created great uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, persons and sectors, including Russian financial, oil and defense companies, as a result of the conflict. While not directly impacting Turkey's territory, these disputes could materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies.

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 PKK. Turkey has from time to time been the subject of terrorist bomb attacks, including bombings 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. As described above, following the suicide bomb attack at the Syria border, Turkey started air strikes against the PKK in northern Iraq on 24 July 2015. The PKK has since been suspected of further bombings in Turkey, and the clashes between Turkish security forces and the PKK have intensified in the southeastern part of Turkey. The intensifying conflict with the PKK might negatively impact political and social stability in Turkey.

The above circumstances have had and might continue to have a material adverse effect on the Turkish economy and/or the Group's business, financial condition and/or results of operations, including as a result of the reduced revenues from tourism following heightened terrorist activity and its coverage in the international media.

Turkish Banking Sector – The Turkish banking sector has experienced significant volatility in the past and might 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 Türkiye Halk Bankası ("*HalkBank*"), Türkiye Vakıflar Bankası T.A.O. ("*Vakıfbank*") and T.C. Ziraat Bankası ("*Ziraat*") (which were three of the top 10 banks in the Turkish market based upon total assets as of 31 December 2016 according to the Banks Association of Turkey). 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, this might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Potential Overdevelopment – Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism, which might or might not in fact occur. In fact, tourism declined very significantly in 2015 and 2016 as a result of the conflicts in Syria and Iraq and Turkish political and security concerns. Any such overdevelopment might lead to a rapid decline in prices of these properties or the failure of some of these projects. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Earthquakes – Turkey is subject to the risk of significant seismic events

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 Bank's properties and business operations in Turkey are located in earthquake risk zones. Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The Bank maintains earthquake insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. In the event of future earthquakes, effects from the direct impact of such events on the Group and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, an earthquake or other large- scale disaster might have an adverse impact on the Group's customers' ability to honour their obligations to the Group.

Risks Relating to the Structure of the Notes

Subordination – Claims of Noteholders under the Notes will be subordinated and unsecured

On any distribution of the assets of the Issuer on its dissolution, winding-up or liquidation (as further described in the definition of "Subordination Event" in Condition 3.4), and for so long as such Subordination Event continues, the Issuer's obligations under the Notes will rank subordinate in right of payment to the payment of all Senior Obligations and no amount will be paid under the Notes until all such Senior Obligations have been paid in full. Unless the Issuer has assets remaining after making all such payments, no payments will be made on the Notes. Consequently, although the Notes might pay a higher rate of interest than comparable notes that are not subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Subordination Event.

Potential Permanent Write-Down – The Prevailing Principal Amount of the outstanding Notes might be permanently written-down by an amount determined by the BRSA upon the occurrence of a Non-Viability Event with respect to the Issuer

If a Non-Viability Event occurs at any time, then the Prevailing Principal Amount of each outstanding Note will be Written-Down by the relevant amount specified by the BRSA in the manner described in Condition 6.1. In conjunction with any determination of Non-Viability of the Issuer by the BRSA, the relevant loss(es) of the Issuer may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, as it is a condition of any such transfer that losses are deducted from the capital of the existing shareholders, or (b) the revocation of the Issuer's operating licence and its liquidation; *however*, the Write-Down of the Notes may take place before any such transfer or liquidation.

Condition 6.1 provides, among other things, that a Write-Down of the Notes shall only take place in conjunction with any such transfer or liquidation, which is intended to ensure that while the Write-Down of the Notes may take place before such transfer or liquidation, the intended respective rankings of the Issuer's obligations (as described in Condition 3.1) are maintained and the relevant loss(es) are absorbed by Junior Obligations (as defined in Condition 3.4) to the maximum extent possible or otherwise allowed by law. Where a Write-Down of the Notes does take place before any such liquidation of the Issuer, Noteholders would only be able to claim and prove in the liquidation of the Issuer in respect of the Prevailing Principal Amount of the Notes outstanding following such Write-Down.

Notwithstanding the above, should the BRSA determine that the Notes are to be Written-Down before the absorption of the relevant loss(es) by shareholders of the Issuer pursuant to Article 71 of the Banking Law or any other Statutory Loss Absorption Measure (as defined in Condition 6.2), there can be no assurance that such loss absorption will take place or that it will be taken into account by the BRSA in the determination of the relevant Write-Down Amount.

Should such loss absorption not take place or not be so taken into account by the BRSA, subject as described in "Limited Remedies" below, a Noteholder may institute proceedings against the Issuer to enforce the above provisions of the Notes; *however*, to the extent any judgment was obtained in the United Kingdom on the basis of English law as the governing law of the Notes (other than those provisions of the Conditions governed by Turkish law), there is uncertainty as to the enforceability of any such judgment by Turkish courts. In addition, there are certain circumstances in which the courts of Turkey might not enforce a judgment obtained in the courts of another country, which are more fully described under the section entitled "Enforcement of Judgments and Service of Process." Therefore there can be no assurance that a Noteholder would be able to enforce in Turkey any judgment obtained in the courts of another country in these circumstances.

Any Write-Down of the Notes would be permanent and Noteholders will have no further claim against the Issuer in respect of any amount of the Notes subject to any Write-Down. Consequently, there is a real risk that an investor in the Notes will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Noteholders, the market price of investments in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. See Condition 6 for further information on any such potential Write-Down of the Notes, including for the definitions of various terms used in this risk factor.

No Limits on Senior Obligations or Parity Obligations – There will be no limitation under the documents relating to the issuance of the Notes on the Issuer's incurrence of Senior Obligations or Parity Obligations

There will be no restriction in the documents relating to the issuance of the Notes on the amount of Senior Obligations or Parity Obligations that the Issuer may incur. The incurrence of any such obligations might reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and might result in an investor in the Notes losing all or some of its investment.

Limited Remedies – Investors will have limited remedies under the Notes

A holder of a Note will only be able to accelerate payment of the Prevailing Principal Amount of that Note, together with interest accrued and unpaid to the date of repayment, on the occurrence of a Subordination Event or otherwise if any order is made by any competent court or the Government of Turkey, as the case may be, or resolution is passed for the winding up, dissolution or liquidation of the Bank as described in Condition 11 and then claim or prove in the winding-up, dissolution or liquidation. Noteholders also may institute proceedings against the Issuer as described in Condition 11 to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes) but will not have any other right of acceleration under the Notes, whether in respect of any default in payment or otherwise, and the only remedy of a Noteholder on any default in a payment on the Notes will be to institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding-up, dissolution or liquidation as described in Condition 11 and to claim or prove in the winding-up, dissolution or liquidation.

No other remedy against the Issuer will be available to Noteholders, whether for the recovery of amounts owing in respect of the Notes or otherwise in respect of any Event of Default or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes, and Noteholders will not be able to take any further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes.

Reset Interest Rate – The interest rate on the Notes will be reset on the Issuer Call Date, which could affect interest payments on an investment in the Notes and the market price of any such investment

The Notes will initially bear interest at the Initial Interest Rate until (but excluding) the Issuer Call Date, at which time the Rate of Interest will be reset to the Reset Interest Rate. The Reset Interest Rate could be less than the Initial Interest Rate and thus could negatively affect the market price of an investment in the Notes. See Condition 5 for further information of such resetting of the Rate of Interest, including for the definitions of various terms used in this paragraph.

Early Redemption – The Notes may be subject to early redemption at the option of the Issuer

The Issuer will have the right to redeem the outstanding Notes at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the Issuer Call Date, subject to having obtained the prior approval of the BRSA in accordance with Condition 8.3 of the Notes. As of the date of this Prospectus, any such prior approval of the BRSA is subject, under Article 8(2)(d) of the Equity Regulation, to the conditions that, among other things: (a) the Notes are replaced with an equivalent, or higher, quality of capital, and such replacement does not restrict the Issuer's ability to continue its operations and (b) the Issuer continues to satisfy its applicable capital requirements following the exercise of the redemption option (see paragraph (e) of "*Turkish Regulatory Environment – Capital Adequacy – Tier 2 Rules*"). This optional redemption feature is likely to limit the market price of investments in the Notes because, in the period leading up to when the Bank may elect to so redeem the Notes, the market price of investments in the Notes generally will not rise substantially above the price at which they can be redeemed.

An investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and might only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption upon a Capital Disqualification Event - The Issuer will have the right to redeem the Notes upon the occurrence of a Capital Disqualification Event

If a Capital Disqualification Event (as defined in Condition 8.4) occurs at any time after the Issue Date, the Issuer will have the right to redeem the Notes at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. A Capital Disqualification Event includes any changes in applicable law or regulation (including the Equity Regulation), or the application or official interpretation thereof (which change in application or official interpretation is confirmed in writing by the BRSA), that results in all or any part of the aggregate Prevailing Principal Amount of the outstanding Notes not being eligible (or will result in it ceasing to be eligible) for inclusion as Tier 2 capital of the Issuer. Upon such a redemption, the investors in the Notes might not be able to reinvest the amounts received at a rate that will provide the same rate of return as their investment in the Notes. This redemption feature is also likely to limit the market price of investments in the Notes during any period in which the Issuer may elect to redeem them, as the market price during this period generally will not rise substantially above the price at which they can be redeemed. This might similarly be true prior to any redemption period.

Redemption for Taxation Reasons – The Issuer will have the right to redeem the Notes upon the occurrence of certain changes in tax law, including a change requiring it to pay increased withholding taxes with respect to interest or other payments on the Notes or that result in it no longer being entitled to claim a deduction in calculating its tax liability in respect of the payment of interest or the value of such deduction being reduced

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. 2009/14592 dated 12 January 2009, which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the "*Tax Decrees*"). Pursuant to the Tax Decrees, with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Accordingly, the initial withholding tax rate on interest on the Notes will be 0%; *however*, in case of early redemption, the redemption date might be considered to be the maturity date and higher withholding tax rates might apply accordingly. The Issuer is also entitled to claim a deduction in calculating its tax liability under Turkish tax law in respect of payments of interest on the Notes.

The Issuer will have the right to redeem all, but not some only, of the Notes, subject to having obtained the prior approval of the BRSA (see "- Early Redemption" above for a description of the conditions for any such approval of the BRSA), at any time at their respective then Prevailing Principal Amount together with interest accrued and unpaid to but excluding the date of redemption if, as a result of any change in, or amendment to, the law of a Relevant Jurisdiction (as defined in Condition 9.2), or any change in the application or official interpretation of the law of a Relevant Jurisdiction, which change or amendment becomes effective after 8 May 2017, on the next Interest Payment Date, the Issuer would: (a) be required to: (i) pay additional amounts as provided or referred to in Condition 9 (*Taxation*) 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, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it, or (b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on such Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on such date, is or would be reduced. Upon such a redemption, investors in the Notes might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the Notes.

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

Risks Relating to the Notes generally

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

Interest Rate Risk – The value of Notes might be adversely affected by movements in market interest rates

Investment in the Notes involves the risk: (a) through the Issuer Call Date, that if market interest rates subsequently increase above the interest rate paid on the Notes, this will adversely affect the value of the Notes, and (b) thereafter, of adverse changes in the market price of the Notes if the interest rate or margin of new similar notes of the Issuer would be higher.

Majority Decisions - The Conditions of the Notes contain provisions that permit their modification or waiver without the consent of all investors in the Notes

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions will permit investors in the Notes holding defined percentages of the Notes to bind all investors in the Notes, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the decision of the deciding group. As a result, decisions might be taken by holders of such defined percentages of the Notes that are contrary to the preferences of any particular Noteholder.

Transfer Restrictions – Transfers of interests in the Notes will be subject to certain restrictions and interests in the Global Note can only be held through a Clearing System

Although the CMB has issued the CMB Approval authorising the issuance of a maximum amount of Notes pursuant to Decree 32, the Capital Markets Law, the Debt Instruments Communiqué and other related legislation as debt securities to be offered outside of Turkey, and this Prospectus has been approved by the Central Bank of Ireland as described herein, 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 (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and in compliance with 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*."

Because transfers of interests in the Global Note can be effected only through book entries at 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 Note might be reduced to the extent that some investors are unwilling or unable to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg or

Euroclear, as applicable. The ability to pledge interests in the Notes (or beneficial interests therein) might be limited due to the lack of a physical certificate. In the event of the insolvency of Clearstream, Luxembourg or Euroclear 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 might be impaired.

Further Issues – The Bank may issue further notes, which would dilute the existing Noteholders' share of the total issuance

As permitted by Condition 16, the Issuer may from time to time without the consent of the Noteholders create and issue further notes having terms and conditions that are the same as those of the Notes, or the same except for the amount and date of the first payment of interest thereon, the issuance date thereof, the date from which interest starts to accrue and/or securities codes, which new notes may be consolidated and form a single series with the outstanding Notes. To the extent that the Issuer issues such further notes, the existing Noteholders' share of the total issuance (***e.g.***, for voting) will be diluted.

Enforcement of Judgments – It might not be possible for investors to enforce foreign judgments against the Bank or its management

The Bank is a public joint stock company organised under the laws of Turkey (specifically, under the Banking Law). All of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might not be possible for investors in the Notes 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 addition, under Turkey's International Private and Procedure Law (Law No. 5718), a judgment of a court established in a country other than Turkey might not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom 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. Nevertheless, 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 Kingdom by Turkish courts. The same might apply for judgments obtained in other jurisdictions. For further information, see "*Enforcement of Judgments and Service of Process*."

Change in Law - The value or market price of the Notes could be adversely affected by a change in the laws of England or Turkey or in administrative practice in these jurisdictions

The Conditions of the Notes are based upon the applicable laws of England and Wales and Turkey and administrative practice in effect as of the date of this Prospectus, and having regard to the expected tax treatment of all relevant entities under such applicable law and practice. No assurance can be given as to the impact of any possible judicial decision or change to the applicable laws of England or Turkey (or the applicable laws of any other jurisdiction) (including any change in regulation that might occur without a change in the primary legislation) or administrative practice in England or Turkey after the date of this Prospectus, nor can any assurance be given as to whether any such change might materially adversely affect the ability of the Issuer to make payments under the Notes or the value or market price of the Notes affected by such change.

Reliance upon Clearing Systems - Investors in the Notes will be subject to the rules of the applicable clearing system and their ability to exercise rights relating to the Notes directly may be limited

The Notes will be represented on issue by the Global Note, which will be delivered to a common depositary for, and registered in the name of a common nominee of, Euroclear and/or Clearstream, Luxembourg. Except in the circumstances described in the Agency Agreement, investors in the Global Note will not be entitled to receive Notes in definitive form. Each of the Clearing Systems and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Note held through it. While the Notes are represented by the Global Note, investors will be able to trade their beneficial interests therein only through the relevant clearing systems and their respective direct and indirect participants.

To the extent that the Notes are represented by the Global Note, the Issuer will discharge its payment obligation thereunder by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Note must rely upon the procedures of the relevant clearing system and its participants to receive payments in respect of their interests in the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note.

Holders of beneficial interests in the 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.

Sanction Targets – Persons investing in the Notes might have indirect contact with Sanction Targets as a result of the Bank's investments in and business with countries on sanctions lists

The Office of Foreign Assets Control of the U.S. Department of Treasury ("*OFAC*") administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and Sudan, and specially designated nationals ("*SDNs*"), and other United States, United Kingdom, EU and United Nations rules impose similar restrictions (the SDNs and other targets of these restrictions being together the "*Sanction Targets*"). As the Bank is not a Sanction Target, these rules do not prohibit United States or European investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group's current policy is not to engage in any business with Sanction Targets, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Group might incur the risk of indirect contact with Sanction Targets. In addition, there can be no assurance that current counterparties will not become Sanction Targets in the future. See "*The Group and its Business – Compliance with Sanctions Laws*."

Risks Relating to the Market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk and credit risk:

Financial Transaction Tax

On 14 February 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a Directive for a common financial transaction tax ("*FTT*") that might apply in certain Member States (the "*Participating Member States*"). The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. See "*Taxation – The Proposed Financial Transaction Tax*."

No Secondary Market – An active secondary market in respect of the Notes might never be established or might be illiquid and this might adversely affect the price at which an investor could sell the Notes

The Notes will have no established trading market when issued and, although application has been made for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market, such application might not be accepted and/or an active trading market might not develop or, if developed, it might not be sustained. If a market does develop, it might not be very liquid and the Notes might trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank's financial condition. Therefore, investors might 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 given the subordinated nature of the Notes. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes might be adversely affected.

Market Price Volatility – The market price of an investment in the Notes might be subject to a high degree of volatility

The market price of an investment in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Bank'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 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 Bank's financial condition or results of operations.

The market price of an investment in the Notes also will 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 might 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 might diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market price of an investment in the Notes.

Exchange Rate Risks and Exchange Controls – Non-U.S. Dollar investors will be subject to exchange rate risk and the Bank's ability to make payment on the Notes in U.S. Dollars might be affected by exchange controls

The Issuer will pay principal and interest on the Notes in U.S. Dollars, which 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 U.S. Dollars. These include the risk that exchange rates might significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that the Turkish government and/or authorities with jurisdiction over the Investor's Currency might impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease: (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the interest and principal payable on the Notes and (c) the Investor's Currency-equivalent market price of investments in the Notes.

Government and monetary authorities might impose exchange controls that could adversely affect an applicable exchange rate and/or the ability to convert and/or transfer currency. If such occurs, particularly if it directly affects the Bank's payments on the Notes, then any investor in the Notes might receive less interest or principal than expected, or no interest or principal, and/or might receive payment in a currency other than U.S. Dollars. An investor might also not be able to convert (at a reasonable exchange rate or at all) amounts received in U.S. Dollars into the Investor's Currency, which could materially adversely affect the market price of interests in the Notes. There might also be tax consequences for investors of any such currency changes.

Credit Ratings – Credit ratings assigned to the Issuer or the Notes might not reflect all risks associated with an investment in the Notes and might be lowered, suspended or withdrawn

The expected initial credit rating of the Notes is as set forth on the cover page hereof. Fitch may lower, suspend or withdraw its rating if, in its sole judgment, the credit quality of the Notes has declined or is in question. If any credit rating assigned to the Notes is lowered, suspended or withdrawn, then the market price of the Notes might decline. In addition to the ratings of the Notes and the Bank provided by Fitch, one or more other independent credit rating agency(ies) might assign credit ratings to the Notes and/or the Bank. In addition, the ratings might not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that might affect the value or market price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and might be revised, suspended or withdrawn by the applicable rating agency at any time. Similar ratings on different types of securities do not necessarily mean the same thing. Ratings on the Notes also do not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Bank could adversely affect the price that a subsequent purchaser will be willing to pay for investments in such Notes. The significance of each rating should be analysed independently from any other rating. See "*The Group and its Business - Credit Ratings*."

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 also applies 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 European Securities and Markets Authority ("*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 might 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 Fitch and its rating of the Notes is set out on the cover of this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group for the years ended 31 December 2015 and 2016, and

(b) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for the years ended 31 December 2015 and 2016, and

(c) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for the year ended 31 December 2015.

The BRSA Financial Statements incorporated by reference into this Prospectus, 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).

Copies of documents incorporated by reference into this Prospectus are available on the Bank's website at:

(a) https://www.fibabanka.com.tr/about-fibabanka/investor-relations/financials-presentations/year-end-ifrs-reports.aspx (with respect to the Group's IFRS Financial Statements), and

(b) https://www.fibabanka.com.tr/about-fibabanka/investor-relations/financials-presentations/year-end-interim-financial-reports-brsa.aspx (with respect to the Bank's and the Group's BRSA Financial Statements).

Any documents (or portions thereof) themselves incorporated by reference into the documents incorporated by reference into this Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Prospectus.

Any statement contained in a document (or a portion thereof) that is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any other document incorporated by reference herein, or in any supplement hereto, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Where there is any inconsistency between the information contained in this Prospectus and the information contained in (or incorporated by reference into) the information incorporated by reference herein, the information set out in this Prospectus shall prevail.

The contents of any website (except for the documents incorporated by reference into this Prospectus to the extent set out on any such website) referenced in this Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Prospectus.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organised under the laws of Turkey (specifically, under the Banking Law). All of the directors and officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might 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 order to enforce such judgments in Turkey, investors should initiate enforcement proceedings 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 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 the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *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 Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon any 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.

Process may be served upon the Bank at Law Debenture Corporate Services Limited (with an address on the Closing Date of Fifth Floor, 100 Wood Street, London EC2V 7EX) in relation to any proceedings in England in connection with the Notes.

USE OF PROCEEDS

The net proceeds of: (a) the offering of the New Notes will be used by the Bank (with respect to the New Notes) and Fiba Holding (with respect to the Existing Notes) for general corporate purposes, including paying the commissions and other expenses relating to the offering of the Notes, and (b) the offering of the Existing Notes by the Bank to Fiba Holding were used by the Bank for general corporate purposes. The Bank will incur various expenses in connection with the issuance of the Notes, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following summary financial and other information have been extracted (except as noted in the "Key Performance Indicators - Ratios" table) from the Group's BRSA Financial Statements incorporated by reference into this Prospectus, without material adjustment. This information should be read in conjunction with the information contained in such BRSA Financial Statements (including the notes thereto), which have been audited by Deloitte. See "*Risk Factors – Risks Relating to the Group's Business – Audit Qualification.*"

	2014	2015	2016
		(*TL thousands*)	
Net interest income	313,007	397,844	510,524
Net fee and commission income	18,268	23,796	27,463
Trading income (net)	17,643	(1,908)	55,997
Other operating income	10,531	35,271	54,140
Total operating income	**359,449**	**455,003**	**648,124**
Provisions for loans and other receivables	(62,370)	(102,823)	(193,187)
Other operating expenses	(201,979)	(242,715)	(293,917)
Net operating income	**95,100**	**109,465**	**161,020**
Tax provision for continuing operations	(20,962)	(27,948)	(46,023)
Net period profit/loss from continuing operations	**74,138**	**81,517**	**114,997**

	As of 31 December					
	2014	% of Total	2015	% of Total	2016	% of Total
		(*TL thousands, except for percentages)*				
Assets						
Cash and balances with the central bank	1,023,109	12.7	1,474,109	13.2	1,937,934	12.6
Financial assets at fair value through profit or loss	32,640	0.4	114,531	1.0	497,685	3.2
Banks	262,879	3.3	70,046	0.6	58,380	0.4
Money market placements	23,189	0.3	-	-	274,702	1.8
Financial assets available for sale	381,909	4.8	613,771	5.5	887,226	5.8
Loans	6,189,634	77.0	8,614,777	77.0	11,441,272	74.3
Tangible assets, net	31,494	0.4	191,693	1.7	186,205	1.2
Other assets	91,866	1.1	107,657	1.0	105,468	0.7
Total assets	**8,036,720**	**100.0**	**11,186,584**	**100.0**	**15,388,872**	**100.0**
Liabilities						
Deposits	5,241,365	65.2	7,455,724	66.6	9,616,738	62.5
Derivative financial liabilities held for trading	11,712	0.1	83,608	0.7	383,459	2.5
Funds borrowed	846,349	10.5	1,024,446	9.2	1,536,663	10.0
Funds provided under repurchase agreeents	325,977	4.1	504,822	4.5	683,828	4.4
Marketable securities issued (net)	472,935	5.9	503,741	4.5	991,975	6.4
Miscellaneous payables	61,250	0.8	100,688	0.9	145,780	0.9
Other liabilities	101,619	1.3	114,968	1.0	126,241	0.8
Provisions	77,412	1.0	113,812	1.0	178,668	1.2
Tax liability	20,399	0.3	35,949	0.3	38,481	0.3
Subordinated debt	291,574	3.6	211,913	1.9	397,278	2.6
Total liabilities	**7,450,592**	**92.7**	**10,149,671**	**90.7**	**14,099,211**	**91.6**
Total shareholders' equity	**586,128**	**7.3**	**1,036,913**	**9.3**	**1,289,761**	**8.4**
Total liabilities and shareholders' equity	**8,036,720**	**100.0**	**11,186,584**	**100.0**	**15,388,872**	**100.0**

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		
Ratios	**2014**	**2015**	**2016**
Net interest margin	5.0%	5.1%	4.8%
Adjusted net interest margin	4.2%	4.3%	3.8%
Adjusted net interest income as a percentage of average interest-earning assets	4.4%	4.2%	4.2%
Net fee and commission income to total operating income	5.1%	5.2%	4.2%
Cost-to-income ratio	56.2%	53.3%	45.3%
Adjusted operating expenses to average total assets	2.6%	2.4%	2.1%
NPLs to total gross cash loans	2.1%	1.7%	1.8%
Free capital ratio	5.9%	6.9%	6.3%
Group's capital adequacy ratios(1)			
Tier 1 capital adequacy ratio(2)	8.2%	10.9%	9.7%
Total capital adequacy ratio(3)	13.2%	13.6%	13.5%
NPL coverage ratio	43.5%	53.3%	39.6%
Return on average total assets	1.0%	0.9%	0.9%
Return on average shareholders' equity	13.6%	10.9%	10.0%
Loan to deposit ratio	118.1%	115.5%	119.0%
Loan loss provisions/gross loans	1.6%	1.8%	1.7%

(1) Calculated in accordance with BRSA regulations for the Group.

(2) The "Tier 1" capital adequacy ratio is calculated by dividing the "Tier 1" capital of the Group (*i.e.*, its share capital, reserves and retained earnings) by the aggregate of the risk-weighted assets of the Group, in each case as of 31 December of the applicable year. See "*Capital Adequacy*" below.

(3) The total capital adequacy ratio is calculated by dividing: (a) the "Tier 1" capital of the Group (*i.e.*, its share capital, reserves and retained earnings) *plus* the "Tier 2" 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 intangibles)) and *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), by (b) the aggregate of the risk-weighted assets of the Group, in each case of 31 December of the applicable year. See "*Capital Adequacy*" below.

CAPITALISATION OF THE GROUP

The following table sets forth the total capitalisation of the Group as of the indicated dates. The following financial information has been extracted from the Group's BRSA Financial Statements without material adjustment. This table should be read in conjunction with the Group's BRSA Financial Statements (including the notes thereto) incorporated by reference into this Prospectus.

	As of 31 December		
	2014	**2015**	**2016**
Paid-in capital	550,000	847,515	941,161
Capital reserves	(10,537)	61,216	105,421
Share premium	-	*73,379*	*128,678*
Marketable securities revaluation reserve	*(8,363)*	*(9,727)*	*(20,254)*
Other capital reserves	*(2,174)*	*(2,436)*	*(3,003)*
Profit reserves	-	46,786	128,369
Legal reserves	-	*3,711*	*7,790*
Extraordinary reserves	-	*43,075*	*120,579*
Profit or loss	46,612	81,344	114,757
Non-controlling interest	53	52	53
Total shareholders' equity	**586,128**	**1,036,913**	**1,289,761**
Long-term debt[(1)]	510,492	970,141	1,856,778
Total Capitalisation	**1,096,620**	**2,007,054**	**3,146,539**

(1) Long-term debt is comprised of long-term debts classified under "loans and advances from banks" and "subordinated liabilities" (excluding expense accruals) in the BRSA Financial Statements.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the financial years ended 31 December 2014, 2015 and 2016. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the other financial information included in (including incorporated by reference in) this Prospectus. The BRSA Financial Statements have been prepared in accordance with BRSA regulations as described in "*Presentation of Financial and Other Information*."

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 herein.

Certain information contained in the discussion and analysis set forth below and elsewhere in this 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 Relating to the Group's Business*" and "*Risk Factors – Risks Relating to Turkey*."

Overview

The Group provides a range of banking services in Turkey, including corporate banking, commercial banking, retail banking, private banking and capital market operations. The Group operates in a highly-competitive banking market in Turkey. As of 31 December 2016, 47 banks were operating in Turkey (excluding participation banks and the one bank under the SDIF's administration). Thirty-four of these were deposit-taking banks (including the Bank) and the remaining banks were investment and development banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks and 21 were private foreign banks.

As of 31 December 2016, the Group had total assets of TL 15,389 million, total deposits of TL 9,617 million, total loans of TL 11,441 million, a capital adequacy ratio of 13.48% (9.65% when calculated using Tier 1 capital only), shareholders' equity of TL 1,290 million, its liquidity coverage ratio was 87.76% and its cash loan-to-deposit ratio was 119%. As of such date, 34% of its performing loans and 41% of its liabilities (including deposits) were denominated in foreign currencies, principally U.S. Dollars and euro. In 2016, the Group's net operating income was TL 161 million.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macro economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors might 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 2014.

Turkish Economy

All of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of 31 December 2016, 97% of the Group's total assets were 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 and fluctuations in exchange and interest rates.

In May 2013, capital inflows to Turkey started to weaken due to uncertainties regarding global monetary policies (particularly those in the United States) and additional capital requirements of the Basel II rules, and, as a result, the Central Bank tightened monetary policy in order to support financial stability. The Central Bank held an interim meeting on 28 January 2014 and announced a significant rate increase in order to balance the risks associated with the increased volatility in capital flows observed at the end of 2013 due to domestic political concerns. As a result of this tight monetary policy and other measures taken by the BRSA to dampen consumer lending, domestic demand weakened and a significant improvement was observed in the current account deficit in 2014 of US$43.6 billion compared to US$63.6 billion for 2013.

Along with a decline in uncertainties and the improvement in risk premium indicators in early 2014, market interest rates fell across all maturities. In this context, starting from May 2014 until November 2016, the Central Bank reduced gradually its one week repo rate, overnight borrowing rate and overnight lending rate.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 25.4%; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was only a 7.1% real depreciation compared to year-end 2014. In particular, the value of the Turkish Lira depreciated against major currencies in 2015 largely due to the increased risk perception in global markets regarding the market's expectation of U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey and other political events described under "*Risk Factors –Risks Relating to Turkey – Political Developments*." Against these developments, the Central Bank prepared a roadmap to react to a possible rate hike by the U.S. Federal Reserve. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. Instead of responding to the U.S. Federal Reserve's actions by changing the interest rates and implementing the roadmap, the Central Bank tightened further the liquidity of the Turkish Lira. This initial step by the U.S. Federal Reserve towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate.

The Turkish Lira depreciated against the U.S. Dollar by 21.5% in 2016, reaching its then-lowest level against the U.S. Dollar, mainly due to uncertainty resulting from domestic political developments (see "*Risk Factors – Risks Relating to Turkey – Political Developments*"), the result of the presidential election in the United States and the expectation of a rate hike by the U.S. Federal Reserve. The Central Bank's average funding rate further increased to 9.1% in February 2016, but then subsequently decreased to below 9.0% in March 2016 due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting.

The Central Bank took its first step towards normalisation in March 2016 and reduced its upper limit of the interest rate corridor by 25 basis points to 10.50% due to the reduction in the need for a wide interest rate corridor in line with the easing of global volatility. The Central Bank announced that it plans to maintain its tight liquidity stance as a result of the improving trend in the underlying core inflation rate. The Central Bank gradually reduced the upper limit of its interest rate corridor further to 8.25% as of 22 September 2016. On 24 November 2016, the Central Bank started to increase the upper limit of its interest rate corridor (lending rate), increasing such rate by 25 basis points and, on 24 January 2017, increasing it further by 75 basis points to 9.25%, due to the depreciation of the Turkish Lira. On 24 November 2016, the Central Bank increased its one-week repo rate by 50 basis points to 8.00%, while holding its overnight borrowing rate unchanged at 7.25%. On 16 March 2017, the Central Bank increased the late liquidity window lending rate to 11.75% from 11.00%, while keeping its overnight interest rates, one-week repo rate and late liquidity window borrowing rate constant. On 26 April 2017, the Central Bank increased its late liquidity window lending rate by 50 basis points to 12.25%, while continuing to keep its other rates constant. See "*Interest Rates – Central Bank's Monetary and Exchange Rate Policy*" below.

The following table provides certain macro-economic indicators for Turkey, including real GDP, inflation rates and the Central Bank's overnight TL interest rate for each of the indicated periods:

	2012	2013	2014	2015	2016
Nominal GDP at current prices (TL millions)[(1)]	1,569,672	1,809,713	2,044,466	2,337,530	2,590,517
Real GDP growth[(1)]	4.8%	8.5%	5.2%	6.1%	2.9%
Deficit/surplus of consolidated budget/GDP	(1.9)%	(1.0)%	(1.1)%	(1.0)%	(1.1)%
Consumer Price Inflation[(2)]	6.2%	7.4%	8.2%	8.8%	8.5%
Producer Price Inflation[(2)]	2.5%	7.0%	6.4%	5.7%	9.9%
Central Bank overnight TL interest rate, period-end	5.00%	3.50%	7.50%	7.25%	7.25%
Central Bank weekly TL repo rate, period-end[(3)]	5.50%	4.50%	8.25%	7.50%	8.00%
Refinancing rate of the Central Bank, period-end	9.00%	7.75%	11.25%	10.75%	8.50%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar[(4)]	6.5%	(19.7)%	(8.6)%	(25.4)%	(21.5)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	7.3%	(9.1)%	4.7%	(7.1)%	(5.5)%
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions)	120,290	132,874	126,448	113,251	106,101

Sources: TurkStat for nominal GDP at current prices, real GDP growth, 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 and total gross gold and international currency reserves.

(1) On 12 December 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for the previous periods that were calculated in line with the former method. The figures in this table reflect GDP growth revised in line with the calculations made with the new method.
(2) Annual percentage change of the applicable index.
(3) The Central Bank announces the weekly repo lending rate as the reference rate.
(4) Central Bank buying rates.

Interest Rates

Impact on the Group's assets and liabilities. One of the primary factors affecting the Group's profitability is the level of, and fluctuations in, interest rates in Turkey, which in turn influence the return on the Group's total securities portfolio and its loan and deposit rates. 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. Although the impact of decreasing interest rates earned on assets 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 to raise or maintain interest rates on deposits in order to attract and retain depositors, the Group has utilized alternative sources for raising funds with lower costs compared to deposits, thereby mitigating this competitive pressure.

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio might increase and its interest margins on existing loans can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Bank's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest. In addition, rising interest rates are expected to reduce the value of the Group's existing investment securities portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio.

As of 31 December 2014, 2015 and 2016, respectively, approximately 41%, 39% and 37% of the Bank's loans and 37%, 36% and 33% of the Bank's interest-earning assets were at floating rates. The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the composition of loans and deposits within a short period of time is limited. On the other hand, the Group tries to diversify its total securities portfolio in terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet. In addition, the Group uses derivatives for economic hedging purposes to keep the duration mismatch of the balance sheet within the limits established by the Board.

The Group's interest income is primarily comprised of interest earned on its loan portfolio (TL 1,238 million (96.0% of total interest income) in 2016, TL 849 million (95.2% of total interest income) in 2015 and TL 682 million (96.3% of total interest income) in 2014).

The Group's primary sources of funding for the periods under review have typically been short-term deposits, funds borrowed, marketable securities issued and repurchase ("repo") transactions with the Central Bank. The Group's cost of funding in relation to repo transactions and deposit-based funding generally decreases as the Central Bank rates decrease and vice-versa.

Central Bank's Monetary and Exchange Rate Policy. Among the most significant indicators of the movements in interest rates as they affect the Group is the Central Bank's overnight borrowing interest rate. See "*Turkish Economy*" above for details regarding certain of the Central Bank's decisions regarding its overnight borrowing interest rate. Although decreases in interest rates might result in decreases in margins for banks (including the Bank), and increases might result in higher interest costs for the Group's funding, whether decreases or increases will negatively affect the Group's net interest income depends upon the magnitude of their impact on its loan portfolio, total securities portfolio and various funding sources, as well as the timing of such impacts.

In addition to increasing the liquidity of the Turkish Lira, the Central Bank announced, as part of its monetary and exchange rate policy for 2014, that it will increase the funding needs of the financial system via foreign exchange auctions, through changes in reserve option mechanisms and by shortening the maturity of funding. The Central Bank also aimed to limit the growth of consumer loans as it believed that the excessive growth in consumer loans was one of the leading factors of the current account deficit in Turkey. In January 2014, to counter a significant depreciation in the Turkish Lira, the Central Bank held an interim Monetary Policy Committee meeting and increased its overnight TL borrowing rate to 8.00% from 3.50%, its one-week repo rate to 10.00% from 4.50% and its overnight lending rate to 12.00% from 7.75%. In the Monetary Policy Committee's April 2014 meeting, the late liquidity window facility lending rate was reduced from 15.00% to 13.50% (though such rate has little application on market practice). While such increases resulted in a limited increase in the Group's short-term funding costs and negatively affected the Bank's net interest margin, they also contributed to an increase in rates earned by the Group on its assets and, as a result, the impact on the Bank's net interest margin was limited.

Following the Central Bank's significant rate increase and diminishing political uncertainties, the Turkish Lira recovered and appreciated by 10.7% in nominal terms against the U.S. Dollar as of 30 May 2014 compared to the level recorded on 28 January 2014. In this context, the Central Bank reduced its one week repo rate from 10.00% to 9.50% on 22 May 2014, to 8.75% on 24 June 2014, to 8.25% on 17 July 2014, to 7.75% on 20 January 2015 and then to 7.50% on 24 February 2015 (representing a total cut of 250 basis points). The Central Bank also reduced the overnight borrowing rate from 8.00% to 7.50% on 17 July 2014 and further to 7.25% on 24 February 2015, while the overnight lending rate was reduced from 12.00% to 11.25% on 27 August 2014 and further to 10.75% on 24 February 2015; *however*, the uncertainties regarding global monetary policy and Turkey's political conditions that existed both before and after the general elections held on 7 June 2015 contributed to a depreciation of the Turkish Lira, which declined by value against the U.S. Dollar (by 25.4% in 2015).

In December 2015, the U.S. Federal Reserve raised the U.S. interest rates by 0.25%. Instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. On 24 March 2016, the Central Bank took its first step towards normalisation and reduced its upper limit of the interest rate corridor by 25 basis points to 10.50% due to the reduction in the need for a wide interest rate corridor in line with the easing of global volatility. The Central Bank announced that it planned to maintain its tight liquidity stance as a result of the improving trend in the underlying core inflation rate. This initial step towards normalization reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In the first quarter of 2016, the Turkish Lira appreciated against the U.S. Dollar by 2.6%; *however*, in 2016, the Turkish Lira depreciated against the U.S. Dollar by 21.5%. The Central Bank gradually reduced the upper limit of its interest rate corridor (lending rate) from 10.75% to 8.50% as of 23 August 2016. On that date, the Central Bank also reduced its late liquidity window lending rate by 25 basis points to 10.00%, but held its one-week repo rate unchanged at 7.50%, its overnight borrowing rate unchanged at 7.25% and its late liquidity window borrowing rate unchanged at 0%. Having declined to 7.62% in March 2015, the Central Bank's average funding rate increased initially to 8.34% in April 2015 and then climbed to 8.81% as of the end of 2015. The Central Bank decreased the overnight lending rate gradually to 8.25% in September 2016 from 10.50% in March 2016 due to the policy simplification measures announced in the second half of 2015. As a result of the significant depreciation of the Turkish Lira against the U.S. Dollar since November 2016, the Central Bank started to implement a tight liquidity policy in January 2017, taking actions that included cancelling the weekly repo auctions, funding the markets through a late liquidity window facility and raising the upper band of the interest corridor.

Margins have frequently been subject to pressure from the tightening of monetary policy in Turkey and high levels of competition. In 2015 and 2016, tight liquidity conditions persisted throughout the year and the Bank closely monitored its funding costs. Accordingly, during such years, the Bank's main pillar of asset liability management was diversifying its funding portfolio with cheaper funding sources. In 2016, the net interest margin of the Bank was 4.8% (5.1% in 2015 and 5.0% in 2014).

In light of interest rate fluctuations that have had, and are expected to continue to have, a negative impact on margins, the Group's strategy is to seek to increase its business volumes and to focus on cost control, profitability and asset quality. In addition to movements in market interest rates, a key variable impacting changes in the Group's interest income and interest expense has been competition among both Turkish private and public sector banks, which has intensified over the periods under review and has negatively impacted, and is expected to continue to negatively impact upon, the Bank's net interest margin (see "*Risk Factors – Risk Relating to the Group's Business – Competition in the Turkish Banking Sector*").

Central Bank Reserve Requirements

From time to time, the Central Bank, with a view toward supporting financial stability, increases the reserve requirement ratios for foreign currency-denominated liabilities of banks and financing companies in order to encourage the extension of maturities of non-core liabilities. These reserve rate increases have had a material adverse effect on the Bank's profitability as, due to competitive pressures, the Bank has been only partially able to pass on such increases in its overall costs of funding to customers. The Bank tries to mitigate the adverse impact on net interest margins from increases in reserve requirements by benefiting from the flexibilities offered by the Central Bank for fulfilling the reserve requirement obligations of banks. See "*Turkish Regulatory Environment – Liquidity and Reserve Requirements.*" The Central Bank's actions are frequently taken in part to reduce weakness and volatility in the value of the Turkish Lira by encouraging the banking sector to borrow foreign currencies on a longer-term basis.

In addition to the Central Bank's reserve requirement policy, it introduced the "Reserve Option Mechanism" as a monetary policy tool. Central Bank regulations permit Turkish banks to maintain 60% of their Turkish Lira reserve requirements in U.S. Dollars and 30% of their Turkish Lira reserve requirements in gold. Within the Reserve Option Mechanism facility, the amount of foreign exchange or gold that can be held per unit of Turkish Lira is determined by certain reserve option coefficients and, as the portion of reserve requirements held in foreign exchange or gold increases, a bank has to hold higher amounts of foreign exchange or gold per unit of Turkish Lira. This mechanism provides banks with flexibility to adjust the cost of their Turkish Lira reserve requirements. The Group's policy is to seek to meet its Turkish Lira reserve requirement obligations by holding these assets in order to seek to decrease the total cost of its Turkish Lira reserve requirements; *however*, the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, increased risk weights of foreign currency claims on the Central Bank in the form of required reserves from 0% to 50%, while Turkish Lira-denominated claims on the Central Bank continued to be subject to preferential treatment of 0% risk weight.

Exchange Rates

A portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and euro. As of 31 December 2016, 44% of the Group's total assets and 45% of the Group's total liabilities 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 limit imposed by the BRSA is defined as an amount *plus/minus* 20% 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. For 2015, the Group recorded net foreign exchange gains of TL 5.7 million, whereas in 2014 and 2016 the Group recorded net foreign exchange losses of TL 5.1 million and TL 10.4 million, respectively.

Exchange rate movements also affect the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital, 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).

Provisioning for Impaired Loans

The Group classifies loans in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. The Bank calculates and allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "*Turkish Regulatory Environment – Loan Loss Reserves*").

As part of the Group's risk management principles and effective management of its loan portfolio, the Group monitors market conditions and selectively sells NPLs when doing so is viewed as maximizing recovery rates and returns.

Provisions that have been made within the current financial year but are released within the same financial year result in a credit to the "Provision Expenses" account in the quarter of release, while the released parts of provisions from previous years are transferred to and recognized in the "Other Operating Income" account. For further information on the Group's internal loan provision requirements, see Section Three, XV of the BRSA Financial Statements as of and for the year ended 31 December 2016.

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 of the BRSA Financial Statements as of and for the year ended 31 December 2016. 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. Management bases its estimates and judgments upon 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.

Classification and Measurement of Financial Assets

Financial assets comprise 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 are 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 consists of cash in vault, foreign currency cash, money in transit, checks purchased and precious metals. Foreign currency cash and banks are 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 are their estimated fair values.

Financial Assets at Fair Value through Profit and Loss. Financial assets classified as "at fair value through profit and loss" include 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 are those acquired for the purpose of generating profit from short-term market fluctuations in prices or similar elements, or securities that are part of a portfolio set up to realise short term profit regardless of the purpose of acquisition.
>
> Financial assets held for trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and the assets' "amortised cost," calculated by the internal rate of return method, is taken into account as the fair value.
>
> Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. Pursuant to legal regulations, any positive difference between the historical cost and amortised cost of financial assets is recognised under the "Interest Income" account, and in case the fair value of the asset is over the amortised cost, the positive difference is recognised in the "Gains on Securities Trading" account. If the fair value is less than the amortised cost, then the negative difference is recognised under the "Losses on Securities Trading" account. Any profit or loss resulting from the disposal of those assets before their maturity date is 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" are 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 is accounted similarly to the financial assets held for trading described above.

Financial Assets Available for Sale. Financial assets available for sale are non-derivative financial assets other than 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 are performed based upon the fair value including transaction costs. The amount arising from the difference between cost and amortised value is recognised through the income statement by using the internal rate of return. If a price does not occur in an active market, then the fair value cannot be reliably determined and "amortised value" is 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 are 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 are reflected to the income statement when these assets are sold or when the valuation difference is collected.

Held to Maturity Investments. Held to maturity investments are investments for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including funding ability, and for which there are fixed or determinable payments with fixed maturity, which investments are recognised at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are 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 is recognised in the income statement as an interest income.

Loans and Receivables. Loans and receivables represent financial assets that are not quoted in an active market and are generated by providing money, goods or services to the debtor with fixed or determinable payments. Loans and receivables are initially recognised at their fair values including settlement costs and are thereafter carried at their amortised cost, which is calculated using the internal rate of return method. Retail and commercial loans that are included in cash loans are accounted at original maturities, based upon their contents.

Foreign currency-indexed consumer and corporate loans are 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 are recognised under the foreign currency income and expense accounts in the income statement. Repayment amounts are calculated using the exchange rate on the repayment date and any exchange differences are also recognised in the foreign currency income and expense accounts in the income statement.

Impairment of Financial Assets

At each balance sheet date, the Group companies evaluate the carrying amount of their financial assets or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, then the Group determines the related impairment amount.

A financial asset or group of financial assets is subject to impairment loss only if there is 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 might arise from future events is recognised in the financial statements.

Impairment losses attributable to the "held to maturity investments" are 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 is recognised as a loss and decreases the book value of the financial asset. In subsequent periods, to the extent that the impairment loss amount decreases, the previously recognised impairment loss is reversed.

When a decline occurs in the fair value of an "available for sale" financial asset, which is accounted at fair value and the increases and decreases in value of which are recognised directly in equity, the accumulated profit or loss that had been recognised directly in equity is 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 increases, then the impairment loss is reversed and the amount of reversal is recognised in profit or loss.

"Loans and receivables" are classified and followed in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. The Bank calculates and allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "*Turkish Regulatory Environment – Loan Loss Reserves*").

Other than specific provisions, the Bank and the financial institutions in the Group also provide "general allowances" for loans and other receivables classified in accordance with applicable regulations.

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. In addition, provision is also allocated for employees' unused paid vacation.

Interest Income and Expenses

Interest income and expenses are recognised on an accrual basis by using the effective interest method (the rate that equalizes 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 are reversed and interest income related to these loans is recorded as interest income only when they are collected.

Fee and Commission Income and Expenses

Fee and commission income and expenses are 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 are recognised in income accounts in the period of collection.

Analysis of Results of Operations for the years ended 31 December 2014, 2015 and 2016

The table below sets out the Group's income statement for the periods indicated.

Consolidated Income Statement Data	**2014**	**2015**	**2016**
		(TL thousands, except where indicated)	
Interest Income	**708,376**	**891,640**	**1,289,571**
Interest Income on Loans	682,000	848,616	1,237,756
Interest Received from Reserve Deposits	189	3,095	7,988
Interest Received from Banks	11,100	11,560	7,959
Interest Received from Money Market Placements	354	185	1,558
Interest Received from Marketable Securities Portfolio	14,645	27,964	33,970
Financial Assets Held for Trading	*983*	*1,150*	*1,413*
Financial Assets at Fair Value Through Profit and Loss	-	-	-
Financial Assets Available for-Sale	*13,662*	*26,814*	*32,557*
Held to Maturity Investments	-	-	-
Other Interest Income	88	220	340
Interest Expense	**395,369**	**493,796**	**779,047**
Interest on Deposits	311,893	393,631	611,101
Interest on Funds Borrowed	34,785	37,999	65,882
Interest on Money Market Funds	12	357	556
Interest on Securities Issued	45,229	54,879	87,706
Other Interest Expense	3,450	6,930	13,802
Net Interest Income/Expense	**313,007**	**397,844**	**510,524**
Net Fees and Commissions Income/Expense	**18,268**	**23,796**	**27,463**
Fees and Commissions Received	29,037	41,910	49,352
Non-cash Loans	*8,402*	*10,670*	*9,074*
Other	*20,635*	*31,240*	*40,278*
Fees and Commissions Paid	10,769	18,114	21,889
Non-cash Loans	*52*	*153*	*220*
Other	*10,717*	*17,961*	*21,669*
Dividend Income	-	-	-
Trading Income (net)	**17,643**	**(1,908)**	**55,997**
Gains/Losses on Securities Trading	2,980	(105)	6,756
Derivative Financial Transactions Gains/Losses	19,797	(7,504)	59,614
Foreign Exchange Gains/Losses	(5,134)	5,701	(10,373)
Other Operating Income	**10,531**	**35,271**	**54,140**
Total Operating Income / Expense	**359,449**	**455,003**	**648,124**
Provision for Loans and Other Receivables	62,370	102,823	193,187
Other Operating Expenses	**201,979**	**242,715**	**293,917**
Net Operating Income	**95,100**	**109,465**	**161,020**
Profit/Loss From Associates Using the Equity Method	-	-	-
Profit/Loss On Continuing Operations Before Tax	**95,100**	**109,465**	**161,020**
Tax Provision For Continuing Operations	(20,962)	(27,948)	(46,023)
Current Tax Provision	*(13,646)*	*(27,018)*	*(40,201)*
Deferred Tax Provision	*(7,316)*	*(930)*	*(5,822)*
Net Period Profit/Loss From Continuing Operations	**74,138**	**81,517**	**114,997**
Group's profit/loss	74,139	81,518	114,996
Non-controlling interest	(1)	(1)	1
Earnings Per Share[(1)]	0.00135	0.00126	0.00131

(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 for 2015 and 2016

Net Interest Income

The Group's net interest income increased by 28% from TL 398 million in 2015 to TL 511 million in 2016. This increase was due to a 46% increase in interest income from loans and a 21% increase in interest income from total securities, which primarily resulted from the increases in both the volume and yield of loans and securities. The total impact was partially offset by an increase in interest expense (primarily driven by interest paid on deposits). The Bank's net interest margin in 2016 was 4.8%, compared to 5.1% in 2015. The increase in the Bank's monthly average balance of loans was offset by slightly higher funding costs, particularly for deposits, in 2016, as well as by increased interest rates in the market due to reduced risk appetite for emerging markets, global liquidity concerns and the political uncertainty in Turkey. For further information regarding the factors that resulted in this change in the Bank's net interest margin, see "*Interest Income*" and "*Interest Expense*" below.

Interest Income. The Group's interest income increased by 45% from TL 892 million in 2015 to TL 1,290 million in 2016 primarily due to an increase in interest income on loans. The Group's interest income is primarily derived from interest on loans and interest on total securities. For 2016, interest income from loans totaled TL 1,238 million (96% of total interest income) and interest income from total securities totaled TL 34 million (3% of total interest income), compared to TL 849 million (95% of total interest income) and TL 28 million (3% of total interest income), respectively, in 2015.

With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans (calculated based upon the quarterly average balance of loans (*i.e.*, the average of the quarterly balances of loans and receivables (performing), which is calculated by averaging the amount of loans and receivables (performing) 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) to customers increased to 12.7% in 2016 from 12.1% in 2015. In addition to this increase in interest rates, the growth in interest income in 2016 reflects an increase in the Bank's quarterly average balance of loans during 2016 as compared to 2015 to TL 9,764 million from TL 6,992 million (an increase of 40%) as a result of growth mainly in Turkish Lira-denominated commercial and corporate loans.

Interest Expense. The Group's interest expense increased by 58% from TL 494 million in 2015 to TL 779 million in 2016. This increase was mainly due to 55%, 60% and 73% year-on-year increases in interest expenses on deposits, and marketable securities issued and funds borrowed, respectively, which were primarily driven by higher volumes and funding costs due to the volatile interest rate environment. As of 31 December 2016, the Group had TL 684 million in funding through repos and TL 9,617 million in deposits, a repo-to-deposit ratio of 7% (for 2015, TL 505 million, TL 7,456 million and 7%, respectively).

Net Fees and Commission Income

The Group's net fees and commission income increased by 15% from TL 24 million in 2015 to TL 27 million in 2016. This increase was primarily a result of the increase in credit card and point of sales (POS) transactions. The increase in 2016 was partially offset by the Counsel of State (*Danıştay*) decision that prohibited Turkish banks from charging account maintenance fees to their customers as of January 2016.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income was TL 56 million in 2016 compared to the loss of TL 2 million in 2015. This increase was primarily driven by derivative transaction income resulting principally from swap transactions that were executed for funding purposes.

Other Operating Income

The Group's other operating income increased by 53% from TL 35 million in 2015 to TL 54 million in 2016. This increase was primarily attributable to the reversal of provisions from previous years and income from a sale of shares in Visa. A significant component of the Group's other operating income in 2015 and 2016 was its collections of NPLs. During 2016, the Group collected approximately TL 25 million of its NPLs (TL 39 million during 2015).

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables increased by 87% from TL 103 million in 2015 to TL 193 million in 2016. This increase was principally attributable to an 88% increase in specific provisions as a result of an increase in NPL inflows due to macroeconomic conditions. The NPL ratio was 1.8% as of 31 December 2016, compared to 1.7% as of 31 December 2015.

In addition, as of 31 December 2016 the Bank set aside a free reserve of TL 36 million in line with the conservatism principle considering the circumstances those may arise due to the changes in the economy or market conditions. See "*Risk Factors – Risks Relating to the Group's Business – Audit Qualification*."

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of 31 December	
	2015	**2016**
	(*TL thousands*)	
Specific Provisions for Loans and Other Receivables	**67,448**	**127,003**
Group III Loans and Receivables[(1)]	2,658	6,937
Group IV Loans and Receivables[(1)]	2,184	31,777
Group V Loans and Receivables[(1)]	62,606	88,289
General Loan Provision Expenses	**30,590**	**30,184**
Provision Expenses for Potential Risks	**-**	**36,000**
Marketable Securities Impairment Losses	**4,785**	**-**
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	4,785	-
Total	**102,823**	**193,187**

(1) For a description of the Loans and Receivables categories, see "*The Group and its Business – Loan Classification and Provisioning Policy*." For additional information on regulatory requirements for provisioning, see "*The Group and its Business – Loan Classification and Provisioning Policy*," "*Risk Factors – Risks Relating to the Group's Business - Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*."

Other Operating Expenses

The Group's other operating expenses increased by 21% from TL 243 million in 2015 to TL 294 million in 2016. This change was principally attributable to an increase in personnel expenses and other expenses related to operations.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 41% from TL 82 million in 2015 to TL 115 million in 2016. This increase in net profit was primarily due to a 28% increase in net interest income, a 53% increase in other operating income and an increase to TL 56 million in 2016 (from negative TL 2 million in 2015) in net trading income.

For 2016, the Bank's return on average total assets was 0.9% and its return on average shareholders' equity was 10.0%, compared to 0.9% and 10.9%, respectively, for 2015.

Results of Operations for 2014 and 2015

Net Interest Income

The Group's net interest income increased by 27% from TL 313 million in 2014 to TL 398 million in 2015. This increase was due to a 24% increase in interest income from loans and a 91% increase in interest income from total securities, offset by a 26% increase in interest expense. The Bank's net interest margin in 2015 was 5.1%, compared to 5.0% in 2014. For further information regarding the factors that resulted in this change in the Bank's net interest margin, see "*Interest Income*" and "*Interest Expense*" below.

Interest Income. The Group's interest income increased by 26% from TL 708 million in 2014 to TL 892 million in 2015 primarily due to an increase in interest income on loans. For 2015, interest income from loans totaled TL 849 million (95% of total interest income) and interest income from total securities totaled TL 28 million (3% of total interest income), compared to TL 682 million (96% of total interest income) and TL 15 million (2% of total interest income), respectively, in 2014. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans (calculated based upon the quarterly average balance of loans) to customers increased to 12.1% for 2015 from 12.0% in 2014. This increase reflects an increase in the Bank's quarterly average balance of loans during 2015 as compared to 2014 to TL 6,992 million from TL 5,668 million (an increase of 23%) as a result of growth mainly in corporate, commercial and SME loans, due in part to the Bank's decision to target customers in these segments of the economy.

With respect to interest on the total securities portfolio, the quarterly average balance in 2015 increased to TL 539 million from TL 325 million in 2014 (due to the amount of securities added to the portfolio exceeding the amount of securities in the portfolio that matured and were repaid) and the average interest rates on the total securities portfolio (calculated based upon the quarterly average balance of the total securities portfolio) increased to 5.2% in 2015 from 4.5% in 2014.

Interest Expense. The Group's interest expense increased by 25% from TL 395 million in 2014 to TL 494 million in 2015. This increase was due to 26% and 21% year-on-year increases in interest expenses on deposits and marketable securities issued, respectively. Excluding the increase resulting from the growth in balances, these increases were primarily driven by higher deposit costs compared to 2014, as well as the growth in its deposit base. See "*Deposits*" below. As of 31 December 2015, the Group had TL 505 million in funding through repos and TL 7,456 million in deposits, a repo-to-deposit ratio of 7% (for 2014, TL 326 million, TL 5,241 million and 6%, respectively).

Net Fees and Commission Income

The Group's net fees and commission income increased by 30% from TL 18 million in 2014 to TL 24 million in 2015. This increase was primarily a result of an increase in fees and commission income from non-cash loans and credit card and point-of-sale transactions.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decreased by 111% from TL 18 million in 2014 to negative TL 2 million in 2015. This decrease was primarily driven by losses on swap transactions, which were executed to raise Turkish Lira funds and preferred for cost advantages when compared to deposits.

Other Operating Income

The Group's other operating income increased by 235% from TL 11 million in 2014 to TL 35 million in 2015. This increase was primarily attributable to loan intermediation commissions, income from asset sales and reversals of previous years' provisions. An important component of the Group's other operating income in 2014 and 2015 was its collections of NPLs. During 2015, the Group collected approximately TL 39 million of NPLs as compared to the TL 19 million collected during 2014.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables, including impairment on investment securities, increased by 65% from TL 62 million in 2014 to TL 103 million in 2015. This increase was principally attributable to a 25% increase in loan loss provisions and a 269% increase in general loan provision expenses. The NPL ratio declined to 1.7% as of 31 December 2015 from 2.1% as of 31 December 2014 due to an increase in the size of the loan portfolio and sales of NPLs.

The following table shows the Group's provisioning for loans and other receivables as of the indicated dates.

	As of 31 December	
	2014	**2015**
	(*TL thousands*)	
Specific Provisions for Loans and Other Receivables	**54,090**	**67,448**
Group III Loans and Receivables[(1)]	3,856	2,658
Group IV Loans and Receivables[(1)]	14,954	2,184
Group V Loans and Receivables[(1)]	35,280	62,606
General Loan Provision Expenses	**8,280**	**30,590**
Provision Expenses for Potential Risks	**-**	**-**
Marketable Securities Impairment Losses	**-**	**4,785**
Financial Assets at Fair Value through Profit and Loss	-	-
Financial Assets Available for Sale	-	4,785
Total	**62,370**	**102,823**

(1) For a description of the Loans and Receivables categories, see "*The Group and its Business – Loan Classification and Provisioning Policy*." For additional information on regulatory requirements for provisioning, see "*The Group and its Business – Loan Classification and Provisioning Policy*," "*Risk Factors – Risks Relating to the Group's Business - Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*."

Other Operating Expenses

The Group's other operating expenses increased by 20% from TL 202 million in 2014 to TL 243 million in 2015. This change was principally attributable to an increase in personnel expenses, depreciation and rent.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 10% from TL 74 million in 2014 to TL 82 million in 2015. This increase in net profit was primarily due to a 27% increase in net interest income, a 30% increase in fees and commissions and a 235% increase in other operation income, which was partly offset by a 111% decrease in net trading income, a 65% increase in loan provisions and a 20% increase in operating expenses.

For 2015, the Bank's return on average total assets was 0.9% and the return on average shareholders' equity was 10.9%, compared to 1.0% and 13.6%, respectively, for 2014.

Financial Condition

The tables below set forth the Group's balance sheet data as of the indicated dates.

	As of 31 December		
	2014	**2015**	**2016**
ASSETS		*(TL thousands)*	
Cash And Balances with the Central Bank	**1,023,109**	**1,474,109**	**1,937,934**
Financial Assets At Fair Value Through Profit And Loss (Net)	**32,640**	**114,531**	**497,685**
Financial Assets Held for Trading	32,640	114,531	497,685
Government Debt Securities	19,571	19,876	22,753
Derivative Financial Assets Held for Trading	12,791	93,972	415,004
Other Marketable Securities	278	683	59,928
Banks	**262,879**	**70,046**	**58,380**
Money Market Placements	**23,189**	**-**	**274,702**
Financial Assets Available For Sale (Net)	**381,909**	**613,771**	**887,226**
Share Certificates	-	2,697	1,019
Government Debt Securities	18,070	75,697	183,851
Other Marketable Securities	363,839	535,377	702,356
Loans	**6,189,634**	**8,614,777**	**11,441,272**
Loans	6,116,966	8,546,012	11,312,803
Loans to the Bank's Risk Group	188	63	122,840
Other	6,116,778	8,545,949	11,189,963
Non-Performing Loans	128,725	147,230	212,639
Specific Provisions (-)	56,057	78,465	84,170
Tangible Assets (Net)	**31,494**	**191,693**	**186,205**
Intangible Assets (Net)	**5,336**	**5,364**	**3,979**
Tax Assets	**2,338**	**1,901**	**307**
Current Tax Asset	102	188	268
Deferred Tax Asset	2,236	1,713	39
Assets Held For Sale	**919**	**3,299**	**3,817**
Other Assets	**83,273**	**97,093**	**97,365**
Total Assets	**8,036,720**	**11,186,584**	**15,388,872**

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
LIABILITIES & EQUITY			
Deposits	**5,241,365**	**7,455,724**	**9,616,738**
Deposits from the Bank's Risk Group	192,396	585,706	611,476
Other	5,048,969	6,870,018	9,005,262
Derivative Financial Liabilities Held for Trading	**11,712**	**83,608**	**383,459**
Funds Borrowed	**846,349**	**1,024,446**	**1,536,663**
Funds Provided Under Repurchase Agreements	**325,977**	**504,822**	**683,828**
Marketable Securities Issued (Net)	**472,935**	**503,741**	**991,975**
Bills	315,810	503,741	991,975
Bonds	157,125	-	-
Miscellaneous Payables	**61,250**	**100,688**	**145,780**
Other Liabilities	**101,619**	**114,968**	**126,241**
Provisions	**77,412**	**113,812**	**178,668**
General Loan Loss Provision	60,513	91,103	121,287
Reserves for Employee Benefits	11,752	13,862	16,993
Other Provisions	5,147	8,847	40,388
Tax Liability	**20,399**	**35,949**	**38,481**
Current Tax Liability	20,399	35,949	37,107
Deferred Tax Liability	-	-	1,374
Subordinated Debt	**291,574**	**211,913**	**397,278**
Shareholders' Equity	**586,128**	**1,036,913**	**1,289,761**
Paid-in Capital	550,000	847,515	941,161
Capital Reserves	(10,537)	61,216	105,421
Share Premium	-	*73,379*	*128,678*
Marketable Securities Revaluation Reserve	*(8,363)*	*(9,727)*	*(20,254)*
Other Capital Reserves	*(2,174)*	*(2,436)*	*(3,003)*
Profit Reserves	-	46,786	128,369
Legal Reserves	-	*3,711*	*7,790*
Extraordinary Reserves	-	*43,075*	*120,579*
Profit or Loss	46,612	81,344	114,757
Prior Years' Profit/Loss	*(27,527)*	*(174)*	*(239)*
Current Year Profit/Loss	*74,139*	*81,518*	*114,996*
Non-Controlling Interest	53	52	53
Total Liabilities and Equity	**8,036,720**	**11,186,584**	**15,388,872**

Assets

As of 31 December 2016, the Group had total assets of TL 15,389 million, an increase of 38% compared to TL 11,187 million as of 31 December 2015, itself an increase of 39% from TL 8,037 million as of 31 December 2014. The overall increase in the Group's total assets was primarily attributable to increases in loans and total securities (33% and 53%, respectively, during 2016, 39% and 58%, respectively, during 2015 and 19% and 42%, respectively, during 2014). As of 31 December 2016, 97% of the Group's total assets were in Turkey.

Cash and Balances with the Central Bank

As of 31 December 2016, the Group's cash and balances with the Central Bank were TL 1,938 million, an increase of 31% compared to TL 1,474 million as of 31 December 2015, itself an increase of 44% from TL 1,023 million as of 31 December 2014. A significant amount of these balances represent the Group's holding of gold and foreign currency-denominated reserves due to: (a) the increase in foreign currency-denominated reserve requirements resulting from an increase in the Group's foreign currency-denominated liabilities, which also depend upon foreign-exchange liquidity conditions in the market, and (b) utilising the Central Bank's 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 Receivables

Loans and advances to customers represent the largest component of the Group's assets. As of 31 December 2016, the Group's net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 11.4 billion, which represented 74% of the Group's total assets, compared to TL 8.6 billion (77% of the Group's total assets) as of 31 December 2015 (TL 6.2 billion and 77% as of 31 December 2014). In addition to loans, the Group had outstanding as of 31 December 2016 guarantees amounting to TL 606 million, acceptances amounting to TL 67 million and letters of credit amounting to TL 224 million. As discussed below, there are several important characteristics of the Group's loan portfolio, including diversification based upon sector, type of borrower, maturity, currency and geography.

The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 33% as of 31 December 2016, compared to year-end 2015 after having increased by 39% in 2015. The increases in 2015 and 2016 were driven mainly by the growth in Turkish Lira-denominated loans – foreign currency-denominated loans grew by 23% and 28% in 2015 and 2016, respectively, whereas Turkish Lira-denominated loans grew by 50% and 35% in 2015 and 2016, respectively. When the impact of the depreciation in foreign exchange is excluded, the foreign currency-denominated loans decreased by 2% in 2015 and grew by 6% in 2016.

As of 31 December 2016, the average interest rates charged to borrowers were 6.23% for U.S. Dollars, 5.97% for euro and 15.23% for Turkish Lira (6.01%, 6.38% and 15.66% and 5.80%, 6.51% and 14.17% as of 31 December 2015 and 2014, respectively).

Types of Loans

In the medium term, the Bank plans to focus on the retail market and continue to grow in commercial, corporate and private business lines. During the medium term, the Bank aims to increase its market share while improving its profitability, maintaining its asset quality and cost efficiency and sustaining efficient capital. See "*The Group and its Business – Strategy*."

Types of Borrowers. As of 31 December 2016, the Bank's loan portfolio consisted of 25% SME (including micro-enterprises) (as defined by the BRSA (the "*BRSA SME Definition*")), 70% corporate and commercial (including all legal entities other than those included in the BRSA SME Definition) (the "*Corporate Definition*") and 5% consumer loans (including mortgage loans and credit card loans) (per the Bank's own internal segment definitions, the loan portfolio consisted of 21% SME, 71% corporate and commercial, 2% business, 2% agriculture and 4% consumer loans). The Group is within the limits imposed by Turkish banking regulations with respect to its exposure to any one borrower or group of borrowers. According to the Banking Law, the single exposure limit is set at 20% of a bank's own funds in the case of a related party group and 25% of a bank's own funds in the case of a non-related party group.

The following table sets out the composition of the Group's total non-retail performing cash loan portfolio (but excluding financial lease receivables, factoring receivables and income accruals) by industry sectors as of the indicated dates:

	As of 31 December					
	2014		2015		2016	
	(TL thousands, except percentages)					
Construction	940	16.4%	1,393	17.4%	1,914	17.8%
Retail trade	729	12.7%	934	11.7%	1,305	12.2%
Tourism	799	13.9%	772	9.7%	1,096	10.2%
Factoring	126	2.2%	353	4.4%	601	5.6%
Research and consultancy	43	0.8%	386	4.8%	543	5.1%
Energy	202	3.5%	308	3.9%	500	4.7%
Textile	313	5.4%	341	4.3%	411	3.8%
Metal and metal products	217	3.8%	388	4.8%	381	3.5%
Food	222	3.9%	257	3.2%	376	3.5%
Health and social services	85	1.5%	232	2.9%	374	3.5%
Automotive and derivatives	158	2.7%	312	3.9%	356	3.3%
Mining	87	1.5%	108	1.3%	319	3.0%
Shipping and shipyard	69	1.2%	226	2.8%	301	2.8%
Agriculture and stockbreeding	137	2.4%	224	2.8%	298	2.8%
Leasing	149	2.6%	184	2.3%	275	2.6%
Chemical and chemical products	200	3.5%	274	3.4%	267	2.5%
Transportation and logistics	159	2.8%	200	2.5%	220	2.1%
Manufacturing and machinery	140	2.4%	178	2.2%	190	1.8%
Real estate development	300	5.2%	220	2.8%	184	1.7%
Durable consumption	103	1.8%	114	1.4%	90	0.8%
Others	567	9.9%	594	7.4%	740	6.9%
Total	**5,746**	**100.0%**	**7,999**	**100.0%**	**10,742**	**100.0%**

Currency of Loans. As of 31 December 2016, foreign currency risk-bearing loans comprised 34% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 35% as of 31 December 2015 and 39% as of 31 December 2014. 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 December 31					
	2014		2015		2016	
	(TL thousands, except percentages)					
Cash Loans						
Turkish Lira	*3,751,302*	*51.8%*	*5,612,056*	*58.1%*	*7,583,673*	*61.5%*
Foreign Currency	*2,438,332*	*33.7%*	*3,002,721*	*31.1%*	*3,857,599*	*31.3%*
U.S. Dollars	1,367,035	18.9%	1,567,935	16.2%	1,617,853	13.1%
Euro	996,836	13.8%	1,369,830	14.2%	2,183,986	17.7%
Other	74,461	1.0%	64,956	0.7%	55,760	0.5%
Total Cash Loans	**6,189,634**	**85.5%**	**8,614,777**	**89.2%**	**11,441,272**	**92.7%**
Non-cash Loans						
Letters of Guarantee	*566,831*	*7.8%*	*555,494*	*5.8%*	*605,908*	*4.9%*
Turkish Lira	329,927	4.6%	379,738	3.9%	439,122	3.6%
Foreign Currency	236,904	3.3%	175,756	1.8%	166,786	1.4%
Acceptance Credits	*161,617*	*2.2%*	*106,866*	*1.1%*	*67,051*	*0.5%*
Turkish Lira	215	0.0%	375	0.0%	1,050	0.0%
Foreign Currency	161,402	2.2%	106,491	1.1%	66,001	0.5%
Letters of Credit	*319,233*	*4.4%*	*383,272*	*4.0%*	*224,067*	*1.8%*
Turkish Lira	-	0.0%	-	0.0%	-	0.0%
Foreign Currency	319,233	4.4%	383,272	4.0%	224,067	1.8%
Other Guarantee	-	*0.0%*	-	*0.0%*	-	*0.0%*
Turkish Lira	-	0.0%	-	0.0%	-	0.0%
Foreign Currency	-	0.0%	-	0.0%	-	0.0%
Total Non-cash Loans	**1,047,681**	**14.5%**	**1,045,632**	**10.8%**	**897,026**	**7.3%**
Total Loans	**7,237,315**	**100.0%**	**9,660,409**	**100.0%**	**12,338,298**	**100.0%**

In 2016, although foreign currency exchange rates continued to increase, the foreign currency risk-bearing loans of the Group only slightly increased their share in the Group's total loans. The growth rate of total cash and non-cash loans in 2016 was 28% (the growth rate for performing retail loans was 15% and for performing commercial & corporate loans was 33%), which was 33% in 2015.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The Group provides financing for various purposes, although the majority of loans are corporate and commercial loans and loans for working capital purposes. On a Bank-only basis, the average maturity for Turkish Lira-denominated retail loans was 23 months as of 31 December 2016; *however*, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of 31 December 2016, the Group's loans with remaining maturities over one year but through five years and over five years composed 28% and 4%, respectively, of the Group's total loans and advances to customers.

The following tables set out certain information relating to the maturity profile of the Group's performing cash loan portfolio (based upon scheduled repayments) as of the dates indicated, including accrued interest. Also included for the cash loans is the share thereof that are fixed rate loans and floating rate loans.

	1 year or less	**After 1 year through 5 years**	**After 5 years**	**Total**	**Fixed Rate Loans %**	**Floating Rate Loans %**
Cash Loans[(1)]			(*TL thousands*)			
31 December 2014............	4,201,921	1,674,861	240,184	6,116,966	59.5%	40.5%
31 December 2015............	5,872,152	2,266,996	406,864	8,546,012	61.0%	39.0%
31 December 2016............	7,624,922	3,214,614	473,267	11,312,803	63.4%	36.6%

(1) Includes factoring receivables.

Loan Concentrations

As of 31 December 2016, the Group's loan portfolio did not contain any concentration of credits that exceeded legal and/or internal limits. From an individual borrower perspective, as of 31 December 2016, the gross cash loans to the Bank's ten largest group customers represented approximately 16.5% of its gross loan portfolio, compared to 15.0% as of 31 December 2015 and 16.5% as of 31 December 2014.

Nonaccrual, Past Due and Restructured Loans

If the collectability of any loan or receivable is identified as limited or doubtful by the Group's management, then the Group provides general and specific provisions in accordance with the applicable law (see "*Turkish Regulatory Environment – Loan Loss Reserves*"). The Bank allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations (see "*Turkish Regulatory Environment – Loan Loss Reserves*"). As of 31 December 2016, 34%, 29% and 37% of the Bank's non-performing loan portfolio was categorized in Groups III, IV and V, respectively. The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

Non-performing loans amounted to 1.8% of the sum of loans and receivables (performing) and non-performing loans (*i.e.*, the NPL ratio) of the Group as of 31 December 2016 (1.7% as of 31 December 2015). The following table sets out the composition of the Group's total non-performing loans, past due but not impaired loans and loans with revised contract terms as of the dates indicated:

	As of 31 December		
	2014	**2015**	**2016**
		(TL thousands)	
Non-performing..	128,725	147,230	212,639
Past due but not impaired	199,155	244,339	437,549
Loans with revised contract terms	57,873	197,808	503,515
Total..	**385,753**	**589,377**	**1,153,703**

The following table sets forth the Bank's NPLs by loan type as of the dates indicated:

	2014	2015	2016
		(TL thousands)	
Corporate/Commercial[(1)]/SME[(2)]	111,710	121,932	191,807
Consumer	16,733	23,255	15,643
Credit Card	282	2,043	5,189
Total	**128,725**	**147,230**	**212,639**

(1) As defined by the Corporate Definition.
(2) As defined by the BRSA SME Definition.

The following table sets forth an analysis of the movements in the allowance for specific loan losses for the Group for each year indicated below:

	2014	2015	2016
		(TL thousands)	
Balances at beginning of year	**60,415**	**128,725**	**147,230**
Additions	118,165	131,693	219,140
Collections	(18,668)	(38,827)	(41,768)
Write-offs	(31,187)	(74,361)	(111,963)
Balances at end of year	**128,725**	**147,230**	**212,639**

The following table sets out certain information relating to the Group's non-performing loans and related provisions as of the dates indicated:

	As of 31 December								
	2014			**2015**			**2016**		
	NPLs	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**
				(TL thousands, except percentages)					
Risk Category									
Group III	37,384	3,854	10.3%	24,646	4,572	18.6%	71,154	9,430	13.3%
Group IV	43,803	14,716	33.6%	36,959	15,711	42.5%	62,682	23,399	37.3%
Group V	47,538	37,487	78.9%	85,625	58,182	67.9%	78,803	51,341	65.2%
Total loans classified	**128,725**	**56,057**	**43.5%**	**147,230**	**78,465**	**53.3%**	**212,639**	**84,170**	**39.6%**
Gross loans	6,245,691			8,693,242			11,525,442		
Cash loans, net	6,189,634			8,614,777			11,441,272		

As of 31 December 2016, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table for future years.

Investment Securities

The Group's securities portfolio comprises trading securities portfolio (*i.e.*, debt securities and mutual funds 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 portfolio (*i.e.*, available-for-sale 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 recognized 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 bank and other corporate securities denominated in Turkish Lira, U.S. Dollars and euro, with a limited holding of Turkish government securities.

As of 31 December 2016, the size of the Group's total securities portfolio increased by 53% to TL 970 million from TL 634 million as of 31 December 2015, which in turn increased by 58% from TL 402 million as of 31 December 2014. Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 868 million as of 31 December 2016, TL 604 million as of

31 December 2015 and TL 385 million as of 31 December 2014, comprising 96%, 95% and 90%, respectively, of the Group's total securities portfolio on such dates. Such securities are included in the tables in this section.

Book Value of Investments

The following tables set out breakdowns of the total securities portfolio (on a book-value basis) held by the Group as of the dates indicated:

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Investment securities portfolio	381,909	613,771	887,226
Available-for-sale portfolio	*381,909*	*613,771*	*887,226*
Held-to-maturity portfolio	-	-	-
Trading securities portfolio	19,849	20,559	82,681
Total securities portfolio	**401,758**	**634,330**	**969,907**

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Turkish Lira-denominated securities	34,142	100,134	251,387
Foreign currency-denominated and indexed securities	367,616	534,196	718,520
Total securities portfolio	**401,758**	**634,330**	**969,907**

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Turkish government debt securities(1)	37,638	95,571	206,491
Other marketable debt securities	364,120	536,062	762,397
Equity shares	-	2,697	1,019
Total securities	**401,758**	**634,330**	**969,907**

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

Investment Securities Portfolio

As noted above, the investment securities portfolio comprises available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale 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. The Group did not have any held-to-maturity investment securities during the last three years.

As of 31 December 2016, the size of the Group's investment securities portfolio increased by 45% to TL 887 billion from TL 614 billion as of 31 December 2015, which itself was an increase of 61% from TL 382 billion as of 31 December 2014. In 2016, the loan growth was 33% compared to 39% in 2015 whereas the total securities portfolio increased by 53% compared to 58% in 2015. As of 31 December 2016, the loan portfolio represented 74% of the Group's total assets, compared to 77% and 77%, respectively, as of 31 December 2015 and 2014. As of 31 December 2016, the Group's investment securities portfolio represented 5.8% of the Group's total assets, compared to 5.5% and 4.8%, respectively, as of 31 December 2015 and 2014.

Available-for-Sale Portfolio. The Group's portfolio of available-for-sale securities consists primarily of Turkish bank and other private sector bonds and eurobonds, with smaller holdings of Turkish government securities. The following table sets out certain information relating to the Group's portfolio of available for-sale securities as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	(TL thousands, except percentages)					
Turkish government debt securities(1).......	18,070	4.7%	75,697	12.3%	183,851	20.7%
Other marketable securities(2)..................	363,839	95.3%	535,377	87.2%	702,356	79.2%
Equity shares...	-	-	2,697	0.5%	1,019	0.1%
Total available-for-sale portfolio...........	**381,909**	**100.0%**	**613,771**	**100.0%**	**887,226**	**100.0%**

(1) Government debt securities include government bonds, treasury bills and eurobonds.
(2) Includes private sector debt securities.

As of 31 December 2016, the size of the Group's available-for-sale securities portfolio increased by 45% to TL 887,226 thousand from TL 613,771 thousand as of 31 December 2015, itself an increase of 61% from TL 381,909 thousand as of 31 December 2014.

The average interest rates on the Group's available-for-sale securities portfolio as of 31 December 2016 were: (a) for Turkish Lira-denominated securities, 9.4% (8.9% and 5.6%, respectively, as of 31 December 2015 and 2014), (b) for U.S. Dollar-denominated securities, 4.5% (4.1% and 4.2%, respectively, as of 31 December 2015 and 2014), and (c) for euro-denominated securities, 3.4% (3.2% and 3.4%, respectively, as of 31 December 2015 and 2014).

Trading Securities Portfolio

As noted above, trading securities are debt securities that the Group principally holds for the purpose of short-term profit taking. The Group's trading securities portfolio principally comprises Turkish government debt and mutual funds.

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 BRSA Financial Statements of income included elsewhere in this 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.***, Borsa İstanbul)). When market prices are not available, fair value is determined by the internal rate of return method.

The following table sets out a breakdown of the Group's trading portfolio as of the dates indicated:

	2014		2015		2016	
	(TL thousands, except percentages)					
Turkish government debt securities(1)....	19,571	98.6%	19,876	96.7%	22,753	27.5%
Other marketable debt securities(2)........	278	1.4%	683	3.3%	59,928	72.5%
Equity shares..	-	-	-	-	-	-
Trading securities portfolio................	**19,849**	**100.0%**	**20,559**	**100.0%**	**82,681**	**100.0%**

(1) Government debt securities include government bonds, treasury bills and eurobonds.
(2) Includes mutual funds.

As of 31 December 2016, the size of the Group's trading portfolio increased by 302% to TL 82,681 thousand from TL 20,559 thousand as of 31 December 2015, itself a decrease of 4% from TL 19,849 thousand as of 31 December 2014. The change in the trading portfolio is attributable to the decisions taken by the Group to keep mutual funds in the trading portfolio. The mutual fund amount as of 31 December 2016 was TL 60 million.

Maturities of Investments

The following table sets out the maturities of the securities in the Group's total securities portfolio (excluding equity shares but including accrued interest) as of year-end 2016.

	As of 31 December 2016				
	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
			(TL thousands)		
Available-for-sale securities......	24,653	751,929	110,408	236	887,226
Held-to-maturity securities........	-	-	-	-	-
Trading securities portfolio	62,158	17,591	1,126	1,807	82,682
Total...	**86,811**	**769,520**	**111,534**	**2,043**	**969,908**

Investment Concentrations

As of 31 December 2016, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of 31 December 2016, the Group's TL 206 million of Turkish government securities represented 16% of the Group's shareholders' equity.

Liabilities

As of 31 December 2016, the Group had total liabilities of TL 14,099 million, an increase of 39% compared to TL 10,150 million as of 31 December 2015, itself an increase of 36% from TL 7,451 million as of 31 December 2014. The increase in the Group's total liabilities in 2016 was primarily attributable to a 29% increase in deposits, a 97% increase in marketable securities issued and a 50% increase in funds borrowed. As for 2015 and 2014, the overall increases in the Group's total liabilities were primarily attributable to increases in deposits, marketable securities issued and funds borrowed (42%, 7% and 21%, respectively, in 2015 and 15%, 59% and 51%, respectively, in 2014).

The Group's principal liabilities are deposits from retail and corporate customers, including other banks. Currently, the Bank's strategy is to fund itself mainly using deposits from its customer base and to use marketable securities issued, funds borrowed (including syndicated loans), money market funds and subordinated debt for the remaining part, although this approach is subject to change depending upon market opportunities and changes in prevailing rates for deposits and other funding sources.

The tables below set out the Group's principal sources of funding as of the dates indicated:

	As of December 31					
	2014		2015		2016	
			(TL thousands, except percentages)			
Turkish Lira deposits...................	2,755,788	38.4%	3,938,356	40.6%	5,814,645	44.0%
Foreign currency deposits............	2,485,577	34.6%	3,517,368	36.3%	3,802,093	28.7%
Money market funds....................	325,977	4.5%	504,822	5.2%	683,828	5.2%
Funds borrowed, marketable securities issued and subordinated debt	1,610,858	22.5%	1,740,100	17.9%	2,925,916	22.1%
Total...	**7,178,200**	**100.0%**	**9,700,646**	**100.0%**	**13,226,482**	**100.0%**

Deposits. Historically, customer deposits have been the Bank's principal source of funding, which provide the Group with inexpensive funds and contribute to the liquidity in the Group's balance sheet. The Group's deposits consist of demand and time deposits. Customer current accounts bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the Group. The Group's deposits from customers mainly comprise foreign currency deposits, savings, commercial deposits and obligations under repurchase agreements. The Bank's ability to obtain customer deposits is supported by its branch network.

The Group's deposits constituted in aggregate approximately 65%, 67% and 62% of its total liabilities and shareholders' equity as of 31 December 2014, 2015 and 2016, respectively. As of 31 December 2016, the Group's deposits amounted to TL 9,617 million, an increase of 29% from TL 7,456 million as of 31 December 2015, itself an increase of 42% from TL 5,241 million as of 31 December 2014. When bank deposits are excluded from the total, the

Group's customer deposits were TL 9,135 million as of 31 December 2016, an increase of 32% from TL 6,944 million as of 31 December 2015, itself an increase of 37% from TL 5,083 million as of 31 December 2014.

As of 31 December 2016, the Group's customers in Turkey held more deposits with the Bank in Turkish Lira than in foreign currency, with 40% of the Group's total deposits being foreign currency deposits (31% denominated in U.S. Dollars (78% of total foreign currency deposits) and 8% denominated in euro (21% of total foreign currency deposits)).

The following table set out breakdowns of the Group's deposits from customers and financial institutions, and funds deposited under repurchase agreements, by composition as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(TL thousands, except percentages)					
Savings deposit in Turkish Lira	**1,790,991**	**32.2%**	**2,324,943**	**29.2%**	**3,345,604**	**32.5%**
Demand	30,095		35,261		56,397	
Time	1,760,896		2,289,682		3,289,207	
Foreign currency deposits[1]	**2,326,110**	**41.8%**	**3,113,465**	**39.1%**	**3,429,606**	**33.3%**
Demand	131,150		172,830		265,625	
Time	2,194,960		2,940,635		3,163,981	
Funds deposited under repurchase agreements	**325,977**	**5.9%**	**504,822**	**6.3%**	**683,828**	**6.6%**
Commercial deposits	**915,317**	**16.4%**	**1,415,794**	**17.8%**	**2,270,512**	**22.0%**
Demand	142,281		205,395		179,063	
Time	773,036		1,210,399		2,091,449	
Bank deposits	**158,848**	**2.9%**	**511,684**	**6.4%**	**481,805**	**4.7%**
Demand	2,845		16,649		114,714	
Time	156,003		495,035		367,091	
Other	**50,099**	**0.8%**	**89,838**	**1.2%**	**89,211**	**0.9%**
Demand	705		1,142		1,505	
Time	49,394		88,696		87,706	
Total	**5,567,342**	**100.0%**	**7,960,546**	**100.0%**	**10,300,566**	**100.0%**

(1) Excluding bank deposits.

	As of December 31		
	2014	**2015**	**2016**
		(TL thousands)	
Demand deposits	307,076	431,277	617,304
Time deposits and funds deposited under repurchase agreements	5,260,266	7,529,269	9,683,262
Total	**5,567,342**	**7,960,546**	**10,300,566**

The following table shows the maturities of deposits as of the dates indicated:

	Up to 3 months[1]	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
			(TL thousands)		
31 December 2014	4,886,274	345,893	9,198	-	5,241,365
31 December 2015	6,928,204	527,341	179	-	7,455,724
31 December 2016	8,707,510	891,984	17,244	-	9,616,738

(1) Includes demand deposits.

As of 31 December 2016, the average interest rates of the Group applied to customer time deposits were 3.46% for U.S. Dollars, 1.60% for euro and 11.40% for Turkish Lira.

Other Liabilities. The remaining sources of funds for the Group are funds borrowed, marketable securities issued, subordinated debt and money market funds, which were together equivalent to 24%, 20% and 23% of the Group's consolidated assets as of 31 December 2014, 2015 and 2016, respectively. As of 31 December 2016, the amount of the Group's total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) was equivalent to 40% of the amount of its consolidated assets.

The tables below set out the Group's funding from banks and other institutions with regard to the kind of institution that provides the funding as of the dates indicated:

	As of 31 December					
	2014		2015		2016	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
			(TL thousands)			
Funds borrowed from domestic banks and institutions	22,216	33,265	15,919	23,672	17,220	65,573
Funds borrowed from foreign banks, institutions and funds	-	790,868	-	984,855	-	1,453,870
Marketable securities issued	472,935	-	503,741	-	991,975	-
Subordinated debt	-	291,574	-	211,913	-	397,278
Total	**495,151**	**1,115,707**	**519,660**	**1,220,440**	**1,009,195**	**1,916,721**

The following table shows the maturities of such funding as of the dates indicated:

	Up to 3 months[(1)]	3 months to 1 year	1 year to 5 years	Over 5 years	Total
			(*TL thousands*)		
31 December 2014	373,590	759,981	188,983	288,304	1,610,858
31 December 2015	240,800	1,048,044	242,324	208,932	1,740,100
31 December 2016	783,521	1,204,945	507,303	430,147	2,925,916

Many of the Group's financings 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 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 Prospectus.

Shareholders' Equity

As of 31 December 2016, the Group's shareholders' equity amounted to 8% of the Group's total assets, compared to 9% as of 31 December 2015 and 7% as of 31 December 2014. Total shareholders' equity was TL 586 million, TL 1,037 million and TL 1,290 million as of 31 December 2014, 2015 and 2016, respectively. The shareholder's equity increased in each such year due to the current period profit and investment by new shareholders.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements comprising guarantees, letters of credit and similar obligations totaled TL 897 million as of 31 December 2016, compared to TL 1,046 million as of 31 December 2015 and TL 1,048 million as of 31 December 2014. While there was a 14% decrease in total guarantees and suretyships due to a 42% decrease in letters of credit and a 37% decrease in acceptances in 2016, the volume was stable in 2015 compared to 2014.

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 their customers' export and import activities. These products do not appear on the Group's balance sheet. The table below sets forth the Group's total off-balance sheet guarantees as of the indicated dates, which largely reflects the Group's continued support of its customers' increasing export business.

	As of 31 December		
	2014	2015	2016
		(*TL thousands*)	
Letters of guarantee	566,831	555,494	605,908
Acceptance credits	161,617	106,866	67,051
Letters of credit	319,233	383,272	224,067
Total	**1,047,681**	**1,045,632**	**897,026**

Derivatives. The Group enters into forward and swap contracts to provide hedging services for itself and its clients. The tables below set forth the Group's total derivative transactions (both buy and sell side), by currency, as of the dates indicated.

	As of 31 December 2016					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts...........	193,451	823,219	1,016,670	263,223	758,991	1,022,214
Currency Swaps..	2,410,286	3,533,213	5,943,499	1,939,869	3,943,444	5,883,313
Interest rate swaps	25,000	-	25,000	25,000	-	25,000
Currency options	1,465,408	1,288,756	2,754,164	1,276,850	1,484,170	2,761,020

	As of 31 December 2015					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts...........	112,825	294,595	407,420	132,727	285,509	418,236
Currency Swaps..	536,802	1,260,905	1,797,707	680,928	1,097,153	1,778,081
Interest rate swaps	-	-	-	-	-	-
Currency options	366,843	1,123,185	1,490,028	1,173,659	451,830	1,625,489

	As of 31 December 2014					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts...........	13,269	82,463	95,732	13,324	84,814	98,138
Currency Swaps..	44,771	647,938	692,709	137,827	550,930	688,757
Interest rate swaps	-	-	-	-	-	-
Currency options	115,694	448,009	563,703	303,307	277,537	580,844

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. These 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% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio (see "*Turkish Regulatory Environment - Capital Adequacy*" for further details). Each of the Bank and the Group currently satisfies the capital requirements of the BRSA.

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 regarding the capital of the banks through the end of 2013 has been replaced by the Equity Regulation. Under the Equity Regulation, Tier 1 capital is divided into core Tier 1 capital and additional Tier 1 capital. In connection with such classification, amendments to the 2012 Capital Adequacy Regulation, which also entered into effect on 1 January 2014: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) 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%) and (b) changed the risk weights of certain items that are categorised under "other assets."

The BRSA published the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 and sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items. The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd.

and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On 27 January 2017, Fitch (which the Bank has been using for such purposes) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). After the Fitch downgrade, the Bank has chosen to use the ratings of International Islamic Rating Agency for computing its risk-weighted assets for capital adequacy purposes, the result of which is that capital adequacy calculations have not been affected by Fitch's downgrade. According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank will now be subjected to a 0% risk weight, which amendment positively impacted the Bank's capital adequacy ratios.

The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches, with a rate of 12% currently being applied to the Bank. As of 31 December 2014, 2015 and 2016, the Group's capital adequacy ratio was 13.23%, 13.56% and 13.48%, respectively (13.24%, 13.57% and 13.48%, respectively, for the Bank). The Bank intends to maintain its (and the Group's) capital ratios in excess of the minimum levels required by both Turkish law and internal risk limits determined by the Board (see "*Risk Management*").

The following table sets out information on the Group's capital and its capital adequacy ratios as of the indicated dates.

	As of 31 December		
	2014[(1)]	**2015**[(1)]	**2016**[(1)]
	(TL thousands, except percentages)		
Paid-in capital	550,000	847,515	941,161
Share premium	-	73,379	128,678
Profit reserves	-	46,786	128,369
Profit	46,612	81,344	114,757
Tier 1 Capital (I)	561,209	1,018,289	1,276,373
Tier 2 Capital (II)	347,614	246,703	508,399
Deductions (III)	2,542	1,950	1,784
Own Funds (I+II-III)	906,281	1,263,042	1,782,988
Risk Weighted Assets (including market and operational risk)	6,848,138	9,313,725	13,230,505
Capital Ratios:			
Tier 1 Ratio	8.20%	10.93%	9.65%
Capital Adequacy Ratio	13.23%	13.56%	13.48%

(1) As of 31 December 2014 and 2015, capital was calculated within the scope of the 2012 Capital Adequacy Regulation. As of 31 December 2016, capital was calculated within the scope of 2015 Capital Adequacy Regulation. See "*Capital Adequacy*" above.

The increases in the Group's capital in each of these periods represented the growth in the Group's retained earnings, whereas changes to the capital ratios also reflect the size and mix of the Group's assets and liabilities.

Property, Plant and Equipment

The table below sets forth the components of the Group's consolidated property and equipment as of the indicated dates.

	As of 31 December		
	2014	**2015**	**2016**
	(TL thousands)		
Buildings and Land	-	171,365	171,403
Vehicles	59	62	97
Other[(1)]	110,093	108,653	116,412
Depreciation	(73,322)	(83,023)	(97,728)
Net book value	36,830	197,057	190,184

(1) Intangible assets, leasehold improvements, office equipment, furniture and fixtures are shown under "other" item.

THE GROUP AND ITS BUSINESS

Overview of the Group

The Bank is a Turkish private commercial bank that provides banking products and services to corporate, commercial, SME, agriculture, retail banking and other customers through (as of 31 December 2016) a network of 73 branches located in 19 commercial centers, with 33 branches in İstanbul and the remainder in other major cities throughout Turkey.

The Bank has a strong shareholding structure, principally under the ownership of Fiba Holding, which holds 71.45% of the common shares of the Bank. The other shareholders are International Finance Corporation ("*IFC*") and The European Bank for Reconstruction and Development ("*EBRD*"), each holding 8.96% of the common shares of the Bank, and the Abraaj Group ("*Abraaj*"), with a 9.95% stake in the Bank. Fiba Holding is part of the Fiba Group ("*Fiba Group*"), which was founded in 1987 by Mr. Hüsnü Özyeğin, a pioneer Turkish banker and prominent businessman. Fiba Group, which is present in 12 countries, operates through 74 companies mainly in the financial services, retail, energy, healthcare and real estate industries. As of 31 December 2015 (the most recent date for which such information is publicly available), the Fiba Group had a total asset size of US$16.6 billion. The IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. The EBRD is owned by 64 countries and two intergovernmental institutions and supports the development of market economies and democracies. Abraaj is a leading private equity investor with a focus on investing in the growth markets of Africa, Asia, Latin America, the Middle East and Turkey. For both the EBRD and Abraaj, their investment in the Bank was their first equity investment in a financial institution in Turkey.

Since the Fiba Group's acquisition of the Bank in December 2010, the Bank has expanded its activities significantly, quadrupling its branch network (from 18 as of 31 December 2010 to 73 as of 31 December 2016) and growing its balance sheet by sixteen times through the end of 2016. In addition to the expansion of the Bank's branch network, the Fiba Group has completely repositioned the strategy and policies of the Bank, causing the Bank to complete improvements in its organisational structure, human resources and corporate governance and make significant investments in the IT system and in alternative distribution channels ("*ADCs*"), including ATMs, a point-of-sale ("*POS*"), internet banking, mobile banking and call centre.

Based upon the 31 December 2016 BRSA Financial Statements, the Bank had total assets of TL 15.4 billion (an increase of 37.6% from TL 11.2 billion as of 31 December 2015), loans to customers of TL 11.4 billion (an increase of 32.8% from TL 8.6 billion as of 31 December 2015) and shareholders' equity of TL 1.29 billion (an increase of 24.4% from TL 1.04 billion as of 31 December 2015). Since its 2010 acquisition of the Bank, Fiba Holding has continued to invest in the growth of the Bank, making various capital injections to support the Bank's rapid growth. Fiba Holding showed further support of the Bank when, in lieu of selling its own shares to the IFC, the EBRD and Abraaj, it maintained its investment in the Bank when the Bank issued new shares to these investors.

For 2016, the Group's net profit was TL 115.0 million, a 41.0% increase from TL 81.5 million for 2015. As of 31 December 2016, the Group's total capital adequacy ratio was 13.48% and its Tier 1 capital adequacy ratio was 9.65%. The Group's return on average shareholders' equity was 10.0% for 2016.

In addition to its treasury operations, the Group has four primary customer-facing business segments: corporate and commercial banking, SME (including micro-enterprise) banking, agricultural banking and retail banking, additional information about each of which is provided below.

History

The Bank was established on 31 May 1984 as a foreign branch of Manufacturers Hanover Trust Company. The Bank became a separate legal entity on 15 February 1991 and registered with the İstanbul Trade Registry under number 272902. On 7 April 1992, after the merger of Manufacturers Hanover Corporation and Chemical Banking Association, the name of the branch was changed to Chemical Bank A.Ş. The Bank was acquired by the Sürmeli Group on 3 January 1997, who named the Bank Sitebank A.Ş. During the Turkish banking crisis in 2000 and 2001, the Bank was transferred to the SDIF, with its shares thereafter being sold to Novabank S.A. on 24 January 2002. The name of the Bank was changed to BankEuropa Bankası A.Ş. on 4 March 2003 and then to Millennium Bank A.Ş. on 29 November 2006.

On 10 February 2010, Credit Europe Bank N.V. ("*CEB NV*"), which is a subsidiary of Fiba Holding, signed a share purchase agreement with the Bank's then owners (Millennium BCP) to acquire 95% of the Bank's shares, which acquisition was completed on 27 December 2010. The name of the bank was changed to its current name (Fibabanka A.Ş.) on 25 April 2011. In December 2012, the shares of the Bank held by CEB NV and Millennium BCP were purchased by the Fiba Group. In 2013, a minority stake was sold by Fiba Holding to the management of the Bank.

On 21 December 2015, the IFC and the EBRD invested in the Bank, each acquiring a 9.95% stake through a capital increase. More recently, Abraaj acquired a 9.95% stake in the Bank on 31 August 2016. As the sale of shares to Abraaj was consummated via an issuance of new shares, the shares of the IFC and the EBRD in the Bank were reduced to 8.96% each. As of the date of this Prospectus, Fiba Holding holds 71.45% of the Bank's share capital. See "*Ownership*" for additional information on the Bank's shareholders.

Key Strengths

The Bank's management believes that the Group's success in the competitive Turkish banking sector is due to the following strengths:

- *Well-known and trusted primary shareholder in the Turkish banking sector*: Fiba Holding is one of the most widely recognised, respected and trusted names in the Turkish banking sector, being active in the market since 1987. Fiba Holding, operating both in Turkey and abroad, has built up a strong track record and proven itself through turbulent financial markets by establishing prudent risk management and a record of financial stability. The Bank benefits from the experience, relationships and reputation of Fiba Holding, including its knowledge of the Turkish market.

- *Strong and supportive shareholders*: Fiba Holding has, through various capital injections to support the Bank's growth, been supporting the Bank since its acquisition. The 2015 investments by the IFC and the EBRD and 2016 investment by Abraaj evidenced their trust and confidence in the Bank. Each of the IFC, the EBRD and Abraaj has the right to nominate a board member, which right has been exercised by the EBRD and Abraaj. While the minority shareholders have not been directly involved with the Bank's business, the Group benefits from their nominated board members' significant expertise in developing the Bank's strategy and business as well as the compliance and "best practices" requirements of these investors.

- *Speed and agility*: The Bank uses its relatively smaller size to its advantage in acting swiftly in taking decisions and answering the needs of its clients. The Bank's management, recognising that this might become more challenging as the Bank continues its growth, is focused on maintaining this competitive advantage as the Bank develops a larger scale of operations.

- *Tailor-made solutions*: With its high quality personnel, the Bank is able to provide tailor-made solutions to its clients.

- *Synergy Opportunities*: As a member of the Fiba Group, which is a Turkish conglomerate controlling a portfolio of high-value brand names in both financial and non-financial sectors such as retail, energy, healthcare and real estate, the Bank has the advantage of creating synergies with affiliated companies.

- *Maintain high standards of corporate governance*: The Group has established corporate governance principles and complies with applicable laws 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 stakeholders. 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.

Strategy

The Group's overall strategy to achieve its goal of becoming a medium-sized bank in the Turkish banking sector is to approach its customers in a transparent, clear and responsible manner, to continuously improve customer experience by offering products and services that are tailored to their needs and to maintain sustainable growth by creating value for its shareholders. The Group intends to accomplish this by:

- identifying opportunities for growth and greater diversification in the Group's lending portfolio, while maintaining a strong credit quality,
- using continuing efforts to preserve a strong and diversified funding mixture,
- improving customers' experience,
- effectively expanding its customer base,
- increasing digitalisation of the customer base and the share of the use of digital platforms in total shares,
- increasing synergies among business lines and cross-selling,
- optimising capital allocation to ensure sustainable growth, and
- improving efficiencies.

Business

In addition to its treasury operations, the Group has four primary customer-facing divisions: corporate and commercial banking, SME banking, agricultural banking and retail banking. Each of these business lines is managed by a separate department within the Bank. All of the Group's business lines are supported by head office and other support functions. The Bank's one subsidiary (described in "Subsidiaries" below) provides funds management services for the Bank's customers.

Corporate and Commercial Banking

The Bank's Corporate and Commercial Banking activities primarily consist of cash and non-cash lending, project and structured finance, foreign trade finance, cash management, secondary market transactions, investment products (*e.g.*, deposits and funds) and certificated debt instruments. This department was formally separated into two sub-segments as corporate and commercial in March 2016. The corporate banking sub-segment focuses on large businesses (including Turkish conglomerates and multinational corporations) with annual revenues over TL 150 million whereas the commercial banking sub-segment works with customers with annual revenues between TL 25 million and TL 150 million; *provided* that companies with annual revenues between TL 150 million and TL 250 million might be allocated to either corporate or commercial banking depending upon that company's business structure, main facilities and business volume. The primary sources of income of the Bank's Corporate and Commercial Banking Department consist of interest income attributable to corporate and commercial loans and deposits, as well as commission income from non-cash banking instruments.

The Bank's Corporate and Commercial Banking Department served clients through 34 branches, one regional office and 139 relationship managers as of 31 December 2016. As of such date, the Bank's corporate and commercial banking operations had 2,004 active credit clients with TL 7,974 million in total cash loans (representing approximately 70% of the Group's total loan portfolio) and TL 221 million in demand deposits and TL 2,371 million in time deposits (representing 28% of the Group's total customer deposits).

Corporate Banking

As of 31 December 2016, the Bank served 1,016 active corporate clients (490 with credit risk) through a network of 56 relationship managers in 24 branches. Corporate clients operate in several industries, including construction and contracting, wholesale and retail businesses, tourism, textile, iron and steel, automotive and energy.

The pillars of the Bank's corporate banking strengths are: (a) longstanding relationships, enhanced by commitment through difficult market conditions, (b) the ability to cross-sell, leveraging on cash management and strength of relationship, (c) the ability to understand client needs and develop tailor-made solutions for clients, (d) high-quality staff and (e) speed and efficiency in decision-making. The Corporate Banking division seeks to introduce clients to the Group's other business segments and thereby create synergetic benefits. In order to increase profitability, the Corporate Banking division intends to increase the size of its assets by acquiring new customers, penetrating further into the existing client base and creating additional profit for other business segments.

Commercial Banking

The Bank served 2,265 active commercial clients through a network of 83 relationship managers in 31 branches as of 31 December 2016. The goal of the Commercial Banking department is to achieve sustainable and profitable growth in terms of the number of clients and loan book by understanding customer needs and providing tailor-made solutions.

The Bank's management believes that the competitive strengths of the Bank's commercial banking business are as follows: (a) the focus on relationship-based banking, including providing tailor-made products and services, (b) pricing the "customer" on the basis of the entirety of its relationships with the Bank instead of having a standard price for a product or service, (c) increasing the cross-sell ratio and (d) speed and efficiency in loan processes and decision-making.

Products and Services

The Group offers its corporate and commercial clients a wide range of lending and banking services. The most important offerings to these customers are cash loan products (including structured loan products such as project financing), non-cash loan products (such as letters of credit and letters of guarantee), foreign trade financing, cash management services, treasury and derivative products. The Group also offers these customers additional financial services, such as insurance, a broad range of investment products (including deposits, government securities and mutual funds) and treasury and derivative products (***e.g.***, options, forwards, swaps, mutual funds, bonds and stocks).

Loans. The most significant products by volume and value are working capital loans (***e.g.***, revolving loans and spot loans) and instalment loans. The Corporate and Commercial Banking Department also offers project finance loans, cash management loans, foreign trade finance, overdraft loans and Türk Eximbank (*Türkiye İhracat Kredi Bankası A.Ş.*) loans depending upon the requirements of its clients.

Cash Management. Cash management is a field in which the Corporate and Commercial Banking Department has significant expertise. Various products are offered in terms of cash management services: direct debiting services, discounting, utility and tax payment systems, supplier finance services, inventory finance services and check collection. The Bank provides cash management services to all of its customers, with a particular focus on corporate and commercial clients. Cash management is a key element of the Bank's strategy to increase demand deposits and service related revenues.

The overall mission of the Cash Management group is to create innovative cash flow and payment solutions that can be customised according to a client's size through creating partnerships with large corporations utilising the Bank's branch network and technological capability. Reflecting this strategy, more than 327,000 bill payments were executed through the Bank in 2016 and more than TL 33 million in automatic bill payments were made during the year.

The Bank's market share in check processing through the Interbank Check Clearing House reached 1.25% in 2016, generating a TL 5.5 billion volume and placing the Bank in 16th place in the sector. In terms of volume per branch, the Bank ranked third amongst Turkish banks in 2016 by generating TL 75 million per branch.

Insurance. The Bank's Bancassurance unit, through affiliated Fiba Group companies and third parties, offers various life and elementary insurance product alternatives and pension products to all of its customers through its branches. The Bank operates as an agent of Sompo Japan Insurance, Ergo Insurance and the Fiba Group company Fiba Pension and Life Insurance. These product offerings are valuable to the Bank as, in addition to offering customers an additional range of products, they enable the Group to earn fee and commission income without incurring any credit risk.

In addition, the Bancassurance unit seeks to mediate the Bank's risk management by better controlling debt exposure by insuring assets provided to the Bank as collateral for loans. The Bank's Bancassurance unit also has an important role for the Bank's strategy to increase non-interest commission income, and the Bank's management expects this business to continue to be one of the key contributors to increasing profitability in upcoming years.

SME and Micro-enterprise Banking

According to data published by the Turkish Ministry of Science, Industry and Technology, SME's accounted for 99% of all companies and 78% of the total employment in Turkey as of 31 December 2015. As a result of the nature of their banking needs, having a convenient branch network is essential to attract SME clients. According to the BRSA, SME loans constituted 24% of the total amount of loans in the Turkish banking sector as of 31 December 2016. Until 2011, the Bank's strategy was based upon serving business entities as a whole without any segmentation; *however*, in March 2011, the SME Banking Department was established with the goal of better serving companies with an annual turnover up to TL 25 million.

During its first two years, this department focused principally on medium scale enterprises with annual turnover above TL 5 million; *however*, in 2013, this department began serving all medium, small and micro enterprises with a turnover up to TL 25 million. In January 2016, the SME Banking Department was sub-segmented into two operations: (a) SME Banking, which serves customers with annual turnover between TL 2 million and TL 25 million, and (b) Business Banking, which serves micro customers with annual turnover of less than TL 2 million.

SME Banking

The SME Banking division, which (at 21% of the Group's total loan portfolio as of 31 December 2016) represents the second largest business in the Bank, operates out of 69 branches in 19 cities and served 7,414 active customers with a total loan amount of TL 2.38 billion as of 31 December 2016. The Bank's management believes that the strengths of the Bank's SME Banking segment include: (a) a customer-centric "SME first approach" that provides highly-tailored packages of products to SMEs, (b) its sophisticated ADCs, (c) sophisticated IT systems and customer relationship infrastructure to allow pro-active sales processes and (d) its speed and efficiency in decision-making.

One of the Bank's primary strategies is to continue to increase the share of SME Banking loans in its total loan portfolio, not only as such loans are generally more profitable than loans to corporate and commercial customers (while carrying less credit risk than retail loans) but also to diversify the Bank's business and increase opportunities for fee and commission income. The Bank also aims to increase its share in the SME market. As a result, the division follows market conditions very carefully and identifies priority sectors in which to increase its loan volumes.

The SME Banking division's main acquisition channels are: relationship manager visits, supplier finance projects with the Bank's corporate and commercial banking customers, strategic cooperations with Chambers of Trade and Chambers of Commerce in different cities and mass acquisition campaigns through third-party partnerships, including with Fiba Group companies. The Bank also uses the programmes of Turkey's Credit Guarantee Fund (KGF) to support SME lending. The SME Banking division pursues its strategy by acquiring SME clients via working capital or investment loans, then deepening the customer relationship through cash management and bancassurance products. The Bank cross-sells deposit products, cheques, tax/utility payments, life and elementary insurance and mobile and internet banking products to its existing SME clients, achieving a cross-sell ratio of 3.5, which is the highest cross-sell ratio within the Bank.

The SME Banking division focuses on efficiency in its loan and deposit business, both per branch and per relationship manager. In order to achieve this objective, it utilises ADCs and offers state-of-art technological innovations to SME customers, including SME mobile banking applications and a social media branch.

Business Banking

Business Banking was established in 2016 as a separate business line focusing on micro customers, recognising that 90% of the approximately three million SMEs in Turkey are micro-enterprises according to data published by TurkStat. According to BRSA data, loans to micro-enterprises constituted 25% of total SME loans in Turkey as of 31 December 2016.

The Bank's Business Banking division acts through 60 branches in 19 cities and, as of 31 December 2016, worked with approximately 11,740 customers and maintained a total cash loan volume of TL 228 million. The Bank has relationship managers serving only micro-enterprises, which managers are responsible for knowing their local markets well and offering appropriate products and services to potential customers (such as business credit cards and insurance products). In addition to relationship managers, there is also a direct sales team composed of approximately 45 sales representatives who are based in the Bank's branches in order to be close to potential customers.

The divisions's overall strategy seeks to gain market share by becoming the clients' preferred bank through designing product and service bundles with a very fast and lean customer experience by utilising a multi-channel approach through support from the Bank's call centre, direct sales and other ADCs. For this multi-channel approach, the Bank is currently developing various system infrastructure enhancements tailored to these customers.

Due to the small size of individual loans in this segment, efficiency and standardisation are essential elements of achieving profitability. To that end, the Business Banking division has developed models that focus on segmentation of different industries, stream-lining credit and risk management, developing an appropriate product suite and ADC capability and focusing on pricing and the effectiveness of the sales force. The first step to implement this strategy was establishing a new credit allocation module (the Micro Loan Allocation System) to manage the risk and achieve cost-efficient solutions for micro customers. Secondly, risk-based pricing and behavioural scoring models are adopted to assess a client's probability of default on a loan. In addition, a simple and unique micro score card is designed for the Bank's relationship managers.

Products and Services

As small commercial operations, SMEs require a broad range of services but not the degree of sophistication required by larger commercial and corporate clients. These services include deposits, payment services (particularly for credit cards), cash management, loans (principally working capital loans), trade-related products and advisory services. As the propensity of Turkish SMEs to use bank products and services has traditionally been low, the Bank has undertaken detailed research in order to identify a comprehensive solution package and service model that would appeal to this segment and has tailored its products in order to provide SMEs with the necessary services at an attractive cost.

The Group offers both SME Banking and Business Banking customers products and services that generally fall within two categories: (a) cash and non-cash loans, which is the most important product for this client segment, and (b) cash management, insurance and other products. Cash loans include revolving loans, spot loans, instalment loans (which includes mortgages and commercial vehicle loans), overdrafts and business credit cards, while non-cash loans include letters of credit and letters of guarantee, acceptance liability and reference letters. Life insurance for the shareholders of the SMEs and elementary insurance products are a central element of the Group's sales activities. As a large portion of the SME market is comprised of small retailers, POS terminals are also an important part of the Bank's offerings to these customers.

While the product range does not differ between the SME Banking and Business Banking segments, the two segments focus on different products and offerings due to the different sizes of their respective customers (e.g., Business Banking clients are less likely to export). The SME Banking division focuses primarily on cash management, project finance, refinance and export and import loans whereas the Business Banking division more actively manages general purpose loans, especially instalment loans, overdraft and business credit cards.

The Bank is also undertaking various efforts to digitalise the customer experience further, including opening a "social media branch," which is a digital platform established on Facebook used as a tool to acquire new customers and also meet existing customers' needs and answer their questions. In addition, the SME business lines aim to reach more customers and make the lending process quicker and easier with lending through web-based applications. The Bank is the only bank in Turkey that offers an SME-specific mobile banking application.

Agricultural Banking

Agricultural Banking was identified as a separate banking segment in July 2014. This business line, with 3,264 active customers as of 31 December 2016, supports sustainable agricultural activities and provides financial services to Turkish farms and small agri-businesses by offering lending products for equipment, land acquisition, the purchase of livestock and working capital loans. The segment has focused particularly on contractual agriculture and supply chain financing in synergy with the Bank's corporate and commercial banking customers. This line of business operated out of 14 branches and with 28 financial services managers as of 31 December 2016.

The Agricultural Banking segment has achieved significant growth since its establishment, with agricultural loans increasing from TL 89 million at the end of 2015 to TL 201 million at the end of 2016. To sustain this growth, this segment gives priority to system developments and agricultural loan allocation procedure improvements and is developing a harvest term payment credit card that allows producers to make payments seasonally upon receipt of payment for their crops. Furthermore, opening branches in agriculture-dominant regions to support the growth in this business is also a main driver of the Bank's decision when opening new branches, with the Bank planning on opening four such branches in 2017.

Insurance products supplement the Bank's agricultural lending business. Excluding supply chain financing, 100% of the Bank's agricultural loan customers have purchased insurance products through the Bank.

The Bank obtained long-term funds from EFSE (The European Fund for Southeast Europe SA) for the purpose of promoting the agri-business of the Bank, and is also in cooperation with the Frankfurt School to further support the Bank's agricultural lending activities.

Retail Banking

Starting in 2011, after the Fiba Group's acquisition of the Bank, the Bank has been developing the infrastructure and human resources necessary for offering financial services to retail customers, with the Bank having achieved significant growth over recent years. As of 31 December 2016, the Bank offers a broad range of retail banking products and related services through 72 of its 73 branches and through the Bank's ADCs. As the Bank is a relatively new participant in the retail market, its growth is still at levels above market averages. For example, in part as a result of marketing campaigns, the number of the Bank's active retail customers increased by 27% in 2016, reaching 79,300 as of 31 December 2016.

The Bank's policy is to make all of its retail products available at its branches either through dedicated relationship managers or, particularly in industrial zone branches, tellers named as "Süper Gişe" (Super Counters) who can act as a customer representative to retail customers. The Group's retail banking activities consist primarily of deposits, investment services, insurance products, consumer lending, mortgages and credit and debit card services. Income from the Bank's retail banking activities includes net interest income generated from loans to and receivables of retail customers, fee and commission income received from loan underwriting, asset managment services, life insurance and property and casualty insurance products and cash-related transactions with or for individuals. In addition, retail customers provide low cost deposits that are used by the Bank in the loans that it makes to its customers.

Given the extensive competition in the Turkish market for retail customers, the Bank's focus is on differentiating itself by the quality of its service, the speed of its responsiveness for loan applications and the use of advanced technology (***e.g.***, the Bank believes that it is one of the first banks in the world to be offering loans via Instagram). The key pillars of the Bank's retail banking strategy are a dynamic sales network consisting of high productivity branches and effective alternative sales channels and ADCs, deploying innovative products and campaigns and state-of-the-art risk management supporting healthy business growth.

Retail Banking Customer Segmentation

The Bank's retail banking operations, including payment system operations, are managed under its Consumer and Private Banking Division and operates out of 72 retail branches with 128 customer representatives as of 31 December 2016. The operations are divided into three sub-segments: Private Banking, High-Income Banking and Mass Market Banking, each of which has a tailored set of strategic objectives, customer propositions, service approach and branch service model. For high volume and well-penetrated customers, key products are deposit and investment products and, consequently, an investment advisory service model is used. For lower volume and less well-penetrated customers with greater borrowing needs, a sales-based service model is used with a particular focus on loan and transactional products.

The Bank's retail banking customer segments are described below:

- *Private Banking*: This segment, which (as of 31 December 2016) had 491 active customers and represented 0.8% of the Bank's total retail loans and 21% of the Bank's total retail deposit base, assists customers build and preserve their financial wealth through tailored investment strategies and offers its customers time deposits, mutual funds, bonds, government bonds, corporate bonds, currency exchange, forward contracts, futures, options and structured products. This segment also assists customers create and implement mid- to long-term asset allocations in accordance with each customer's particular risk tolerance. This segment serves customers with assets under management at the Bank exceeding TL 500,000 (or the Turkish Lira-equivalent of such amount in one or more currencies); *provided* that the customers qualify with respect to their level of financial sophistication about the products, as determined by the Bank's Derivative Products Committee.

- *High Income Banking*: This segment, branded as "FibaPrestige," had (as of 31 December 2016) 2,275 active customers and represented 1.0% of the Bank's total retail loans and receivables and 30% of the Bank's total retail deposit base. This segment was launched in 2015 and serves customers with assets under management from TL 250,000 to TL 500,000. The Bank offers customers in this segment a diverse set of banking and non-banking benefits, though with less customisation than for the Private Banking clientele.

- *Mass Market Banking*: This segment, which had 76,534 active customers and represented 98.2% of the Bank's total retail loans and receivables (and 52% of the Bank's total retail deposit base) as of 31 December 2016, is served through a more standardised product set and packaged offerings. Customer acquisition in this segment is mostly executed through salary account relations, school payment relations and consumer loan, mortgage and credit card marketing. Packaged offers designed for mass market customers help to improve cross-sell ratios in the Bank's overall customer portfolio. Programs for this segment, such as a retiree package and a salary-account package, also create a good platform for customer communication.

Products and Services

The Bank offers loan, deposit and other services to its retail customers as decribed in the following sections.

Deposits. The Bank offers demand deposits and time deposits to its retail customers as well as hybrid products that offer clients the alternative to invest in investment and deposit products or different deposit products as a package. Since the end of 2011, the Bank has focused on increasing its deposit base from retail customers. For example, the "Fiba Prestige" loyalty programme was launched in 2015 under which private and high income banking clients are extended both special offers from third-party companies and special pricing for the Bank's products and services.

In 2016, the Bank experienced a 40% increase in the size of its retail deposits. This growth was largely the result of strategies and applications intended to gain new clients and deposits from a wide range of clients, but also benefited from the introduction of new deposit products. Growth targets have been supported by deposit campaigns, new product launches and new sales channels. In this context, the "Cherry Account" was launched in April 2016, which product combines the advantages of a demand deposit with a time deposit (offering an attractive interest rate for an introductory period) and has played an important role in increasing both the Bank's demand deposit and time deposit base while decreasing the Bank's average costs. Through the end of 2016, the Cherry Account already had approximately 14,000 clients.

Repositioning of the Bank's e-deposit system, offering customers the opportunity to benefit from the most advantageous interest rates through digital banking, also played an important role in increasing the Bank's time deposit base and decreasing transaction costs in 2016. As of the end of 2016, e-deposits accounted for 18.5% of the Bank's total time deposits.

The following table sets forth the Bank's retail deposits per category as of the indicated dates:

	As of December 31		
	2014	**2015**	**2016**
		(TL thousands)	
Demand deposits	51,907	65,532	162,699
Time deposits	3,205,809	4,146,717	5,716,929
Total..	**3,287,717**	**4,212,249**	**5,879,627**

Consumer Loans (including Overdraft Accounts). The Bank's retail loan portfolio, which consists of mortgage loans, personal loans, credit card loans, overdraft account loans and auto loans, grew by 38% in 2015 to TL 439 million and then increased a further 20% in 2016 to TL 527 million. The Bank's primary consumer loan products are described below:

- *Mortgages*: The Bank offers retail mortgage loans up to 120 months. As of 31 December 2016, the Bank's outstanding retail mortgage loans stood at TL 357 million with an average mortgage loan size of TL 128,370 and there were 2,993 mortgage customers. In 2015, the Bank's retail mortgage portfolio grew by 123%; *however*, in 2016, the Bank elected to de-emphasise retail mortgage lending due to low profitability, with growth declining to 26%. The Bank has a mortgage product named "Güzel Evim Mortgage Loan," which offers customers a low interest mortgage product with different payment options. Each of the Bank's mortgage loans is secured by the applicable residence, which is always required to have a value in excess of the loan. Although the Bank's maximum loan-to-value ratio is 75%, which is in line with the maximum limit stated by law, the average loan-to-value ratio of the Bank's retail mortgage book at origination was slightly above 49% as of 31 December 2016. According to figures published by the BRSA, the Bank had a 0.22% market share of the retail mortgage loan in Turkey as of 31 December 2016.

- *Personal Loans (excluding overdraft accounts)*: Personal loans are used for a wide spectrum of needs ranging from instant cash needs, home refurbishments, financing vacations and university tuitions. As personal loans are generally unsecured, the Bank's credit analysis for these loans focuses principally on the potential borrower's income and other assets. The Bank offers personal need loans through all of its retail branches and, like certain other Turkish banks, through the branches of the Turkish post office ("*PTT*"). The use of PTT branches is a newly launched acquisition channel and the Bank is offering competitive personal need loans to retirees who maintain their salary accounts at PTT. In addition to this, the Bank has utilised social media campaigns, such as a 2016 campaign through Instagram that was awarded with a silver medal in "Digital Marketing" by the international financial marketing organisation EFMA, to attract personal loan customers.

Between 2013 and 2016, in large part due to Turkish laws targeting personal loans, the growth rate in the Turkish market decreased when compared to previous years and the Bank has not prioritised these loans. As such laws were improved in the last quarter of 2016, the Bank's management has determined to refocus on personal loans and has made this business a key element of the Bank's retail banking strategy. As a result, there is within the Bank a strong intention to develop new products and distribution channels in order to increase market share in personal loans. As of 31 December 2016, the Bank had a market share of 0.1% in personal loans in Turkey according to the BRSA.

- *Credit Card Loans*: The Bank issues credit cards under the "Bonus" brand. The Bank earns interest income on outstanding credit balances, transaction commissions from merchants and membership fees from cardholders. The Bank appeals to different customer segments with its classic, gold and platinum credit cards. As of 31 December 2016, the Bank's outstanding retail credit card loans were very small and represented only 1.1% of the total retail loan portfolio.

- *Overdraft Accounts*: The Bank provides overdrafts as an additional feature provided to debit card holders permitting them to access cash instantly and easily. As of 31 December 2016, the Bank's outstanding overdraft account loans were very small and represented only 1.0% of the total retail loan portfolio.

The following table sets forth the Bank's retail loans per category as of the indicated dates:

	As of December 31		
	2014	**2015**	**2016**
		(TL millions)	
Mortgages	126.8	282.4	356.6
Personal loans	173.9	137.5	149.8
Credit card loans	3.2	4.6	6.1
Overdraft account loans	5.9	5.4	5.6
Auto loans	4.7	5.9	4.5
Total	**314.6**	**435.7**	**522.6**

Investment Products. The Bank provides brokerage services and transacts in debt (including government bonds, treasury bills and private sector bonds) and equities on behalf of its retail customers. The Bank also offers its retail customers the opportunity to diversify their investment income away from deposits by enabling them to invest in mutual funds managed by its subsidiary Fiba Portfolio Asset Management, thereby serving the needs of investors with different risk perception and income expectation and (as a member of the Turkish Electronic Fund Distribution Platform) providing access to all mutual funds operating in the Turkish capital markets.

Insurance. The Bank offers its retail customers a wide range of insurance products, including life insurance, auto insurance, home insurance and travel insurance. As noted above, these products enable the Group to earn fee and commission income without incurring any credit risk and are offered through agency arrangements with affiliated Fiba Group companies and third parties.

Treasury

The Group's operations and results rely to a large extent upon the Bank's Treasury Department, in which the Group centralises its asset and liability management operations, trading (both customer driven and proprietary) and certain other important functions. The Bank's Treasury Department consists of two desks: the Asset Liability Management and Trading Unit and the Treasury Marketing Unit ("*TMU*"), employing 13 professionals as of 31 December 2016.

The Asset Liability Management and Trading Unit manages the Bank's balance sheet in line with the risk appetite of the Bank in guidance with the strategies determined by the Bank's Asset-Liability Committee. Asset and liability management ("*ALM*") functions include analysing balance sheet items in the context of prevailing market conditions and considering the Group's investment, funding and hedging strategies. The ALM unit manages the short- and medium-term liquidity of the Bank and also determines, within prescribed risk parameters, internal transfer rates for the allocation of funds. The Trading Unit seeks to identify the key determinants of profitability in the financial markets via foreign exchange, money and debt/credit markets and derivatives instruments and, while staying within the value-at-risk ("***VaR***") limits approved by the Board, seeks to contribute to the Bank's profitability. The ALM functions and the Trading Unit provide competitive pricing to the TMU, giving the TMU two perspectives on funding the Bank.

The TMU is responsible for providing pricing to branches and corporate and individual clients in all treasury products, including spot and forward foreign exchange transactions, interest rate and cross currency swaps, fixed income securities and derivatives. The TMU develops innovative solutions to clients' financial needs with standard or tailor-made products and also communicates market developments to the Bank's clients and branch network.

The Treasury Department's investment policy and decision making processes are subject to strong governance. In addition to the daily morning meetings, the department convenes weekly through its Strategy and Tactical Committee and takes global and local macro indicators, central banks actions and monetary policies, market flows, news and geopolitical developments as inputs. In the context of laws governing liquidity, capital adequacy and foreign exchange positions, and adhering to the Bank's internal policies (such as its trading, liquidity and funding, asset and liability and risk appetite policies), the Strategy and Tactical Committee considers the Risk Management Department's VaR reports, gap analyses, scenario analyses and stress tests outputs strategy and develops tactical decisions about funding and liquidity and yield curve positioning and communicates these to the Bank's clients and branch network.

Subsidiaries

The Group manages almost all of its businesses through the Bank. As of the date of this Prospectus, the Bank only has one subsidiary, Fiba Portfolio Asset Management. The company was founded in 2013 and manages eight mutual funds, 17 pension funds and numerous direct accounts of high net worth individuals and companies. At the end of 2016, the portfolio of total funds managed by the company totaled TL 423 million, 60% of which was in pension funds. The company's own balance sheet amounted to TL 5.57 million, with a net profit of TL 81,642. According to CMB statistics, the company ranked 16th at the end of 2016 in terms of total assets managed, with a market share of 0.34%.

Marketing and Distribution Channels

The Bank follows a diverse, multi-channel strategy that leverages its branch network while also employing the following ADCs: a 24/7 Customer Communication Centre (Telephone Banking), ATMs, retail and corporate internet banking and retail and corporate mobile banking. The increasing use of alternative channels by the Bank's customers has increased the Bank's cost-efficiency, provided improved convenience to the Bank's customers and helped the Bank develop deeper relationships with its customers.

Branch Network

Since Fiba Holding's acquisition of the Bank in December 2010, the Bank has quadrupled its branch network, increasing it from 18 to 73 branches as of 31 December 2016. As of such date, the Bank's 73 branches were located in 19 cities in Turkey, with the largest concentration in İstanbul (33 branches), Ankara (7 branches) and Antalya (7 branches). These branches offer services in corporate, commercial, SME, retail, agricultural and private banking services. Notwithstanding this growth, the Bank's approach to the opening of new branches is to open (or acquire) them only when attractive opportunities arise (including the availability of experienced local branch managers) and other nearby branches of the Bank are approaching capacity.

While the Bank's management intends to add seven branches during 2017, the primary focus will continue to be expanding and strengthening the Bank's network of ADCs.

Alternative Distribution Channels

In addition to its branch network, the Bank has developed a broad offering of ADCs, including a call centre, ATMs, internet banking and mobile banking. The omni-channel strategy provides the Bank's clients the convenience of conducting transactions from any location at any time of the day.

The main benefits of the Bank's ADC strategy can be segmented into four groups:

- *Improving branch performance*: By substantially expanding the use of ADCs, the Bank has significantly reduced less productive branch tasks (such as customer inquiries), freeing up the sales force and allowing them to focus on more profitable commercial activities and sales. Also, the use of ADCs reduces the branches' operating load and costs, with average cost per transaction being significantly lower for ADC transactions than for transactions performed at a branch.

- *Improving customer service and therefore retention*: Through ADCs and their continuous availability, the Bank provides its customers with quick and convenient service and resolution of their needs.

- *Enhancing revenues:* The Bank takes advantage of sales opportunities by cross-selling and by telemarketing to potential customers through ADCs, which also provide opportunities for incremental fees and charges.

- *Deepening relationships with customers*: ADCs not only lead to operational efficiency in relation to transactions, but also portfolio efficiency via upsell and cross-selling opportunities on these channels.

Consistent with advances in technology and customer preferences, the Bank's customers (particularly its retail customers) are shifting their choice of distribution channel. The Bank's principal ADCs are described below:

- *Internet Banking*: The Bank's internet banking services offer most of the products provided by the Bank's branches, including over 100 different types of transactions. Fibabanka Internet Banking was completely renewed in 2013 to better respond to evolving customer needs and expectations, implementing an easier-to-use and faster platform. The Bank had 43,667 internet customers as of 31 December 2016, a 73% increase in internet banking customers as of such date when compared to the 25,226 at the end of the previous year. 2016 also saw a 50% increase in the number of customer transactions handled through the internet, reaching 582,081 transactions from 388,671 in 2015. The Bank's management anticipates that internet banking will continue to grow significantly in the coming years, both as the Bank increases its customer base as well as through changes in customer preferences.

- *Mobile Banking*: The Bank launched its mobile banking services in 2015, offering services on iOS devices and all Android-operated devices. As of 31 December 2016, the Bank had 17,215 mobile banking customers, a 198% increase from the 5,773 at the end of 2015. While offering fewer services than internet banking, mobile banking is the most convenient for the Bank's customers. Customers can quickly have access to all sorts of transactions through their mobile devices by typing a single word into the search bar.

- *ATMs*: Fibabanka had 83 ATMs as of 31 December 2016, 73 of which were located at the Bank's branches, which provide a more limited set of transactions than internet banking but are the only ADCs that can process cash transactions (including the increasing number of the Bank's ATMs that can accept cash deposits). The number of money withdrawal transactions in 2016 was over 120,000. The Bank's customers can also utilise ATMs of other Turkish banks through the Interbank Card Centre ATM sharing platform, providing them access to thousands of ATMs across the country.

- *Call Centre*: The Bank's Customer Communication Centre provides inbound telephone service, including transactional services and the receipt of customer inquiries on a continuous basis 24 hours a day, seven days a week. In 2016, almost 300,000 calls were received in the call centre, which were processed with an 85% efficiency rate (*i.e.*, the number of calls answered *as a percentage of* the number of calls received).

In line with the Bank's strategy, the Bank has (starting in 2017) segregated its ADC business under a separate department and is planning to make many improvements and updates with respect to its ADCs in order to render better service to its clients.

Human Resources Management and Planning

The Bank places a high priority on recruiting and retaining the highest quality staff in line with its rapid growth and long-term business strategies. The Bank has a very experienced management team and a dynamic employee base energized with new graduates, including with graduates of Fiba Group's Özyeğin University. For attracting suitable and qualified new graduates, the Bank participates in the career days of the top Turkish universities. The Bank also offers Management & Sales Trainee Programmes three times a year, through which new graduates are recruited and given an intensive training for two months before they start working at the Bank.

The Bank also gives great importance to the training and development of its employees after their recruitment and along their career path. In this respect, it has developed a training programme together with Özyeğin University called "Bankacılığın Özü Sertifika Programı." In this programme, the Bank's employees have the opportunity to receive high quality training from the university's teachers.

The Bank aims to compensate its employees competitively and operates diversified performance-driven premium and year-end success bonus models as well as several practices for reinforcement of engagement and fulfilment, such as appreciation and recognition programs and internal communication activities. None of these incentive policies include arrangements for the involvement of employees in the capital of the Bank. With the goal of establishing long-term and efficient relationships with employees, the Bank conducts and analyses employee engagement and satisfaction inventories and turnover studies.

As a rapidly growing organisation, the Bank offers both vertical and horizontal career opportunities for its employees. The Bank first refers to its own human resources to fill any vacant positions through internal promotions and assignments and typically hires employees from outside the Bank only if there are no appropriately qualified internal candidates.

As of 31 December 2016, the Bank employed 1,488 persons, of whom 833 were based in the Bank's branch network, 595 in the Bank's head office and 60 in its alternative sales channels. As of such date, 83% of the Bank's employees had associate degrees or above and the Bank's employees had an average seniority at the Bank of 3.3 years and an average age of 35 years.

Properties

In March 2015, the Bank purchased a commercial building from Finansbank A.Ş. for US$65.25 million to be used as its head office. Two other premises are leased by the Bank for its Customer Communication Center and IT Department, which premises are located in Kağıthane, İstanbul (Ofishane Building) and Beşiktaş, İstanbul (Barbaros Building), respectively. The Bank operates all of its branches based upon medium-term leases, with typical lease periods of five to 10 years.

Information Technology

The Bank's management believes that innovation and utilization of technology support the Bank's strategic direction and expand the Bank's customer base and satisfaction. In 2017, the Bank is making a significant investment in its IT operations to modernize and improve its systems, both those used internally as well as customer-facing systems such as the Bank's website.

The Bank's technology operations and initiatives are managed by its Information Technology Department. As of 31 December 2016, this department employed 92 IT professionals dedicated to installing, maintaining, developing and operating the Bank's software applications, management information system and security system.

The Bank uses Symphony, which is a fully in-house developed core banking application. Symphony has been continuously enhanced with new functionalities. It was developed as an "n-tier" application on a service-based architecture. With these features, Symphony provides scalability, flexibility and ease of integration and reduces time to deploy. In addition to core banking application, the Bank's IT team also develops and maintains alternative delivery channel applications.

The Bank's IT System is supported by disaster recovery centers located in İzmir, which is approximately 300 miles away from İstanbul. Both the primary data center and the disaster recovery center are operated by the Bank's own IT team. The Bank's system availability percentage averages 99.99% (planned downtime excluded).

The development of business continuity management is coordinated by the Bank's Operational Risk Unit. The Bank has developed a Business Continuity and Disaster Recovery Plan in case of natural disaster or significant disruption. This plan aims to ensure that in the event of such circumstances arising, the Bank can continue to provide services to its customers, fulfill its legal obligations, minimise financial losses arising from the disruption and safeguard information assets. The plan is revised and tested on an annual basis. The Bank has alternative work locations and a disaster recovery centre in order to provide continuity of banking services against unexpected incidents. The plan also includes specific directives to personnel to instruct them to react appropriately in a disaster situation. All personnel have access to the plan's guidelines through the Bank's intranet. The plan also sets out a communication strategy in order to seek to ensure appropriate communication with internal and external target stakeholders.

Insurance

The Group's employees, fixed assets, automated systems, safe deposit boxes, cash-in-transit and cash-on-hand are covered, as applicable, by a world-wide bankers blanket bond insurance policy, a director and officers liability (D&O) policy, a professional indemnity policy, an employers' liability policy and general insurance agreements with third parties covering normal risk. New branch offices are insured automatically from their date of establishment.

Loans that are secured by real estate are also required by the Group to be supported by fire and asset protection insurance with respect to secured assets. The Group does not have any credit risk insurance in relation to defaults by its customers and this is generally not available in Turkey.

Anti-Money-Laundering, Combating the Financing of Terrorist and Anti-Bribery Policies

Turkey is a member country of the Financial Action Task Force (the "*FATF*") and has enacted laws to combat money-laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board (*Mali Suçları Araştırma Kurulu*), which is the Turkish financial intelligence unit. 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 the Bank is not used as an intermediary in money-laundering and other criminal activities, a programme of compliance with the obligations of anti-money-laundering and combating the financing of terrorism rules, which is to be undertaken by all employees, has been implemented. This programme includes written policies and procedures, assigning a compliance officer to monitor this matter, an audit and review function to test the robustness of anti-money-laundering policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money laundering legislation and regulations and employee training.

In an effort to ensure compliance with FATF requirements, Law No. 6415 on the Prevention of the Financing of Terrorism was introduced on 16 February 2013. This law introduced an expanded scope to the financing of terrorism offense (as defined under Turkish anti-terrorism laws). The law includes further criminalising terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets.

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 standards 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 certain 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 the Financial Crimes Investigation Board) became effective

In October 2014, the Organisation for Economic Co-operation and Development (the "*OECD*") Working Group on Bribery adopted the Phase 3 Report on Implementing the OECD Anti-Bribery Convention. In this report, the OECD Working Group expressed concerns about Turkey's low level of anti-bribery enforcement and recommended that Turkey improve its efforts to proactively detect, investigate and prosecute allegations of foreign bribery. The OECD Working Group also expressed concern regarding certain deficiencies in Turkey's corporate liability legislation and enforcement against legal persons and made several recommendations to address these concerns. Changes in Turkish laws, regulations and practices might arise from these recommendations, which the Bank will monitor.

Compliance with Sanctions Laws

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, SDNs, 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, the EU and the United Nations) regarding doing business with, maintaining accounts for, or handling transactions or monetary transfers for Sanction 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 Sanction Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened against a list of restricted countries and banks. All daily transactions are further reviewed for compliance with sanction lists by the Bank or a third party screening company. Accordingly, the Bank's current policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including Iran and Syria.

Credit Ratings

Each of the Bank's credit ratings from Fitch as of the date of this Prospectus is set out below. Fitch is established in the EU and is registered under the CRA Regulation. 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.

Fitch (9 February 2017)

Long-term foreign currency	BB-
Short-term foreign currency	B
Long-term local currency deposit	BB-
Short-term local currency deposit	B
Long-term national rating	A+ (tur)
Support	5
Viability	bb-
Outlook	Stable

Litigation and Administrative Proceedings

The Group is subject to certain claims and legal actions arising in the ordinary course of business. There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) that might have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Bank or the Group. There are no material proceedings pending in which any Director or Executive of the Bank or any of the Bank's affiliates is a party adverse to the Group or has a material interest adverse to the Group. As of 31 December 2016, the Group had made provisions of TL 1.06 million for litigation.

RISK MANAGEMENT

General

The Bank's risk management, internal audit and control activities are carried out in compliance with applicable laws, and each of these activities is independent of executive functions through an organisation that directly reports to the Board.

The Board is ultimately responsible for establishing and ensuring the effective functioning of risk management, internal audit and internal control systems and for establishing, implementing and maintaining risk management, internal audit and control strategies and policies that are compatible with the Bank's capital and risk level.

The Bank measures and monitors its risk exposure both on a consolidated and unconsolidated basis by using methods compliant with international standards and in accordance with applicable laws. Advanced risk management tools are utilised in measuring operational risk, trading risk, asset and liability risk, counterparty credit risk and credit risk.

The Bank's risk management strategies, policies and implementation procedures are reviewed periodically in line with the Bank's needs and within the scope of regulatory changes.

Through the Bank's risk appetite framework, the Bank's management determines the risk level that it is prepared to take based upon the predicted capability of the safe handling of risks so as to achieve the goals and strategies defined by the Board. Risk-based limits are monitored regularly by way of risk appetite indicators pertaining to capital, liquidity and profitability that have been created in accordance with the risk appetite framework.

The Risk Management Department is responsible for preparing a capital adequacy assessment process report (the "*ICAAP Report*") to be submitted to the BRSA, which report presents an assessment of the Bank's risk appetite and internal capital adequacy assessment process. In addition, the Bank submits stress test reports to the BRSA, which reports address how the potential adverse effects of macroeconomic conditions in Turkey might change the Bank's three-year budget plan and set forth certain scenarios and their impact upon certain key ratios of the Bank, including its capital adequacy ratios.

A summary of the Bank's management of certain risks is set forth below. See note 4 to the 31 December 2016 BRSA Financial Statements for additional information on the management of these and other risks as of the date thereof.

Market Risk Management

The Bank measures its market risk according to applicable laws, its internal policies and procedures and internationally accepted methodologies, which are implemented in line with its structure, and reviews these continuously. Market risk is managed by measuring and limiting risk in accordance with these international standards, by allocating sufficient capital and minimising risk through hedging transactions.

Market risk is defined as the risk that the Bank faces due to market price fluctuations in the positions that it maintains on or off its balance sheet for trading purposes and is calculated daily using the VaR model. In order to identify the risks that might arise from major market volatilities, the Bank conducts regular stress tests and scenario analyses using the VaR model. The VaR is a measure of the maximum expected loss in the market price of a portfolio with a certain maturity at a certain confidence interval and a certain probability as a result of market value fluctuations. The VaR is calculated using a Monte Carlo method at a 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model, which is also validated on an annual basis. The VaR limits are determined in accordance with capital allocations approved by the Board and dynamically updated in line with changes in the Bank's shareholders' equity. These limits are monitored and reported daily by the Market Risk Department. The Bank's VaR stood at TL 7.3 million by the end of 2016.

VaR does not constitute an important risk for the Bank given the amount of the Bank's shareholders' equity. In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model.

Structural Interest Rate Risk Management

To determine and manage the Bank's exposure to structural interest rate risk arising from maturity mismatches in its balance sheet, duration/gap, economic value of equity ("*EVE*"), economic capital ("*ECAP*"), net interest income ("*NII*") and available-for-sale portfolio are monitored by measuring market price sensitivity.

The interest rate risk metrics that are calculated and the related reports that are generated are used by the Bank's management in managing balance sheet interest rate risk under the supervision of the Bank's Assets & Liabilities Committee ("*ALCO*").

Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that might arise in the economic and financial environment under stress.

Results of stress tests are used by the Bank as one input in determining its risk appetite, limit and budget-related works, for generating balance sheet management strategies and for evaluating the Bank's need for capital.

Within this framework, internal limits for EVE sensitivity, ECAP, NII sensitivity, securities revaluation differences and securities EVE sensitivity are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis using the standard shock method. The regulatory limit is monitored and reported to the BRSA on a monthly basis. The Bank also monitors that its subsidiary sets and monitors internal structural interest rate risk limits.

Structural Exchange Rate Risk Management

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and foreign currency risk-weighted assets are regularly followed up, monitored according to internal limits and reported, in circumstances in which the Bank performs material operations in currencies other than the local currency or maintains positions for shareholders' equity-hedging purposes. In addition, the Bank's foreign currency position and the profit/loss movements resulting from this position are monitored and reported at regular intervals.

Liquidity Risk Management

Within the framework of liquidity and funding risk policies approved by the Board, liquidity risk is managed under the supervision of ALCO in order to take appropriate and timely measures in case of reduced liquidity arising from market conditions or due to the Bank's financial structure. Under the liquidity contingency plan approved by the Board, the Bank monitors liquidity risk within the scope of early warning indicators, liquidity risk stress test and actions to be taken for each scenario in a corporate framework. As part of the liquidity risk stress test, a liquidity buffer level is assessed by cash flow projections in order to meet liquidity requirements in stress conditions. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based upon maturity buckets and to manage short term funding sources effectively, while compliance with minimum regulatory liquidity ratios is monitored. Concentrations in liquidity and funding risks are monitored. Within the Internal Capital Adequacy Assesment Process ("*ICAAP*"), liquidity planning is performed annually.

Credit Risk Management

Credit risk management involves a process for consistently evaluating and monitoring credit risk, and covers all of the Bank's credit portfolios. Concentrations are monitored across the portfolio with respect to internal risk ratings, sectors, groups and clients. Under BRSA accounting principles, a collective provision calculation is performed for the entire Bank. The adequacy of the Bank's internal capital is evaluated with stress tests and scenario analyses. In order to rate customers using objective criteria with respect to the corporate and commercial loan portfolios, outputs from internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures.

Decision trees are used in the lifecycle of retail receivables. In the allocation processes of consumer, auto, mortgage, commercial mortgage, home equity and overdraft loans and credit card portfolios, which are evaluated under retail lending processes, a score is utilised, which score is a combination of application, payment history in the bank and bureau scores. For SME loans, the bank uses an SME scoring system that evaluates financial / non-financial data of the customer (*e.g.*, tax office-approved financial statements, credit bureau risk information of the company, credit risk score and negative credit history of the controlling shareholder(s), such as unpaid cheques, protested bills and seizures) to produce a credit score and an internal rating.

Collection performances of NPLs in any portfolio are analysed, and losses under different default rates are calculated in view of the time value of money and costs incurred for making collections, on the basis of segments in the case of commercial loans and of products and segments in the case of retail loans.

Operational Risk Management

Operational risk is managed by considering the principles that are determined by the Operational Risk policy approved by the Board. The five principles that consitutes the operational risk approach of the Bank can be summarised as follows. Operational risk management is an integrated process to all the stages of the product and activity cycle. The process is conducted with the participation of all organisational levels in a spectrum that contains top management and also individual employees. The operational risks are defined considering cause, event and effect relationships. The operational risk management is optimised by analyzing the costs and benefits of the actions that are taken. The operational risks are analysed within a transparent cycle that can be accessed by the entire organisation. The Board determines the risk appetite for operational risk and related limits and the Risk Committee ensures consistent and efficient implementation and maintenance of the operational risk management framework in relation to all activities, processes and products. The coordination of operational risk management activities has been done by the Bank's Internal Control and Operational Risk department. The Internal Control and Operational Risk Department designs, implements and applies assessment and measurement tools (***e.g.***, loss data, scenario analyses, risk indicators and self-assessment and a new product approval process, business continuity planning, management control statement) for operational risk management and also coordinates actions to mitigate these risks. The Bank's Compliance department manages and coordinates compliance and regulatory risks within the BRSA's and other regulatory bodies' frameworks as part of the Bank's operational risk management. The Internal Audit Department independently reviews all aspects of the operational risk management framework and also acts as the third line of defence.

Reputational Risk Management

Reputational risk at the Bank is defined as the risk of possible damage to the Bank's brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction that could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs. The Bank's "3 Lines of Defence Principles" (opertional management, risk management and compliance functions and internal audit) are in place to manage reputational risk properly.

The Bank manages its reputational risk by trying to avoid transactions and activities that might cause reputational risk in the view of legal authorities, the Bank's customers and other market participants. The Bank focuses significant attention to being beneficial to society, the natural environment and humanity. Training of employees is held with the aim of raising awareness about reputational risk throughout the Bank and encouraging all employees to fulfil their applicable duties and responsibilities. In order to ensure efficient management of reputational risk throughout the Bank, the Bank aims to preserve and improve its reputation with customers, and to minimise the Bank's impact upon the environment. Efforts carried out to this end include monitoring the media, the press and social media platforms with respect to the Bank's reputation and managing potential impacts; ensuring continued awareness of compliance with laws and corporate standards, and developing of processes that support the management of IT/information security and IT-related risks.

Counterparty Credit Risk

The counterparty credit risk strategy, policy and implementation principles are defined in a policy document approved by the Board. The Bank measures, monitors and creates limits for this risk in line with this policy. The Bank uses the internal method to measure and report its counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending and uses the Current Exposure Method for regulatory purposes. Within this scope, the Bank employs risk mitigation techniques through its framework agreements (***e.g.***, ISDA, CSA and GMRA), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international law.

Concentration Risk Management

The Bank defines and monitors any concentrations among different types of risks or in any individual risk that might result in material losses that would endanger the Bank's ability to sustain fundamental activities or financial structure or lead to a significant change in the Bank's risk profile, within the framework of the policy approved by the Board. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

Risk Management in Subsidiaries

Policies and procedures regarding risk management are established for consolidated entities. Policies and procedures are prepared in compliance with applicable laws that each entity is subject to and the Bank's risk management strategy, which rules and procedures are reviewed regularly and revised if necessary. The Bank monitors that the risk management system is applied in such entities with the aim of ensuring that risks are defined, measured, monitored and controlled.

MANAGEMENT

Board of Directors

The Board meets regularly and, with the guidance of the Bank's senior management, is instrumental in planning the medium-and long-term strategy of the Bank. The Board makes all major management decisions affecting the Bank. The Board acts as a supervisory body for the Bank's activities and determines the code of ethics and business conduct of the Bank.

Pursuant to the Bank's articles of association, the General Assembly of the Bank's shareholders sets the number of members on the Board, which should consist of at least five members. Currently, the General Assembly has set the number of members at eight. Each member has a right of one vote and it is not permissible that members vote on behalf of another member by proxy. The members of the Board are appointed for a period of three years and a member may be re-elected.

The members of the Board may not participate in discussions relating to or vote for personal matters or any matter concerning interests of relatives such as their spouses and children or any company in which a member directly or indirectly holds a majority of shares.

Pursuant to a Shareholders' Agreement, dated 23 October 2015 and amended and restated on 3 June 2016, among Fiba Holding, the EBRD, the IFC and Abraaj (the "*Shareholders' Agreement*") each of the EBRD, the IFC and Abraaj are entitled to nominate a director to the Board, which the other shareholders would then vote for. The EBRD (Mr. Akcay) and Abraaj (Mr. Yorgancıoğlu) have already done so, whereas the IFC has not yet exercised this right.

The directors of the Bank (the "*Directors*") are the following:

Director	**Year First Appointed**	**Current End of Term**
Hüsnü Mustafa Özyeğin (*Chairman*)	2010	24 August 2018
Fevzi Bozer (*Vice Chairman*)	2010	24 August 2018
Ömer Mert (*CEO*)	2017	24 August 2018
Mehmet Güleşci	2010	24 August 2018
Mevlüt Hamdi Aydın	2013	24 August 2018
İsmet Kaya Erdem	2013	24 August 2018
Memduh Aslan Akçay	2016	24 August 2018
Selçuk Yorgancıoğlu	2016	24 August 2018

Additional information on each of the Directors is set forth below:

Hüsnü Mustafa Özyeğin (Chairman)

Born in 1944, Mr. Hüsnü M. Özyeğin graduated from Robert College and from the Civil Engineering Department of Oregon State University, after which he completed an MBA at Harvard Business School. Over the years 1974 to 1984, Mr. Özyeğin was a board member and the General Manager of Pamukbank T.A.Ş. and, in the period 1984 to 1987, he served as Vice-Chairman of the Board of Directors and General Manager of Yapı Kredi Bankası A.Ş. He founded Finansbank in 1987. Mr. Özyeğin was the Chairman of the Board at Finansbank from its establishment up until 2010. He is currently the Chairman of the Board of the Fiba Group companies (which include the Bank). Mr. Özyeğin is currently serving as President of the Board of Trustees of the Hüsnü M. Özyeğin Foundation, which he established in 1990 in the awareness of corporate social responsibility, and is also a Trustee of AÇEV (Mother Child Education Foundation), which was established in 1993, and President of the Board of Trustees at Özyeğin University, which he founded in 2007. Mr. Özyeğin is the holder of the Harvard Business School "2011 Alumni Achievement Award."

Fevzi Bozer (Vice Chairman)

Mr. Fevzi Bozer was born in 1955 and, after graduating from the Department of Business at Indiana University, he completed an MBA at Roosevelt University. After working at Citibank over the years 1984 to 1988, Mr. Bozer joined Finansbank in 1988 as a branch manager. He served as General Manager of Finansbank Suisse from 1991 to 1993 and of Finansbank from 1995 to 1999. Over the period 1999 to 2006, Mr. Bozer served as a board member at Finansbank and, from 1997 until today, he also has served as a board member at Fiba Group banks abroad and at Fiba Holding.

Ömer Mert (CEO)

Born in 1969, Mr. Ömer Mert graduated from Istanbul Technical University's Industrial Engineering Department and also received a Masters degree from Istanbul Technical University's Engineering Management Department. He began his career in the insurance sector in 1993, thereafter serving in various insurance companies. From 2003 to 2005, he worked at Fortis Emeklilik ve Hayat A.Ş. and, from 2005 to 2012, at Garanti Emeklilik ve Hayat A.Ş., in both cases as an Assistant General Manager. Most recently, Mr. Mert worked as the General Manager and a member of the Board of Directors of Fiba Emeklilik ve Hayat A.Ş from 2012 to 2017. As of January 2017, he has been appointed as a member of the Board and as the Chief Executive Office of the Bank.

Mehmet Güleşci (Board Member)

Born in 1962, Mr. Mehmet Güleşci is a graduate of Boğaziçi University's Department of Business Administration, at which he also later earned a Masters degree. Over the years 1984 to 1996, Mr. Güleşci worked in the İstanbul and Boston offices of Ernst & Young Company, receiving a CPA certification in Turkey and in the State of Massachusetts. He was serving as a partner in Ernst & Young Company when he joined Finansbank at the beginning of 1997. Mr. Güleşci worked as an Executive Vice President and Group CFO at Finansbank until the end of 2009. He is currently Group CFO of the Fiba Group and serves as a board member of several of Fiba Group's financial and non-financial companies both in Turkey and abroad.

Mevlüt Hamdi Aydın (Board Member)

Born in 1957, Mr. Hamdi Aydın graduated from Middle East Technical University's Faculty of Administrative Sciences's Department of Business. In 1983 to 1989, he worked at Akbank T.A.Ş. as an auditor, then joined Finansbank in 1989 as the Head of the Internal Audit Department. In 1992 to 1995, he served as both the Head of the Internal Audit Department and as the Group Head of the Human Resources Department, and, between 1995 to 2004, he was the Assistant General Manager of Human Resources Department at Finansbank. After serving as the Group Human Resources Director at Fiba Holding between 2004 and 2013, he joined the Bank in 2013 as a board member.

İsmet Kaya Erdem (Board Member)

Mr. İsmet Kaya Erdem was born in 1928. After graduating from Marmara University, over the years 1961 to 1999, he served in various roles in the Turkish government, including as Treasury Undersecretary, Social Security Administration General Director, Minister of Finance, State Minister Responsible for the Economy and Speaker of the Turkish Parliament. Mr. Erdem joined the Fiba Group in 2000.

Memduh Aslan Akçay (Board Member)

Mr. Memduh Aslan Akçay, born in 1965, graduated from Ankara University's Faculty of Political Sciences Department of Economics and completed a Master of Policy Economics degree at the University of Illinois. Mr. Akçay worked at Etibank in 1990 to 1993 and then in the State Planning Organization from 1993 to 2000. From 2001 to 2004, he worked in the BRSA at its Directorate of Economic Evaluation and Foreign Relations and Directorate of Systemic Risk Committee. In 2004, he was appointed as the Head of Foreign Economic Relations at the Undersecretariat of Treasury, where he worked until 2010. During his career at the Undersecretariat of Treasury, Mr. Akçay was involved in many executive committees (including the Debt Management Committee and Disciplinary Committee) and also served as a Member of the Board of the Council of European Development Bank, Türkiye Sınai Kalkınma Bankası, the Black Sea Trade and Development Bank and the Economic Cooperation Organisation Trade and Development Bank and a Member of the Board of the Audit Committee at Milli Reasürans A.Ş. In addition, he represented Turkey as a Governor Assistant in international financial institutions such as the World Bank, the EBRD, the Asian Development Bank and the Islamic Development Bank. Mr. Akçay served as a board member of the EBRD from 2010 to 2013. During this period, he was also the Chair of the Budget and Administrative Affairs Committee of the EBRD's board of directors for two terms. He then returned to the Undersecretariat of Treasury in 2013, where he worked until 2016.

Selçuk Yorgancıoğlu (Board Member)

Mr. Selçuk Yorgancıoğlu, who was born in 1967, completed a Masters degree in Finance at the University of New Haven after his graduation from the Department of Economics at İstanbul University. He worked in Interbank as a Management Associate and Assistant Specialist from 1992 to 1993, with ABN AMRO Group (in İstanbul and Amsterdam) as a Manager responsible for Investment Banking and Emerging Markets from 1993 to 1998, in FinansInvest as an Assistant General Manager from 1998 to 1999 and in Finansbank with the same title from 1999 to 2000. Mr. Yorgancıoğlu, who was co-head of Emerging Markets in Deutsche Bank – London from 2000 to 2007, then continued his career at Deutsche Bank, İstanbul as the General Manager and a Board Member from 2007 to 2008. Since 2008, he has been working in Abraaj Group as Partner responsible for Turkey and Central Asia.

The Executives

In addition to the Bank's CEO, the Bank's senior executives (the "*Executives*") as of the date of this Prospectus include the following:

Executive	Title	Responsibility	Year Joined Bank
Elif Alsev Utku Özbey	Deputy General Manager	Chief Financial Officer	2011
Adem Aykın	Assistant General Manager	Information Technologies	2011
Esra Osmanağaoğlu	Assistant General Manager	Banking Operations	2011
Emre Ergun	Assistant General Manager	Retail and SME Banking	2012
Kerim Lokman Kuriş	Assistant General Manager	Corporate and Commercial Banking	2011
Turgay Hasdiker	Assistant General Manager	Corporate and Commercial Credits	2011
Ahu Dolu	Assistant General Manager	Financial Institutions	2011
Orhan Hatipoğlu	Assistant General Manager	ADC and Support Channels	2017
Gerçek Önal	Coordinator	Legal	2012
Ömer Rıfat Gencal	Coordinator	Treasury	2015
Cengiz Sinanoğlu	Coordinator	Retail and SME Credits	2013

Additional information on each of the Executives is set forth below.

Elif Alsev Utku Özbey (Deputy General Manager and CFO)

Ms. Alsev Utku was born in 1971 and, after graduating from Boğaziçi University's Department of Business Administration, she received an MBA from Erasmus University/Rotterdam. After working at Price Waterhouse Coopers from 1994 to 1995, Mrs. Utku joined Finansbank, where she served in various positions until 2009 (her last appointment at Finansbank was Assistant General Manager responsible for Financial Reporting and Planning). In 2009, Mrs. Utku joined Fiba Holding as Finance Director and, in 2011, joined the Bank.

Adem Aykın (Assistant General Manager for Information Technologies)

Born in 1967, Mr. Adem Aykın graduated from Dokuz Eylül University's Department of Computer Science and then from Anadolu University's Business Department, after which he started at Finansbank in 1988 as a Software Engineer. Over the period from 1988 to 2005, Mr. Aykın served in various positions in the Information Technologies Department at Finansbank and at IBTECH. For five years starting from 2006, he served as Assistant General Manager responsible for Information Technologies at Credit Europe Bank Russia, a member of the Fiba Group. He joined the Bank in 2011.

Esra Osmanağaoğlu (Assistant General Manager for Banking Operations)

Born in 1967, Mrs. Esra Osmanağaoğlu is a graduate of Istanbul University's Department of Sociology. She worked at Pamukbank T.A.Ş. from 1988 to 1990. In 1990, Mrs. Osmanağaoğlu joined Finansbank and worked in different capacities at that institution for 10 years. In 2000, she became the Group Manager responsible for Operations in Credit Europe Bank Holland N.V., a Fiba Group company, and then from 2001 to 2007, she worked at Finansbank as the Group Manager responsible for Banking Operations. Mrs. Osmanağaoğlu was appointed to Fiba Faktoring A.Ş. in 2007 and served there as Assistant General Manager until 2011, when she joined the Bank.

Emre Ergun (Assistant General Manager for Retail and SME Banking)

Mr. Emre Ergun was born in 1976 and is a graduate of Boğaziçi University's Department of Business Administration. Mr. Ergun started his banking career at Citibank A.Ş., where he worked as a manager in Sales and Marketing, and then he joined Finansbank in 2004. He served at Finansbank in the Business Development and Strategy Department as Unit Head and in the Private Banking Department as Group Manager. From 2007 to 2012, Mr. Ergun worked at the Credit Europe Bank Group in Ukraine and Romania, where he served as the Assistant General Manager responsible for Private Banking and Credit Cards. He joined the Bank in 2012.

Kerim Lokman Kuriş (Assistant General Manager for Corporate and Commercial Banking)

Born in 1973, Mr. Kerim Lokman Kuriş graduated from American University's Business School and then started his banking career at Finansbank in 1998. From 1999 to 2004, he worked in the Corporate Banking Department of Finansbank Holland N.V. From 2005 until 2008, he worked in Finansbank, serving in various positions in the Corporate and Commercial Banking Department, including as a Branch Manager. After working in the Corporate Banking Department of Credit Europe Bank N.V. from 2008 to 2010, Mr. Kuriş joined the Bank in 2011.

Turgay Hasdiker (Assistant General Manager for Corporate and Commercial Credits)

Mr. Turgay Hasdiker was born in 1969. After graduating from Istanbul University's Department of Economics in 1991, he started his banking career at Yapı Kredi Bankası A.Ş., where he served in the Corporate & Commercial Credits Department and the Corporate & Commercial Allocation Department from 1991 to 2003. Then, until 2006, he worked in the Corporate & Commercial Credits Department of Oyakbank A.Ş.. From 2006 to 2011, he worked in the Commercial & SME Marketing Department at ING Bank A.Ş. Mr. Hasdiker joined the Bank in 2011.

Ahu Dolu (Assistant General Manager for Financial Institutions)

Ms. Ahu Dolu was born in 1975 and is a graduate of Marmara University's Department of Economics. She started her banking career in 1997 at Finansbank, serving in various positions in the International Division of Finansbank until 2007 when she joined Fiba Holding as the Head of International Relations and Financing. She joined the Bank in 2011.

Orhan Hatipoğlu (Assistant General Manager for ADC and Support Services)

Mr. Orhan Hatipoğlu, born in 1969, graduated from Bogazici University's Faculty of Computer Sciences Department and started his banking career in 1992 at Pamukbank T.A.Ş., where he worked until 1997. From 1997 to 1999, he worked at Demirbank in its Information Technologies Department, and then joined Finansbank in 1999. At Finansbank Mr. Hatipoğlu was the Head of Operations (plastic cards and call center, ADC, project management team and IT Department (for card systems)) until 2008. From 2008 to 2010, Mr. Hatipoğlu served in Fiba Holding as the Overseas Financial Subsidiaries Coordinator. Thereafter until 2012, he then worked at Credit Europe Bank Romania as the General Manager responsible for Operations and IT. After working in 2012 as the Head of the Software Development Department in Akbank, and from 2012 to 2016 in Türk Ekonomi Bankası A.Ş. as a Director of Banking and ADC Operations, Mr. Hatipoğlu was appointed to his current position at the Bank in 2017.

Gerçek Önal (Coordinator for Legal Department)

Born in 1975, Mr. Gerçek Önal is a graduate of Ankara University's Faculty of Law and has a Masters degree in International Business Law (MBA) from Yeditepe University. Mr. Onal began his professional career at a private law firm before joining Türkiye Garanti Bankaşı A.Ş. in 2001 as a lawyer. In 2008, he moved to Garanti Payment Systems A.Ş., where he served as a Legal Counsel until 2012. In 2012, Mr. Onal joined the Bank.

Ömer Rıfat Gencal (Coordinator for Treasury Department)

Mr. Ömer Rıfat Gencal was born in 1969. After graduating from İstanbul Technical University's School of Business, he started his banking career at Türk Dış Ticaret Bankası in 1990 as a capital markets specialist. From 1992 to 1994, he worked in the Treasury Department of IMPEX Bank İstanbul and then in Chase Manhatten N.A. İstanbul until 1995. From 1995 until 2002, he worked in West LB AG İstanbul as a Director. After working in TMSF as a until 2003, he worked in Global Menkul Değerler A.Ş. as a project manager. From 2004 to 2008, he was the Head of Treasury in

Alternatif Bank A.Ş. and, from 2008 to 2015, he was the CIO of HSBC Portföy Yönetimi A.Ş. He joined the Bank in 2015.

Cengiz Sinanoğlu (Coordinator for Retail and SME Credits)

Born in 1968, Mr. Cengiz Sinanoğlu graduated from Ankara University's Faculty of Political Science's Department of Business. He completed a Masters degree in Finance at Dokuz Eylül University and began his banking career in 1994 at Türkbank A.Ş. After working at Egebank A.Ş., Kentbank A.Ş. and Finansbank, and then most recently at HSBC Bank A.Ş. as its Loans Group Director, he joined the Bank in 2013.

Conflicts of Interest

Except as described in the following sentence, there are no actual or potential conflicts of interest between the duties of any of the Directors and any of the Executives to the Bank and their respective private interests or other duties. A number of Directors, including the Bank's Chairman, currently hold management positions at Fiba Group companies. As such, there may be a conflict of interest between the Directors' respective duties to the Bank and any duties they may owe to the Fiba Group.

Address

The business address of the Bank's executive management and the Board is the Bank's headquarters at Esentepe Mahallesi, Büyükdere Caddesi No. 129, Şişli, İstanbul, 34394 Turkey. The Bank's telephone number is +90-212-381-8270.

Corporate Governance Communiqué

On 3 January 2014, the CMB issued Communiqué No. II-17.1 on Corporate Governance (as amended, the "*Corporate Governance Communiqué*"), which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department for listed companies and companies that are deemed to be public. The Corporate Governance Communiqué also contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the Board. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis.

As the Bank is neither a listed company nor deemed to be to the public, it does not fall within the scope of the Corporate Governance Communiqué; *however*, as a matter of "best practice," the Bank adheres to the relevant requirements of the Corporate Governance Communiqué as if they were applicable to the Bank. In addition, the Bank is subject to corporate governance principles stated in banking regulations published in the Official Gazette No. 26333 dated 1 November 2006. In line with these matters, the Bank has established a Corporate Governance Committee. The Corporate Governance Committee: (a) determines which principles of corporate governance to apply and, with respect to any that are not applied, to identify the reasons therefor, (b) gives advice to the Board in order to enhance the implementation of corporate governance and (c) supervise the Bank's Investor Relations Department.

Corporate Governance, Risk and Other Committees

In connection with the Bank's corporate governance obligations, the Bank has established various committees (or directors participate in certain Bank committees) that have been given primary responsibility for certain matters relating to the operation of the Bank. These committees include, among others, the Corporate Governance Committee, the Audit Committee, the Credit Committee, the Remuneration Committee and various risk committees. Certain information relating to some of these committees is set out below.

Corporate Governance Committee. The Corporate Governance Committee, under the chairmanship of Mr. Fevzi Bozer, was established for the purpose of monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts and presenting proposals to the Board. The committee convenes at least four times a year and:

- determines which principles of corporate governance to apply within the Bank, monitors whether these are implemented and, with respect to any that are not applied, identifies the reason therefor,

- presents suggestions to the Board for the improvement of corporate governance practices, and
- makes regular assessments about the structure and efficiency of the Board and presents suggested changes to the Board.

Audit Committee. The Audit Committee, under the chairmanship of Mr. Fevzi Bozer, was set up to assist the Board in the performance of its audit and supervision functions. This committee convenes at least four times a year and is responsible for:

- monitoring the effectiveness and adequacy of the Bank's overall internal control system, risk management and internal audit functions, and overseeing the operation of these systems, functions and accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information,
- approving annual risk assessment and audit plans,
- periodically meeting with independent auditors, internal audit, internal control, AML and IT Security functions to evaluate financial and process audit results as well as internal audit results, IT security incidents, AML activities and propose and follow-up on action plans where deemed necessary,
- conducting necessary preliminary evaluations for the selection of independent audit firms, and support services providers, and regularly monitoring the activities of these firms,
- regularly asessing that independency is preserved between financial audit, real estate appraisal and rating agency firms and the Bank,
- monitoring and evaluating retail customer complaints,
- ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner,
- developing the audit and control processes, and
- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

Credit Committee. In accordance with the Banking Law, the Board has delegated a certain amount of its loan allocation authority to the Bank's Credit Committee. The Credit Committee is the second highest body of the Bank, second only to the Board. The Credit Committee holds weekly meetings under the chairmanship of Mr. Fevzi Bozer to review loan proposals sent by the branches to the head office that exceed the head office's loan authorisation limit. The Credit Committee reviews these loan proposals and decides on those that are within its authorisation limits and in compliance with the provisions of the Bank's credit policy, and submits those others it deems appropriate but are outside of its authorised limits to the Board for finalisation.

Remuneration Committee. A Remuneration Committee, comprised of Board members Mr. Mehmet Güleşci and Mr. Mevlüt Hamdi Aydın, both of whom have no executive duty with the Bank, has been formed for the purposes of following and auditing remuneration practices on behalf of the Board. The Remuneration Committee's responsibilities are as follows:

- conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and risk management principles,
- reviewing, at least once a year, the Bank's remuneration policy in order to ensure compliance with applicable laws in Turkey, or with market practices, and updating the policy, if necessary,
- presenting, at least once a year, a report including the findings and proposed action plans to the Board, and
- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

Assets & Liabilities Committee. The main goal of the Assets & Liabilities Committee (*i.e.*, ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital. The ALCO is structured around the following objectives:

- monitor and analyse profitability and net interest income,
- allow senior management to thoroughly understand, efficiently develop and refine the ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,
- follow-up limits to control balance sheet and capital risks, as well as risk profiles defined by the Board,
- assess the status of financial markets and macro-economic variables,
- monitor that individual business lines are aligned in terms of overall objectives and proactively controlled, with regard to prudential risks under the ALM and capital function control,
- review and assess the impact of changes in market and other variables on the ALM risk and capital profile,
- evaluate strategies presented by the Finance Department and review the execution of previously approved actions,
- monitor regulatory capital-adjusted profitability measures,
- challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,
- analyse extraordinary liquidity and funding situations that require the ALCO to be summoned (if deemed appropriate, the ALCO will activate the Liquidity Contingency Plan. The Liquidity Contingency Plan activation will be notified to the Corporate Asset Liability Committee),
- approve the Procedure for Hedge Accounting Transactions Process,
- approve the Funds Transfer Pricing Methodology,
- approve the Assumptions on Structural Interest Rate Risk Model, and
- monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

Risk Management Committee. The Risk Management Committee has been established to determine the Bank's risk management policies and implementation procedures thereof according to the opinion and within the knowledge of the Board, and then to ensure their implementation. The Risk Management Committee is responsible for evaluating and approving the risk management policy, practices and processes in order to establish and maintain an effective enterprise corporate risk management structure, overseeing the Bank's alignment with the risk profile approved by the Board. The duties of the Risk Management Committee include:

- verifying that necessary actions are taken to ensure that adequate systems and resources are in place for managing the Bank's risks,
- encouraging a risk culture that will guarantee a coherent risk management and control model for the Bank and the implementation at all levels of the organisation,
- managing capital planning policies, practices and processes, including assessment of capital adequacy, and
- providing coordination between the Bank's risk management unit, loans and monitoring units, and exchanging opinions with them.

Compensation

The Group aims to provide compensation that allows it to attract and retain individuals with the skills necessary to manage successfully and grow its business. The Group's compensation policy seeks to provide total compensation that is competitive with other financial organisations similar to it in terms of size and complexity of operations. The Group's policy is to link a significant portion of its senior executives' compensation to the performance of the business through incentive plans. Therefore, in structuring remuneration packages, the Group aims to link potential rewards to the performance of the business, as well as to the performance of the individual.

Since the Board has delegated its authority to determine the remuneration of the Directors and Executives, including the Bank's CEO, to the Remuneration Committee, this committee determines the remuneration paid to the Directors and the Executives.

The total remuneration paid to the Executives and the Directors (including deferred or contingent compensation accrued for the year and benefits in kind) during 2016 amounted to TL 9,328 thousand.

The Group does not have any directors' service contracts providing for benefits upon termination of employment, nor (except as described in the next sentence) does it offer any share-based incentive programs to directors or employees. A minority stake of 1.6% in the Bank was sold to the management of the Bank in 2013, which has since been diluted to under 1%. From the third anniversary of such sale and onwards, the applicable manager has the right to sell the shares back to the Bank at the higher of net book value or the average price/book value of the top 10 publicly traded Turkish banks. In addition, these managers also have the right to sell their shares in any initial public offering or sale of the Bank at the same price of the related transaction.

Pension Plans. The Bank does not have any pension plans; *however*, according to applicable law, the Bank is obligated to pay termination benefits for employees who retire, die, quit for their military service obligations, have been dismissed as defined in the applicable law 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. In addition, provisions are also allocated for employees' unused paid vacation.

OWNERSHIP

As of the date of this Prospectus, the Bank's issued shares were held as follows:

Shareholder	Shares held	% of issued share capital
Fiba Holding A.Ş.	67,243,766,922	71.45%
TurkFinance B.V. (Abraaj Group)	9,364,547,505	9.95%
International Finance Corporation	8,432,775,028	8.96%
European Bank for Reconstruction and Development	8,432,775,028	8.96%
Other shareholders	642,190,842	0.68%
Total	**94,116,055,325**	**100.00%**

The Shareholders' Agreement

The Shareholders' Agreement contains the parties' agreement regarding the composition of the Board and certain matters relating to the minority investors' consent rights. The Shareholders' Agreement provides (*inter alia*) that:

(a) the number of Directors comprising the Board shall be a maximum of 11 Directors, with each of the EBRD, the IFC and Abraaj (the "*Mınority Investors*") being entitled to nominate one director (each, an "*Investor Nominee Director*"); *provided* that such Minority Investor holds at least 5% of the total issued and outstanding shares of the Bank, and Fiba Holding shall procure that the Bank ensures that such Investor Nominee Directors are promptly appointed as a Director of the Bank. If the shareholding of any Minority Investor falls below 5%, then such Minority Investor is to promptly take all actions necessary for the resignation and removal of such investor's nominated Director,

(b) to the extent permitted by applicable law, Fiba Holding shall procure that the Bank shall not take certain decisions or actions without the prior written consent of the Minority Investors for so long as the relevant Minority Investor's shareholding in the Bank at the time of taking the decision is at least 3%, including decisions with respect to a material change in the Bank's charter, the cancellation of the Bank's banking license and changing the nature of the Bank's business, and

(c) Fiba Holding shall procure that the Board shall not take certain decisions or actions without the affirmative vote of the greater of: (i) the total number of Investor Nominee Directors *minus* one and (ii) one Investor Nominee Director; *provided* that one or more Investor Nominee Director(s) has/have been appointed to the Board of the Bank, including decisions or actions relating to certain transactions with related parties that are not in the ordinary course of business, certain disposals or acquisitions of assets and certain commitments of debts or other obligations.

The Fiba Group

Established in 1987, the Fiba Group is owned by the Özyeğin Family and is one of Turkey's largest private sector conglomerates, having TL 16.6 billion in assets as of 31 December 2015 (the last date for which such information is publicly available). As of 31 December 2016, the Fiba Group had over 15,000 employees. The Fiba Group provides services in various sectors, including:

- *Financial Services*: The financial services business is the flagship of the Fiba Group, and the Bank and Credit Europe Group, the Fiba Group's financial operations outside of Turkey, are the central companies within the Fiba Group's financial services business.

- *Retail Business:* The Fiba Group owns the franchising rights of Marks & Spencer and Gap in Turkey, Russia and Ukraine, Banana Republic in Turkey and Russia and Aeropostale in Turkey and operates its retail business through over 150 stores in Turkey and abroad.

- *Real Estate Development & Asset Management:* The Fiba Group has both a wide range of real estate development projects and owns and operates landmark assets both in Turkey and abroad.

- *Energy Sector:* Wind farms with an installed capacity of 305.85 MWm and two solar power plants with an installed capacity of 6.3 MWm are currently in operation. There are other energy projects under construction or development by the Fiba Group.

- *Health Sector:* The Fiba Group has a 50% partnership in Florence Nightingale Hospitals in Istanbul.

- *Özyeğin University:* Founded by the Husnu M. Özyeğin Foundation in 2007, Özyeğin University seeks to serve society as an innovative, creative and entrepreneurial education center that is integrated with daily life.

- *Husnu M. Özyeğin Foundation:* Founded in 1990, this foundation is dedicated to promoting the social and economic development of Turkey by supporting initiatives in the fields of education, health and culture.

- *IZ Child Development Center:* A social business venture supported by AÇEV and the Fiba Group, established in 2012, to provide high quality early childhood care and education services and promote female employment in Turkey.

- *AÇEV (Mother Child EducationFoundation):* Since 1993, the Fiba Group has provided a third of AÇEV's total funding as well as logistic and administrative support. AÇEV works in the fields of early childhood, female literacy and parent training.

(Source: Fiba Group)

International Finance Corporation

The IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in the emerging markets.

The European Bank for Reconstruction and Development

The EBRD is owned by 64 countries and two intergovernmental institutions and supports the development of market economies and democracies.

Turk Finance B.V. (Abraaj Group)

Turk Finance B.V. is an investment arm of the Abraaj Group, which is a private equity investor with a focus on investing in the growth markets of Africa, Asia, Latin America, the Middle East and Turkey.

Dividends and Dividend Policy

In accordance with Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding fiscal year are recommended by the Board each year for approval by the Bank's shareholders at the annual shareholders' meeting, which must be held following the end of the preceding fiscal year. In addition, while not required by law, Turkish banks (including the Bank) generally consult with the BRSA before announcing any dividends. The Bank's dividend policy has always been to reinvest the total amount of any dividends in its capital.

To date, the Bank has not distributed any cash dividends to any of its shareholders since its acquisition by the Fiba Group in December 2010 as the Bank is reinvesting its earnings in its growth.

RELATED PARTY TRANSACTIONS

During the period from 1 January 2014 to the date of this Prospectus, the Group had two types of exposure to related parties: (a) loans extended to the Fiba Group and (b) guarantees and other contingent liabilities issued on behalf of such entities. During this period, the Group did not have any exposure to the EBRD, the IFC or the Abraaj Group. All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's-length basis and the credit and payment terms in respect of such credits are no more favourable than those offered to third parties.

Turkish banking regulations limit exposure to related parties to 20% of the total capital, and the Bank's exposure to the Fiba Group is well within the limit permitted by the regulations. See "*Turkish Regulatory Environment - Lending Limits*." The following tables indicate the level of the Group's relationships with members of the Fiba Group as of the dates indicated:

Fiba Group	**As of 31 December**		
	2014	**2015**	**2016**
	(TL thousands, except percentages)		
Equity interests in Fiba Group companies (other than the Bank's own subsidiaries)	-	-	-
As a % of assets	-	-	-
As a % of shareholders' equity	-	-	-
Cash loans	770	5,720	126,939
As a % of assets	0.0%	0.1%	0.8%
As a % of shareholders' equity	0.1%	0.5%	2.3%
Contingent obligations	15,020	17,262	30,893
As a % of contingent obligations	0.8%	1.0%	1.7%
As a % of shareholders' equity	0.8%	0.7%	1.0%
Total Fiba Group Exposure	**15,790**	**22,982**	**157,832**

The Group's exposure to the Fiba Group is principally denominated in Turkish Lira. All the related-party loans are performing and the Group has never had to take provisions for, or to write-off any loan to, any of the companies of the Fiba Group. The contingent exposure to the Fiba Group primarily consists (or, as applicable, consisted) of letters of guarantee.

The Group also had derivative transactions with the Fiba Group as of the indicated dates as follows:

	As of 31 December		
	2014	**2015**	**2016**
	(*TL thousands*)		
Fiba Group	76,728	344,668	863,016

The Group had deposits from members of the Fiba Group as of the indicated dates as follows:

	As of 31 December		
	2014	**2015**	**2016**
	(*TL thousands*)		
Fiba Group	192,395	585,707	611,476

The Group had wholesale funding (including subordinated debt) from its shareholders as of the indicated dates as follows:

	As of 31 December		
	2014	2015	2016
	(*TL thousands*)		
Fiba Group	147,535	24,086	360,657
EBRD	-	65,293	6,503
IFC	-	154,157	156,153

Please refer to the BRSA Financial Statements incorporated by reference into this Prospectus for additional information on related party transactions.

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 Sector

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, including the Bank as described in "*The Group and its Business - History*." The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US$4,916 million at the end of 2001 from US$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

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% 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 26 private banks (including the Bank as described in "*The Group and its Business - History*") have (as of the date of this Prospectus) 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 sector, 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% 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 increased from 0% to 1% and those with an average maturity of between two to three years increased from 0% to 0.5%, while those with an average maturity of three years or more remained at 0%. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% 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% with its decision numbered 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on 31 December 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Türk Ekonomi Bankası A.Ş. Since 2012, Odea Bank A.Ş., Bank of Tokyo-Mitsubishi UFJ Ltd., Intesa Sanpaolo S.p.A. and Rabobank A.Ş. started their operations in Turkey. In October 2012, Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. On 2 April 2015, the BRSA announced that Commercial Bank of China acquired 75.50% of the shares of Tekstil Bank A.Ş. from GSD Holding A.Ş. In December 2015, National Bank of Greece ("*NBG*") entered into an agreement with QNB regarding the sale of its entire stake in Finansbank A.Ş. ("*Finansbank*"), which share transfer was finalised in 2016. In May 2015 and February 2016, the BRSA granted permission to Ziraat Katılım Bankası A.Ş. and Vakıf Katılım Bankası A.Ş., respectively, for each to start their operations as a participation bank.

The Turkish government has recently established a sovereign wealth fund. While the structure, mandate and use of this fund are not yet clear, shares held by the government in certain banks and other companies (including Ziraat and Halkbank), have been transferred to (or announced to be transferred to) this fund.

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 sector as of the end of each indicated year.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of banks	46	45	45	45	44	45	45	47	47	47

Source: Banks Association of Turkey (www.tbb.org.tr)

Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

As of 31 December 2016, 47 banks (including domestic and foreign banks but excluding the Central Bank) were operating in Turkey. Thirty four of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

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 compound average growth rate ("*CAGR*") of 18.0% from 31 December 2006 to 31 December 2016, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 22.6% and 16.6%, respectively, during such period, in each case according to the BRSA. Despite strong growth of net loans and customer deposits since 2006, 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 58% and 51%, respectively, as of 30 September 2016 according to BRSA and Turkstat data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 101% and 110%, respectively, as of the same date based upon the ECB's data.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As of (or for the year ended) 31 December				
	2012	2013	2014	2015	2016
	(*TL millions, except percentages*)				
Balance sheet					
Loans	716,307	939,772	1,118,887	1,339,149	1,558,034
Total assets...	1,247,653	1,566,190	1,805,427	2,130,602	2,455,261
Customer deposits..	724,296	884,457	987,463	1,171,251	1,372,359
Shareholders' equity	157,553	165,954	201,117	228,140	262,391
Income statement					
Net interest income	47,837	52,353	59,705	70,409	83,488
Net fees and commission income.....................	14,704	17,444	19,351	21,037	22,761
Total income	70,986	80,396	86,500	97,784	119,410
Net Profit...	21,539	22,473	22,936	23,885	34,224
Key ratios					
Loans to deposits	98.9%	106.3%	113.3%	114.3%	113.5%
Net interest margin...	4.7%	4.4%	4.2%	4.2%	4.5%
Return on average shareholders' equity	15.5%	14.0%	12.5%	11.3%	13.9%
Capital adequacy ratio......................................	17.3%	14.6%	15.7%	15.0%	15.1%

Source: BRSA monthly bulletin (www.bddk.org.tr)

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 96.5% of total assets of deposit-taking banks as of 31 December 2016 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks - Ziraat Bank, HalkBank and Vakıfbank, which were ranked first, sixth and seventh respectively, in terms of total assets as of 31 December 2016 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 37.3% of deposit-taking Turkish banks' performing loans and 29.2% of customer deposits as of 31 December 2016. The top four privately-owned banks are Türkiye İş Bankası A.Ş., Türkiye Garanti Bankası A.Ş., Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş., which in total accounted for 50.1% of deposit-taking Turkish banks' performing loans and 51.4% of customer deposits as of 31 December 2016 according to the BRSA. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely QNB Finansbank, Denizbank A.Ş. and Türk Ekonomi Bankası, which were controlled by QNB, Sberbank and TEB Holding, respectively, as of 31 December 2016.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks 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. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

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, 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.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014 (the "*ICAAP Regulation*"), banks are obligated to establish, manage and develop (for themselves and all affiliates they consolidate) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, 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 ICAAP Regulation also requires banks to conduct an "internal capital adequacy assessment process," which is an internal process whereby banks calculate the amount of capital to cover risks to which they are or may be exposed on a non-consolidated and consolidated basis and with a forward-looking perspective, taking into account their near- and medium-term business and strategic plans. This process must be designed in accordance with the bank's needs and risk appetite 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 ICAAP Report representing the bank's own assessment of its capital and liquidity requirements. An ICAAP Report helps banks in constructing and operating an internal capital adequacy assessment process compatible with its risk profile, activity environment and strategic plans. An ICAAP Report for any given year is required to be submitted annually by the end of March of the following year together with the stress test analysis, data, system and process verification research and internal model validation reports. The board of directors 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, implementation of the government's fiscal and monetary policies, 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 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 Banks Association of Turkey 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% 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%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA 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 BRSA. 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 acquisition or transfer of any shares of a legal entity owning 10% or more of a bank is also subject to BRSA approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. The BRSA's permission might 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 are transferred without the permission of the BRSA, the voting and other 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 a general assembly have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (except to 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

The Banking Law sets out certain lending limits for 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 to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% 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, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.

- 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% 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 member of a board of directors 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, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its 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 a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

- Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and 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:

(a) transactions backed by cash, cash-like instruments and accounts and precious metals,

(b) transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatisation Administration and the Housing Development Administration of Turkey, as well as transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions,

(c) transactions carried out in the Central Bank markets or other legally-organised money markets,

(d) in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,

(e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow,

(f) transactions carried out among banks on the basis set out by the BRSA,

(g) equity participations acquired through underwriting commitments in public offerings; *provided* that such participations are disposed of in a manner and at a time determined by the BRSA,

(h) transactions that are taken into account as deductibles in calculation of own funds, and

(i) 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 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.

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. Pursuant to 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 and amended from time to time thereafter (the "*Regulation on Provisions and Classification of Loans and Receivables*"), banks are required 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 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 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 have the conditions envisaged for 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 financially creditworthy natural persons and legal entities and where the principal and interest payments of which there is no problem at present, but that 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 might result in partial or full non-reimbursement risk,

(iii) that are very likely to be repaid but collection of principal and interest payments have been delayed for more than 30 days from their due dates 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 credit 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 any of these loans is classified in Group II and others 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 have the conditions envisaged for this group.

(c) *Group III: Loans and Other Receivables with Limited Recovery*: 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 credit standing 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 Improbable Recovery:* 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.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio *plus* 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general reserve is calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general reserve is calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 0%) for standard loans defined in Group I and a general reserve calculated at 2.0% of the total cash loan portfolio *plus* 0.4 % of the total non-cash loan portfolio (*i.e.,* letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve is calculated at 1.0% and (ii) non-cash loans related to the items stated in (i) for which the general loan loss reserve is calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above will be applied to the respective loans defined in Group I and Group II until 31 December 2017. For payment obligations arising from the relevant law in relation to each check slip that was delivered by a bank at least five years previously, 25% of the non-cash rates referred to above will be applied.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 60% had to be reserved by 31 December 2013, at least 80% had to be reserved by 31 December 2014 and 100% had to be reserved by 31 December 2015.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as frozen receivables by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (*Loans and Other Receivables Under Close Monitoring*) if: (a) in the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Banks must continue to reserve the required provisions for the groups they are classified in during such restructuring period. Loans and other receivables classified under Group II (*Loans and Other Receivables Under Close Monitoring*) after the restructuring are monitored under the "Renewed/Restructured Loans Account." Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional article 13 (which entered into force retroactively as of 21 July 2016) states (among other things) that the delay periods of payments stipulated for the loans defined in Groups II (*Loans and Other Receivables Under Close Monitoring*), Group III (*Loans and Other Receivables with Limited Recovery*), Group IV (*Loans and Other Receivables with Suspicious Recovery*) and Group V (*Loans and Other Receivables Considered as Losses*) may be counted as of 21 January 2017 for: (i) the obligations of the credit debtors that have been liquidated, assigned to the Directorate General of Foundations or the Treasury or to which the SDIF is assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016, (ii) public officials who have been discharged from their positions within the scope of the state of emergency and (iii) real persons and legal entities the assets of which are subject to injunctions within the scope of the state of emergency.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to banking regulations, a 0.3% general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the Regulation on Loan Transactions of Banks (published in the Official Gazette No. 26333 on 1 November 2006) by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions must be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 25% of the specific provisions set forth in the preceding sentence is required to be set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; *however*, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter has been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "frozen receivables." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

Banks must also 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 and funds gained from repo transactions over 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 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 notes, debenture bonds, lease certificates issued under the Law on Regulating Public Finance and Debt Management numbered 4749 and dated 28 March 2002 and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by (or guarantees and sureties given by) central governments or central banks of countries that are members of the OECD, (d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the ECB or guarantees and sureties given by the ECB, (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) insurance policies for trade receivables and (k) Credit Guarantee Fund (*Kredi Garanti Fonu*) guarantees not benefitting from Treasury support.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) auto pledges, commercial route license pledges and commercial auto license pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) 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%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as frozen receivables by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (Loans and Other Receivables Under Close Monitoring) if: (a) in the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in case of the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Banks must continue to reserve the required provisions during such restructuring period. Loans and other receivables classified under Group II (Loans and Other Receivables Under Close Monitoring) after the restructuring are monitored under the "Renewed/Restructured Loans Account." Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

In June 2016, the BRSA published a regulation (which is amended from time to time) (the "*2016 Provisioning Regulation*") that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. The 2016 Provisioning Regulation requires banks to adopt TFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. According to the 2016 Provisioning Regulation, banks will still be required to classify their loans and receivables in groups, but there will be certain changes in the content of the groups. The provisions to be set aside are varied between the banks that apply TFRS 9 and the banks that do not apply TFRS 9.

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, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

The BRSA is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "*Basel Committee*") in December 2010 and revised in June 2011 (*i.e.*, Basel III) into the applicable law in Turkey, the Equity Regulation and

2012 Capital Adequacy Regulation entered into force on 1 January 2014 and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016. The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e*., Tier 1 capital), which is composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e*., additional Tier 1 capital) and (b) supplementary capital (*i.e*., Tier 2 capital) *minus* capital deductions. Pursuant to the 2015 Capital Adequacy Regulation: (i) both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratio are 6.0%.

The BRSA also published several amendments to its regulations and communiqués on various matters, such as internal capital adequacy ratios and internal systems, in accordance with the Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. The amendments relating to the Equity Regulation and the 2015 Capital Adequacy Regulation entered into force on 31 March 2016. The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changed items including: (a) the risk weights of foreign currency required reserves in the Central Bank from 0% to Turkey's foreign currency risk weight, which was 50% prior to 31 March 2016, and (b) exclusion of free provision for possible losses from capital calculations. The 2015 Capital Adequacy Regulation lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35% and (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the 2015 Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not re-classified as "non-performing loans;" *however*, on 24 February 2017, the BRSA published a decision that enables banks to use a 0% risk weight for foreign currency-required reserves in the Central Bank.

In 2013, the BRSA published the Regulation on the Capital Maintenance and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the 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 is 1.250% for 2017, 1.875% for 2018 and 2.500% for 2019. The BRSA has 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% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% 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.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks (which entered into force on 1 January 2014 with the exception of certain provisions that entered into effect on 1 January 2015), seeking to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach).

Furthermore, the Regulation on Liquidity Coverage Ratios 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% in respect of total consolidated and unconsolidated liquidity and 80% in respect of consolidated and unconsolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, such ratios were applied as 70% and 50%, respectively, in 2016 and such ratios shall be applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year. This includes non-compliances that have 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 the non-compliances that have already been remedied.

Pursuant to the Equity Regulation, if a Turkish bank invests in debt instruments of other banks or financial institutions that are already invested in that Turkish bank's additional Tier 1 or Tier 2 capital, the amount of such debt instrument (and their issuance premia) are required to be deducted when calculating that Turkish bank's additional Tier 1 or Tier 2 capital (as applicable).

See also a discussion of the implementation of Basel III in "*Basel Committee - Basel III*" below.

Tier 2 Rules

According to the Equity Regulation, which came into force on 1 January 2014, Tier 2 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 the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "*Tier 2 Conditions*"):

(a) the debt instrument shall have been issued by the bank and approved by the CMB 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 1 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 violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,

(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 2015 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 evaluation 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,

(f) 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,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) 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,

(i) 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,

(j) 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

(k) 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 clause (e) above.

In addition, 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 Tier 2 Conditions (except the issuance and approval by the CMB) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that 1.25% of the sum of risk weighted portion of the receivables in calculating the credit risk exposure by using the standardised approach is taken into consideration; *however*, the portion of surplus of this amount that exceeds general provisions is not taken into consideration in calculating the Tier 2 capital.

Furthermore, in addition to the Tier 2 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 2 capital are required to be accompanied with the original copy or a notarised copy of the applicable agreement(s) or, 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 Equity Regulation provides 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 2 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 such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 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 2 capital calculations, and that have less than five years to maturity, shall be included in Tier 2 capital calculations after being reduced by 20% 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% 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 (as of the date of this Prospectus) results in a 100% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey (*i.e.*, the "Turkish National Discretion") revised this general rule by providing that Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves were increased from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 1 January 2015. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA's permission.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and published initially the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, each entering into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. These changes: (a) introduced a minimum unconsolidated and consolidated Common Equity Tier 1 capital adequacy ratio of 4.5% and a minimum unconsolidated and consolidated minimum Tier 1 capital adequacy ratio of 6.0% (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 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, some of which amendments entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "Capital Adequacy" above.

The BIS reviewed Turkey's compliance level with Basel regulations within the scope of the RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the 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), then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

On 23 February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, 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. Initially, a score for each bank is to be calculated based upon their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. 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% for Group 4 banks, 2% for Group 3 banks, 1.5% for Group 2 banks and 1% for Group 1 banks. These additional capital requirements, which came into effect on 31 March 2016, are to be fully implemented by 2019 subject to a transitional period as set out below:

Groups	2016	2017	2018
Group 4 (empty group)........................	0.750%	1.500%	2.250%
Group 3..	0.500%	1.000%	1.500%
Group 2..	0.375%	0.750%	1.125%
Group 1..	0.250%	0.500%	0.750%

As of the date of this Prospectus, the Bank is not classified as a D-SIB under the D-SIBs Regulation.

The BRSA has also published a regulation that requires Turkish banks to adopt TFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the beginning of 2018 and to set aside general provisions in line with such principles. If an exemption is granted by the BRSA, then banks will be allowed to set aside allowances for actual credit losses as stipulated under such regulation.

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.

Pursuant to the Communiqué Regarding Reserve Requirements (the "*Communiqué Regarding Reserve Requirements*"), as of the date of this Prospectus, 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.

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 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.

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.

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
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2016 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

The Regulation on Liquidity Coverage Ratios requires banks to comply with minimum ratios to be set aside on a consolidated and an unconsolidated basis. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60% and 40%, respectively, and (in the absence of any new arrangement) such ratios have (and shall be) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette No. 26333 dated 1 November 2006, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. 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%, 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 on Independent Audit of Banks, published in the Official Gazette No. 29314 dated 2 April 2015. 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.

In 2015 and 2016, the BRSA issued certain amendments to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among others things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are liable 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.

The Savings Deposit Insurance Fund (SDIF)

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits.* Pursuant to Article 63 of the Banking Law, savings deposits (except for commercial deposits) held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Borrowings of the SDIF.* The SDIF: (i) may incur indebtedness with authorisation from the Undersecretariat of the Treasury or (ii) the Undersecretariat of the Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks.* Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank.* If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance.* Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of the BRSA are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item.* Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation.* In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims.* In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette No. 26119 dated 25 March 2006, and as amended from time to time, are as follows:

(i) ensuring the enforcement of the SDIF board's decisions,

(ii) establishing the human resources policies of the SDIF,

(iii) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(iv) insuring the savings deposits and participation accounts in the credit institutions,

(v) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and Treasury Undersecretaries, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(vi) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose operating permission has been revoked by the BRSA,

(vii) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except to dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,

(viii) taking management and control of the banks whose operating permission has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,

(ix) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,

(x) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and

(xi) fulfilling the other duties that the Banking Law and other related legislation assign to it.

Cancellation of Banking License

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 does not 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 a favourable result, then the BRSA 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 a favourable result, then the BRSA 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 the relevant 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 banks,

(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 revoke the license of such bank to engage in banking operations and/or to accept deposits and 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 license of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's license is published in the Official Gazette. From the date of revocation of such bank's license, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose operating permission is revoked.

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 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, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, 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.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette No. 26333 dated 1 November 2006, 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 BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must 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.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, requires annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments (which entered into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the 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 amended in line with the amendments to the 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 2 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 processes.

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, which 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 Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

As of the date of this 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. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also required to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders and other stakeholders, (b) public disclosure and transparency and (c) boards 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 "1st Group and 2nd 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.

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, 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.

As of the date of this Prospectus, the Bank is in compliance with the mandatory principles under the Corporate Governance Communiqué, as well as with applicable requirements for having independent directors.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws 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.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card and (d) increase the minimum monthly payment required to be made by cardholders. On 8 September 2016, the BRSA increased the credit limit from TL 1,000 to TL 1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30%, 35% and 40% for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40% for newly-issued credit cards for one year from the date of first use. On the other hand, the 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments from a range of 100% to 250%, depending upon their outstanding tenor, to 75%, irrespective of their tenor. These amendments to risk weights had a positive impact on the Bank's capital levels.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated: (A) among existing cardholders (based upon their credit card limits) and (B) between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or purchase of goods and services, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewellery expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article to the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No: 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

Credit cards are included in the definition of consumer loans by the amendment to the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette No. 28789 dated 8 October 2013 and pursuant to this regulation at least 50% of the additional general reserve amount for Groups I and II consumer loans (excluding housing loans), which additional amount is a consequence of amendments to the Regulation on Provisions and Classification of Loans and Receivable, were required to be reserved by 31 December 2014 and 100% of such general reserve amount were required to be reserved by 31 December 2015.

In November 2016, the Central Bank published the Regulation on Maximum Interest Rates to be Applied for Credit Card Transactions, replacing the existing regulation as of 1 January 2017. Under the new regulation, the Central Bank determined revised maximum contractual and default interest rates for Turkish Lira and foreign currency credit card transactions. The new monthly maximum contractual interest rates are (as of the date of this Prospectus) 1.84% and 1.47% for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as of the date of this Prospectus) 2.34% and 1.97% for credit card transactions in Turkish Lira and foreign currency, respectively. The Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans and on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses is 80%. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions for autos, the loan-to-value requirement is set at 70%; *provided* that in each case the sale price of the respective auto is not higher than TL 50,000. On the other hand, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%. As for limitations regarding instalments (as amended by the BRSA from time to time), the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and student loans and any refinancing of the same) are not permitted to exceed 48 months.

Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans (which include loans provided for durable and semi-durable consumer goods, weddings, education and health) utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of the restructuring).

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which enumerates the fees and commissions that banks may charge customers and limits their levels. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. The charge of any other fees and commissions by Turkish banks is subject to the BRSA's approval.

CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes (the "Conditions") which (except for the paragraphs in italics) will be endorsed on the definitive Certificates issued in respect of the Notes.

The US$300,000,000 Fixed Rate Resettable Tier 2 Notes due 2027, US$200,000,000 of which being issued on 10 May 2017 (the "**New Notes**") and consolidated and forming a single series with the existing US$100,000,000 Fixed Rate Resettable Tier 2 Notes due 2027 (the "**Existing Notes**" and, together with the New Notes, the "**Notes**", which expression shall in these Terms and Conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes), are issued by Fibabanka A.Ş. (the "**Issuer**") pursuant to and with the benefit of an agency agreement dated 24 March 2016, as supplemented by a supplemental agency agreement dated 8 February 2017 and a supplemental agency agreement dated 10 May 2017 (as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal and principal paying agent (the "**Fiscal Agent**" which expression shall include any successor fiscal 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), The Bank of New York Mellon, 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 The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**", which expression shall include any successor registrar).

References herein to the Notes shall include:

(a) in relation to any Notes represented by a global note (a "**Global Note**"), units of each Specified Denomination;

(b) any Global Note; and

(c) any definitive Notes in registered form (whether or not issued in exchange for a Global Note in registered form).

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean 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.

The Noteholders 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 10 May 2017 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 are available for inspection during normal business hours at the Specified Office (as defined in the Agency Agreement) of each of the Fiscal Agent, the other Paying Agents, the Registrar and the other Transfer Agents (such agents and the Registrar being together referred to as the "**Agents**"). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Deed of Covenant which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement 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 Conditions, the Conditions will prevail.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Notes are in registered form and serially numbered, and are issued in amounts of US$200,000 and integral multiples of US$1,000 thereafter (each a "**Specified Denomination**"). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination. The Notes are issued pursuant to the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362) of Turkey and the Communiqué No. II-31.1 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the "**CMB**"). The proceeds of the Notes shall be paid in cash in a single sum to the Issuer.

1.2 Title

Subject as set out below, title to the 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 registered holder of any 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 registered in the name of a nominee for a common depositary 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 principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal 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 principal amount of such Notes (and the 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 principal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer and each Agent as the holder of such principal 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.

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

2. TRANSFERS OF NOTES

2.1 Transfers of interests in Global Notes

Transfers of beneficial interests in a Global Note will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by direct and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note, in each case, only in the Specified Denominations (and provided that the aggregate principal 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 Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the Specified Denominations) (and provided that, if transferred in part, the aggregate principal amount of the balance of that 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 such Note for registration of the transfer of such Note (or the relevant part of such 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 5 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: (x) deliver, or procure the authentication and delivery of, at its specified office to the transferee or (y) if so requested by the specified transferee (and then at the risk of such transferee), send by uninsured mail, to such address as such transferee may request, a new Note in definitive form of a like aggregate principal amount to the Note (or the relevant part of the Note) being transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the 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 definitive Note (or a portion thereof) 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

3.1 Subordination

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and claims for payment by the Issuer in respect of the Notes shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference among themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

In addition, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid under the Notes until all payment obligations in respect of Senior Obligations have been satisfied.

3.2 No Set-off or Counterclaim

All payment obligations of, and payments made by, the Issuer under and in respect of the Notes must be determined and made without reference to any right of set-off or counterclaim of any holder of the Notes, whether arising before or in respect of any Subordination Event. Following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no holder of the Notes shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Issuer in respect of the Notes and any such rights shall be deemed to be waived.

3.3 No Link to Derivative Transactions

The Issuer will not: (a) link its obligations in respect of the Notes to any derivative transaction or derivative contract in a way which would result in a violation of Article 8(2)(b) of the Equity Regulation or (b) provide in any manner for such obligations to be the subject of any guarantee or security.

3.4 Interpretation

In these Conditions:

"**BRSA**" means the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey or such other governmental authority in Turkey having primary bank supervisory authority with respect to the Issuer;

"**Equity Regulation**" means the BRSA Regulation on the Equity of Banks (published in the Official Gazette dated 5 September 2013 (No. 28756), with an effective date of 1 January 2014), as amended from time to time;

"**Junior Obligations**" means any class of share capital (including ordinary and preferred shares) of the Issuer together with any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments (as provided under Article 7 of the Equity Regulation), or other payment obligations of the Issuer, which obligations in each case rank, or are expressed to rank, junior to the Issuer's obligations under the Notes;

"**Parity Obligations**" means any obligations of the Issuer in respect of any securities or other instruments, including any present and future subordinated loans or debt instruments (as provided under Article 8 of the Equity Regulation), or other payment obligations of the Issuer, which in each case rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Notes;

"**Senior Obligations**" means any of the Issuer's present and future indebtedness and other obligations (including, without limitation: (a) obligations for any Senior Taxes, statutory preferences and other legally-required payments, (b) obligations to depositors and trade creditors, and (c) obligations under hedging and other financial instruments), other than its obligations under (i) the Notes, (ii) any Parity Obligations and (iii) any Junior Obligations;

"**Senior Taxes**" means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) including, without limitation, the Banking and Insurance Transactions Tax (*Banka ve Sigorta Muameleleri Vergisi*) imposed by Article 28 of the Expenditure Taxes Law (No. 6802), income withholding tax pursuant to the Decrees of the Council of Ministers of Turkey (No. 2011/1854 and 2010/1182), Articles 15 and 30 of the Corporate Income Tax Law (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (No. 193), any reverse VAT imposed by the VAT Law (No. 3065), any stamp tax imposed by the Stamp Tax Law (No. 488) and any withholding tax imposed by, or anti-tax haven regulations under, Article 30.7 of the Corporate Income Tax Law (No. 5520);

"**Subordination Event**" means any distribution of the assets of the Issuer on a dissolution, winding-up or liquidation of the Issuer whether in bankruptcy, insolvency, receivership, voluntary or mandatory reorganisation of indebtedness (*konkordato*) or any analogous proceedings referred to in the Banking Law (No. 5411), the Turkish Commercial Code (No. 6102) or the Turkish Execution and Bankruptcy Code (No. 2004); and

"**Turkey**" means the Republic of Turkey.

4. COVENANTS

4.1 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 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 the Group or (ii) the Issuer's ability to perform its obligations under the Notes (a "**Material Adverse Effect**"), the conduct by it of the Permitted Business.

4.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its 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 US$50,000,000 (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.

4.3 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 180 days 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 IFRS consistently applied and Turkish Accounting Standards, 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 120 days after the end of the first six months of each financial year of the Issuer, English language copies of its reviewed consolidated financial statements for such six month period, prepared in accordance with Turkish Accounting Standards, 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.

4.4 Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

So long as any of the Notes remains outstanding, the Issuer shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a "**New Bank**") without the prior approval of the holders of the Notes by way of an Extraordinary Resolution unless either:

(a) (i) the New Bank is incorporated, domiciled and resident in Turkey and executes a deed poll and such other documents (if any) as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of the Issuer in respect of the Notes (together, the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the New Bank shall undertake in favour of each Noteholder to be bound by the Notes, these Conditions and the provisions of the Agency Agreement and the Deed of Covenant as fully as if it had been named in the Notes, these Conditions, the Agency Agreement and the Deed of Covenant in place of the Issuer; and

(ii) the Issuer (or the New Bank) delivers to the Fiscal Agent a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of the Issuer, the Documents constitute or, when duly executed and delivered, will constitute, legal valid and binding obligations of the New Bank, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided that: (A) no Event of Default (defined in Condition 11 below) has occurred and is continuing and (B) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not: (I) result in any other default or breach of the obligations and covenants of the Issuer under the Notes or of the New Bank on its assumption of such obligations and covenants in accordance with the provisions of this Condition 4.4(a) or (II) otherwise have a Material Adverse Effect, as determined by reference to the Issuer and the Group immediately prior to, and to the New Bank and the New Group immediately after, the relevant merger, amalgamation or consolidation or sale, assignment or other disposition; or

(b) the surviving legal entity following any such merger, amalgamation or consolidation is the Issuer.

4.5 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. For the purposes of this definition, the terms "**controlling**", "**controlled by**" and "**under common control with**" shall have corresponding meanings.

"**Group**" means the Issuer and its Subsidiaries.

"**IFRS**" means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the "**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).

"**New Group**" means the New Bank and its Subsidiaries.

"**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 (as defined in Condition 5.5).

"**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 in which such Person: (a) holds a majority of the voting rights or (b) has the right to appoint or remove a majority of the board of directors, 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 applicable laws and Turkish Accounting Standards) consolidated into the Issuer.

"**Turkish Accounting Standards**" means prevailing accounting principles and standards in Turkey, including, as applicable, those set out in the Banking Law (No. 5411), and other regulations, communiqués, circulars and pronouncements of the BRSA in respect of the accounting and financial reporting of banks in Turkey.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

Each Note bears interest:

(a) in respect of the period from (and including) the Issue Date, in the case of the Existing Notes, and 24 March 2017 in the case of the New Notes, to (but excluding) the Issuer Call Date, at the rate of 7.750 *per cent. per annum* (the "**Initial Interest Rate**"); and

(b) in respect of the period from (and including) the Issuer Call Date to (but excluding) the Maturity Date (the "**Reset Period**"), at the rate per annum equal to the aggregate of: (i) the Reset Margin and (ii) the 5 Year Mid-Swap Rate (the "**Reset Interest Rate**" and, together with the Initial Interest Rate, each a "**Rate of Interest**"), as determined by the Fiscal Agent on the Reset Determination Date.

Interest will be payable semi-annually in arrear on each of 24 March and 24 September in each year and on the Maturity Date (each an "**Interest Payment Date**"), commencing on 24 September 2016, in the case of the Existing Notes, and 24 September 2017, in the case of the New Notes.

In the case of any Write-Down (as defined in Condition 6.1) of the Notes, interest will be paid on the Notes:

(i) if the Notes are Written-Down in full, on the date of the Write-Down (the "**Write-Down Date**") and in respect of: (A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date (or, if none, the Issue Date) to (but excluding) the Write-Down Date and (B) the Prevailing Principal Amount(s) of the outstanding Notes during that period; and

(ii) if the Notes are not Written-Down in full, on the Interest Payment Date immediately following such Write-Down (the "**Partial Write-Down Interest Payment Date**") and calculated as the sum of the amount of interest payable in respect of:

(A) the period from (and including) the Interest Payment Date immediately preceding the Write-Down Date (or, if none, the Issue Date) to (but excluding) the Write-Down Date; and

(B) the period from (and including) the Write-Down Date to (but excluding) the Partial Write-Down Interest Payment Date,

and, in each case, the Prevailing Principal Amount(s) of the outstanding Notes during those respective periods.

Interest shall be calculated in respect of any period by applying the Rate of Interest to:

(I) in the case of Notes that are represented by a Global Note, the aggregate Prevailing Principal Amount of the outstanding Notes represented by such Global Note, or

(II) in the case of Notes in definitive form, US$1,000 (the "**Calculation Amount**"),

and, in each case, multiplying such sum by 30/360, and rounding the resultant figure to the nearest US$0.01 (with US$0.005 being rounded upwards). Where the Prevailing Principal Amount of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest 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 such Prevailing Principal Amount, without any further rounding. For any Prevailing Principal Amount of a Note in definitive form that is not a multiple of the Calculation Amount, the amount of interest payable in respect of such Prevailing Principal Amount shall be determined in the same manner as for a Global Note above.

In the case of a period for which interest is to be calculated where different Prevailing Principal Amounts have applied, the above calculation shall be performed separately for each sub-period within that period during which the Prevailing Principal Amount was different and the aggregate of the amounts resulting from such calculations shall be the interest payable in respect of the relevant period.

5.2 Determination and notification of Reset Interest Rate

The Fiscal Agent will at or as soon as practicable after the Relevant Time determine the Reset Interest Rate and cause it to be: (a) notified to the Issuer and any stock exchange on which the Notes are for the time being listed and (b) published in accordance with Condition 14 as soon as possible after such determination, but (in each case) in no event later than the fourth London Business Day thereafter. 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.

5.3 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 5, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Agents and all Noteholders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Noteholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.4 Accrual of interest

Each Note will cease to bear interest from (and including) the date for its redemption unless payment of principal in respect of such Note 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 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 14.

5.5 Interpretation

In these Conditions:

(a) "**5 Year Mid-Swap Rate**" means the annual mid-swap rate for U.S. Dollar swap transactions with a maturity of five years (quoted on a semi-annual basis), expressed as a percentage, which appears on the Screen Page at the Relevant Time. If such rate does not appear on the Screen Page at the Relevant Time, the 5 Year Mid-Swap Rate will be the percentage per annum determined by the Fiscal Agent on the basis of the arithmetic mean of the bid and offered rates quoted by the Reference Banks at the Relevant Time for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. Dollar interest rate swap transaction with an acknowledged dealer of good credit in the swap market, which swap transaction has a term of five years commencing on the Issuer Call Date and is in a Representative Amount, where the floating leg (calculated on an Actual/360 day count basis) is equivalent to the rate for deposits in U.S. Dollars for a three month period offered at the Relevant Time by the principal London offices of leading swap dealers in the New York City interbank market to prime banks in the London interbank market. The Fiscal Agent will request each of the Reference Banks to provide such quotations. If three or more quotations are so provided, the 5 Year Mid-Swap Rate will be the percentage reflecting the arithmetic mean of those quotations, eliminating the highest such quotation (or, in the event of equality, one of the highest) and the lowest such quotation (or, in the event of equality, one of the lowest). If only two quotations are so provided, it will be the arithmetic mean of the quotations provided. If only one quotation is so provided, it will be such quotation. If no quotations are provided, the 5 Year Mid-Swap Rate will be 1.946 *per cent. per annum*;

(b) "**30/360**" means the number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360, calculated on the basis of a year of 360 days with twelve 30-day months;

(c) "**Actual/360**" means the actual number of days in the Interest Period or the Relevant Period, as the case may be, to (but excluding) the relevant payment date, divided by 360;

(d) "**Business Day**" means a day (other than a Saturday or Sunday) 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 İstanbul, London and New York City;

(e) "**Initial Principal Amount**" means, in respect of a Note at any time, US$1,000 for each US$1,000 in principal amount of that Note as of the Issue Date;

(f) "**Interest Period**" means the period from (and including) an Interest Payment Date (or, as the case may be, the Issue Date) to (but excluding) the next (or, as the case may be, first) Interest Payment Date;

(g) "**Issue Date**" means 24 March 2016;

(h) "**Issuer Call Date**" means 24 November 2022;

(i) "**Maturity Date**" means 24 November 2027;

(j) "**Prevailing Principal Amount**" means, in respect of a Note at any time, the Initial Principal Amount of that Note as reduced (on one or more occasions) by any Write-Down (as defined in Condition 6.1) at or prior to such time.

(k) "**Reference Banks**" means five leading swap dealers in the New York City interbank market as selected by the Fiscal Agent after consultation with the Issuer;

(l) "**Relevant Period**" means the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant date of payment;

(m) "**Relevant Time**" means at or around 11:00 a.m. (New York City time) on the Reset Determination Date;

(n) "**Representative Amount**" means an amount that is representative of a single transaction in the relevant market at the Relevant Time;

(o) "**Reset Determination Date**" means the third Business Day immediately preceding the Issuer Call Date;

(p) "**Reset Margin**" means 5.758 *per cent. per annum*; and

(q) "**Screen Page**" means the display page on the relevant Reuters information service designated as the "ICESWAP1" page or such other page as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, in each case for the purpose of displaying equivalent or comparable rates to the 5 Year Mid-Swap Rate.

6. LOSS ABSORPTION UPON THE OCCURRENCE OF A NON-VIABILITY EVENT

6.1 Write-Down of the Notes

Under Article 8(2)(ğ) of the Equity Regulation, to be eligible for inclusion as Tier 2 capital of the Issuer, it should, among other things, be possible pursuant to the terms of the Notes for the Notes to be written-down or converted into equity of the Issuer upon the decision of the BRSA in the event it is probable that (i) the operating licence of the Issuer may be revoked or (ii) shareholder rights, and the management and supervision of the Issuer, may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law (No. 5411) (as further defined below, a Non-Viability Event). For the purposes of the Notes, the Issuer has elected pursuant to Article 8(2)(ğ) of the Equity Regulation to provide for the permanent write-down of the Notes and not their conversion into equity on the occurrence of a Non-Viability Event as follows.

If a Non-Viability Event occurs at any time, the Issuer shall:

(a) *pro rata* with the other Notes and any other Parity Loss-Absorbing Instruments; and

(b) in conjunction with, and such that no Write-Down (as defined below) shall take place without there also being:

   (i) the maximum possible reduction in the principal amount of, and/or corresponding conversion into equity being made in respect of, all Junior Loss-Absorbing Instruments (including Additional Tier 1 (*İlave Ana Sermaye*)) in accordance with the provisions of such Junior Loss-Absorbing Instruments; and

   (ii) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations (including Common Equity Tier 1 Capital (*Çekirdek Sermaye*)) to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of the Issuer within the framework of the procedures and other measures by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations, reduce the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount (any such reduction, a "**Write-Down**", "**Written-Down**" and "**Writing Down**" shall be construed accordingly).

For these purposes, any determination of a Write-Down Amount shall take into account the absorption of the relevant loss(es) by all Junior Obligations to the maximum extent possible or otherwise allowed by law and the Writing Down of the Notes *pro rata* with any other Parity Loss-Absorbing Instruments, thereby maintaining the respective rankings described under Condition 3.1 above.

As of 8 May 2017, there are a number of corrective, rehabilitative and restrictive measures that the BRSA may require to be taken under Articles 68 to 70 of the Banking Law (No. 5411) prior to any determination of Non-Viability of the Issuer. In conjunction with any such determination by the BRSA, losses may be absorbed by shareholders of the Issuer pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights (except to dividends) and the management and supervision of the Issuer to the SDIF, on the condition that such loss(es) are deducted from the capital of the shareholders or (b) the revocation of the Issuer's operating licence and its liquidation. However, the Write-Down of the Notes under the Equity Regulation may take place before any such transfer or liquidation.

Pursuant to the first paragraph of this Condition 6.1, while the Notes may be Written-Down before any transfer or liquidation as described in the preceding paragraph, the Write-Down must take place in conjunction with such transfer of shareholders' rights to the SDIF or revocation of the Issuer's operating licence and liquidation pursuant to Article 71 of the Banking Law in order that the respective rankings described in Condition 3.1 are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. In this respect, such action will be taken as is decided by the Board of the BRSA. Where a Write-Down of the Notes does take place before the liquidation of the Issuer, Noteholders would only be able to claim and prove in such liquidation in respect of the Prevailing Principal Amount of the outstanding Notes following the Write-Down.

The Issuer shall notify the Noteholders of any Non-Viability Event in accordance with Condition 14 as soon as practicable upon receiving notice thereof from the BRSA; *provided* that prior to the publication of such notice the Issuer shall deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA of its determination of such Non-Viability Event. The Issuer shall further notify the Noteholders in accordance with Condition 14 and deliver to the Fiscal Agent the statement(s) in writing received from (or published by) the BRSA specifying the Write-Down Amount as soon as practicable upon receiving notice thereof from the BRSA.

A Non-Viability Event may occur on more than one occasion and the Notes may be Written-Down on more than one occasion, with each such Write-Down to involve the reduction of the then Prevailing Principal Amount of each outstanding Note by the relevant Write-Down Amount.

Noteholders will have no further claim against the Issuer in respect of any Written-Down Amount of the Notes and if, at any time, the Notes are Written-Down in full, the Notes shall be cancelled following payment of interest accrued and unpaid to (but excluding) the date of such final Write-Down and Noteholders will have no further claim against the Issuer in respect of any such Notes.

6.2 **Interpretation**

For the purposes of this Condition 6:

"**Junior Loss-Absorbing Instruments**" means any Loss-Absorbing Instrument that is or represents a Junior Obligation;

"**Loss-Absorbing Instrument**" means any security or other instrument or payment obligation that has provision for all or some of its principal amount to be reduced and/or converted into equity (in accordance with its terms or otherwise) on the occurrence or as a result of a Non-Viability Event (which shall not include ordinary shares or any other instrument that does not have such provision in its terms or otherwise but which is subject to any Statutory Loss Absorption Measure);

"**Non-Viable**" means, in the case of the Issuer, where the Issuer is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law (No. 5411) that: (i) its operating licence is to be revoked and the Issuer liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Issuer, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders, and "**Non-Viability**" shall be construed accordingly;

"**Non-Viability Event**" means the determination by the BRSA that, upon the incurrence of a loss by the Issuer (on a consolidated or non-consolidated basis), the Issuer has become, or it is probable that the Issuer will become, Non-Viable;

"**Parity Loss-Absorbing Instruments**" means any Loss-Absorbing Instrument that is or represents a Parity Obligation;

"**SDIF**" means the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) of Turkey;

"**Statutory Loss Absorption Measure**" means the transfer of shareholders' rights and the management and supervision of the Issuer to the SDIF pursuant to Article 71 of the Banking Law (No. 5411) or any analogous procedure or other measure under the laws of Turkey by which the relevant loss(es) of the Issuer giving rise to the Non-Viability Event may be absorbed by Junior Obligations; and

"**Write-Down Amount**", in respect of an outstanding Note, means the amount by which the Prevailing Principal Amount of such Note as of the date of the relevant Write-Down is to be Written-Down, which shall be determined as described in Condition 6.1 and may be all or part only of such Prevailing Principal Amount, in each case as specified in writing (including by way of publication) by the BRSA, and "**Written-Down Amount**" shall be construed accordingly.

While a Write-Down of the Notes may take place before the absorption of the relevant loss(es) giving rise to the Non-Viability Event to the maximum extent possible by Junior Obligations, such loss absorption might be taken into account by the BRSA, where relevant, in the determination of the Write-Down Amount in order for the respective rankings described in Condition 3.1 to be maintained on any Write-Down as provided in Condition 6.1.

7. PAYMENTS

7.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to an account in U.S. Dollars (or any account to which U.S. Dollars may be credited or transferred) maintained by the payee, or, at the option of the payee, by a cheque in U.S. Dollars drawn on a bank that processes payments in U.S. Dollars.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended from time to time (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

7.2 Payments in respect of Notes

Notwithstanding anything else herein to the contrary, payments of principal in respect of each 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 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 Note appearing in the register of holders of the Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") at the close of business at the specified office of the Registrar 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 US$250,000, payment may instead be made by a cheque in U.S. Dollars 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 U.S. Dollars.

Except as set forth in the final sentence of this paragraph, payments of interest in respect of each Note (whether or not in global form) will be made by a cheque in U.S. Dollars 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 such 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 that 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 Note, such 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 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 Note on redemption will be made in the same manner as payment of the principal amount of such Note.

Holders of Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any 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 Notes.

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 Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.3 General provisions applicable to payments

Subject as provided in the Deed of Covenant, 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 or Clearstream, Luxembourg, as the case may be, as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for such person's share of each payment so made by or on behalf of the Issuer to, or to the order of, the holder of such Global Note. Except as provided in the Deed of Covenant, no person other than the registered holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

7.4 Payment Day

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and, in any such case, shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which is a day (other than a Saturday or Sunday) 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:

(a) New York City; and

(b) in the case of Notes in definitive form only, the relevant place of presentation.

7.5 Interpretation of principal and interest

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

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each outstanding Note will be redeemed by the Issuer at its then Prevailing Principal Amount on the Maturity Date.

8.2 Redemption for tax reasons

If, 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 8 May 2017, on the next Interest Payment Date the Issuer would:

(a) 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 8 May 2017, where such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) no longer be entitled to claim a deduction in calculating its tax liability in a Relevant Jurisdiction in respect of the payment of interest to be made on such Interest Payment Date, or the value of such deduction to the Issuer, as compared to what it would have been on 8 May 2017, is reduced,

then the Issuer may, at its option, having given not less than 30 and not more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, at any time at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date fixed for redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent:

(i) in the case of sub-paragraph (a) above: (A) a certificate signed by two authorised signatories 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 (B) a copy of the BRSA's written approval for such redemption of the Notes (with, if necessary, an English translation thereof) and (C) 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 such change or amendment, or

(ii) in the case of sub-paragraph (b) above: (A) a certificate signed by two authorised signatories of the Issuer stating that the requirement referred to in sub-paragraph (b) above will apply on the next Interest Payment Date, (B) a copy of the BRSA's written approval for such redemption of the Notes (with, if necessary, an English translation thereof) and (C) an opinion of independent tax advisers of recognised standing to the effect that on the next Interest Payment Date the Issuer is or will no longer be entitled to claim such deduction or the value of such deduction has or will be so reduced as a result of such change or amendment.

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

The Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes then outstanding, subject to having obtained the prior approval of the BRSA, on the Issuer Call Date, at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the Issuer Call Date.

8.4 Redemption upon a Capital Disqualification Event

If a Capital Disqualification Event occurs at any time after the Issue Date, the Issuer may, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption, which shall not be earlier than the date on which the Notes (or the applicable part thereof) cease to be eligible for inclusion as Tier 2 capital of the Issuer), redeem all, but not some only, of the Notes then outstanding at any time at their respective then Prevailing Principal Amount together with interest accrued and unpaid to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 8.4, the Issuer shall deliver to the Fiscal Agent: (a) a copy of the confirmation in writing by the BRSA required for the purpose of clause (ii) of the definition of Capital Disqualification Event, if applicable and (b) a certificate signed by two authorised signatories of the Issuer stating that such Capital Disqualification Event has occurred.

For the purposes of this Condition 8.4:

"**Capital Disqualification Event**" means if, as a result of: (i) any change in applicable law or regulation (including the Equity Regulation), or (ii) the application or official interpretation thereof, which change in application or official interpretation is confirmed in writing by the BRSA, all or any part of the aggregate Prevailing Principal Amount of the outstanding Notes is not (or will cease to be) eligible for inclusion as Tier 2 capital of the Issuer; and

"**Tier 2 capital**" means tier 2 capital as provided under Article 8 of the Equity Regulation.

8.5 Purchases

Except to the extent permitted by applicable law, the Notes shall not be purchased by, or otherwise assigned and/or transferred to, or for the benefit of (a) any entity which is controlled by the Issuer or over which the Issuer has significant influence (as contemplated in the Banking Law (No. 5411) and the Equity Regulation) (a "**Related Entity**") or (b) the Issuer. If so permitted and subject to having obtained the prior approval of the BRSA, the Issuer or any Related Entity may purchase or otherwise acquire Notes in any manner and at any price in the open market or otherwise.

8.6 Cancellation

All Notes which are redeemed pursuant to this Condition 8 will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Fiscal Agent and cannot be reissued or resold. All Notes that are purchased pursuant to Condition 8.5 may be held, resold or, at the option of the Issuer or the applicable Related Entity, surrendered to the Fiscal Agent or the Registrar for cancellation.

8.7 No other redemption or purchase

Neither the Issuer nor any Related Entity may redeem or purchase the Notes, as applicable, before the Maturity Date other than as provided in this Condition 8.

9. 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 such withholding or deduction of the Taxes is required by law or regulation. In such 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 after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment with respect to any Note:

(a) to a holder (or on behalf of a holder) who is liable for Taxes in respect of the Note by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of such Note or the receipt of payment in respect of such Note; or

(b) presented for payment in Turkey; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof 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 Day (as defined in Condition 7.4).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

In these Conditions:

(i) the "**Relevant Date**" means, with respect to any payment, the date on which such payment first becomes due except that, if the full amount of the money payable has not been duly received by the Fiscal Agent on or prior to the due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

(ii) "**Relevant Jurisdiction**" means 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.

10. PRESCRIPTION

The Notes 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.

11. EVENTS OF DEFAULT

If any of the following (each an "**Event of Default**") occurs:

(a) 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;

(b) a Subordination Event occurs; or

(c) any order is made by any competent court, or resolution is passed, for the winding up, dissolution or liquidation of the Issuer,

the holder of any Note may:

(i) in the case of (a) above, institute proceedings for the Issuer to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for the Issuer's winding up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of the Issuer; and/or

(ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of the Issuer,

but (in either case) may take no further or other action to enforce, claim or prove for any payment by the Issuer in respect of the Notes and may only claim such payment in the winding-up, dissolution or liquidation of the Issuer.

In any of the events or circumstances described in (b) or (c) above, the holder of any outstanding Note may give notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its then Prevailing Principal Amount, together with interest accrued and unpaid to (but excluding) the date of repayment, subject to the subordination provisions described under Condition 3.1 above.

The holder of any Note may at its discretion institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition, undertaking or provision binding on the Issuer under the Notes (other than, without prejudice to the provisions above, any obligation for the payment of any principal or interest in respect of the Notes), *provided* that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

No remedy against the Issuer other than as provided above shall be available to the holders of Notes, whether for the recovery of amounts owing in respect of the Notes or otherwise in respect of any Event of Default or in respect of any breach by the Issuer of any of its obligations, covenants or undertakings under the Notes.

12. REPLACEMENT OF NOTES

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar 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 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.

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 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; and

(c) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

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. 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. NOTICES

All notices regarding the 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 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 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.

For so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg 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 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 the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as applicable.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

15.1 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 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. of the then Prevailing Principal Amount of the Notes for the time being remaining outstanding. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the person who convened (or, if applicable, caused the Issuer to convene) such meeting giving at least five days' notice, which, in the case of a meeting convened by the Issuer, will be given to applicable Noteholders in accordance with Condition 14.

The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. of the then Prevailing Principal Amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the Prevailing Principal 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 (including modifying the Maturity Date 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 amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds of the then Prevailing Principal Amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third of the then Prevailing Principal Amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they vote on the resolution.

The Agency Agreement provides that: (a) a resolution in writing signed on behalf of the holders of not less than 75 per cent. of the then Prevailing 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 the holders of not less than 75 per cent. of the then Prevailing 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.

15.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders, 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 or correcting 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, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders 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.

17. 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.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are and shall be governed by, and construed in accordance with, English law, except for the provisions of Condition 3 (including as referred to in Condition 6.1), which are and shall be governed by, and construed in accordance with, Turkish law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders, 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 exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) 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 it is an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders may take any suit, action or proceedings arising out of or in connection with the Notes (together referred to as "**Proceedings**") (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 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 (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, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (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 (No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (No. 5718).

18.4 Appointment of Process Agent

Service of process may be made upon the Issuer in respect of any Proceedings in England at the offices of Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX and the Issuer undertakes that in the event of such process agent ceasing so to act it will appoint another person as its agent for that purpose.

18.5 Other Documents

The Issuer has, in the Agency Agreement and the Deed of Covenant, 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.

THE GLOBAL NOTE

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank's management believes to be reliable, but neither the Bank nor any Joint Bookrunner takes any responsibility for the accuracy thereof. 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.

As of the date of this Prospectus, the Issuer is required to notify Central Registry İstanbul within three İstanbul business days from the Issue Date of the amount, Issue Date, ISIN code, interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

The Global Note will contain the following provisions that apply to the Notes while they are represented by the Global Note, some of which modify the effect of the Conditions of such Notes.

1. Accountholders

For so long as any of the Notes are represented by the Global Note, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular Prevailing Principal Amount of such Notes (each an "*Accountholder*") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the Prevailing Principal Amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such Prevailing Principal Amount of such Notes (and the expression "Noteholders" and references to "holding of Notes" or purchase or other acquisition of Notes and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee of the depositary common to the relevant clearing system(s) (the "*Relevant Nominee*") in accordance with and subject to the terms of the Global Note. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its redemption or, at the election of the Issuer, purchase by the Issuer will be effected by reduction in the Prevailing Principal Amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Note.

3. Payments

Payments of principal in respect of Notes represented by the Global Note will be made upon presentation and endorsement or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Note to or to the order of the Fiscal Agent or such other Agent or the Registrar as shall have been notified to the holder of the Global Note for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Relevant Nominee, to Euroclear or Clearstream, Luxembourg, which in turn are expected to distribute such amounts to their accountholders in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Note by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

Payments of principal and interest in respect of the Global Note will be made, or procured to be made, by or on behalf of the Issuer for settlement on the relevant payment date in accordance with the Agency Agreement.

4. Notices

So long as the Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 14. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to such clearing system.

While any of the Notes held by a Noteholder are represented by the Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose (including as to the time at which any such notice shall have been deemed received by the Issuer).

5. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective accountholders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect accountholders.

6. Exchange for Certificates

Interests in the Global Note will be exchangeable (free of charge), in whole but not in part, for Certificates only upon the occurrence of an Exchange Event. For these purposes, "*Exchange Event*" means that: (a) an Event of Default has occurred and is continuing, (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 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 no successor clearing system is available or (c) the Issuer has or will become subject to adverse tax consequences that it would not have suffered were the Notes represented by the Global Note in definitive form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event as described in clauses (a) or (b) of the definition thereof occurs, and may give such notice upon the occurrence of an Exchange Event as described in clause (c) of the definition thereof. In the event of the occurrence of an Exchange Event as described in clause (a) or (b) of the definition thereof, Euroclear and/or Clearstream, Luxembourg (as applicable) or any person acting on their behalf (acting on the instructions of any holder of an interest in the Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in clause (c) of the definition thereof, the Issuer may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Registrar

TAXATION

General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of any tax law of Turkey or any other jurisdiction (such as tax-related laws in the United Kingdom). While this summary is considered to be a correct interpretation of existing laws in force on the date of this 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 might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective investors in the Notes are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Notes by a person who is a non-resident of Turkey. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to persons who are not tax resident in Turkey. 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 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 might 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 derived from trading income 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-tax resident person is the final tax for such 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 (such as the Notes) issued abroad by a Turkish corporation is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad, with a 0% withholding tax rate applying to notes (such as the Notes) with an original maturity of five years and more. Such withholding tax is the final tax for a non-resident person and no further declaration is required.

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 numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporation 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.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published the Commission's Proposal for a Directive for a common FTT in 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 the Notes (including secondary market transactions) in certain circumstances.

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 the 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 might 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 that is subject to the dealings is issued in a Participating Member State; *however*, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states might decide to participate. Prospective investors in the Notes are advised to seek their own professional advice in relation to the FTT and its potential impact on the Notes.

SUBSCRIPTION AND SALE

The Joint Bookrunners have, pursuant to a subscription agreement dated 8 May 2017 (the "*Subscription Agreement*") and made among the Issuer, Fiba Holding and the Joint Bookrunners upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes at their purchase and issue price indicated of the cover hereof. The Issuer has agreed to pay the Joint Bookrunners a combined management, underwriting and selling commission and certain costs and expenses incurred by them in connection with the distribution of the Notes. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the distribution of the Notes.

The Issuer will issue US$200,000,000 in New Notes and, as a result, the total outstanding principal amount of all of the Notes as of the Closing Date (including both the New Notes issued by the Issuer and the Existing Notes sold by Fiba Holding) will be US$300,000,000. The principal and accrued interest components of the proceeds from the sale of the Notes as described herein will be allocated between the Issuer and Fiba Holding as follows:

(a) in respect of principal, the amount of the purchase price paid in respect of principal for: (i) the New Notes will be paid to the Issuer and (ii) the Existing Notes will be paid to Fiba Holding, and

(b) in respect of accrued interest, the amount of the purchase price paid in respect of deemed accrued interest for the New Notes and accrued interest for the Existing Notes, in each case calculated using the Initial Interest Rate and in respect of the period from the Interest Payment Date immediately preceding the Closing Date (***i.e.***, 24 March 2017) to (but excluding) the Closing Date, will be paid to the Issuer and Fiba Holding, respectively.

While application has been made by the Issuer to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market, the Notes have no established trading market. The Issuer cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop.

In connection with the offering, the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) may engage in transactions that stabilise, maintain or otherwise affect the market price of the Notes during and after the offering. 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 market 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 market 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 U.K. laws, stabilising activities may only be carried on by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) and only for a limited period following the Closing Date.

The Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners 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 might involve securities and instruments of the Issuer and/or other members of the Group. In addition, certain of the Joint Bookrunners and/or their respective affiliates hedge their credit exposure to the Issuer and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes.

The Joint Bookrunners 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.

Selling Restrictions

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 the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Bookrunner has agreed that (except in accordance with Regulation S) it will not offer, sell or deliver the Notes: (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "*distribution compliance period*"), other than in an offshore transaction to, or for the account or benefit of, persons who are not U.S. persons. Each Joint Bookrunner has agreed that it will send to each distributor to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes other than in offshore transactions 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 under the Securities Act.

Until 40 days after the commencement of the offering, an offer or sale of Notes other than in an offshore transaction to a person that is not a U.S. person by any distributor (whether or not participating in the offering) might 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.

Turkey

The Notes have not been and will not be offered or sold within Turkey under the provisions of the Capital Markets Law No. 6362. Each Joint Bookrunner has represented and agreed that neither it, nor any of its respective affiliates, nor any person acting on its behalf, has engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. Each Joint Bookrunner has further represented and agreed that neither it nor any of its respective affiliates, nor any person acting on its behalf: (a) has engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey or (b) will make any disclosure in Turkey in relation to the Issuer, the Notes or this Prospectus without the prior consent of the Issuer, save as may be required by applicable law, court order or regulation. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665 and in accordance with Decree 32, residents of Turkey may purchase or sell the Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; *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.

Monies paid for investments in the Notes are not protected by the insurance coverage provided by the SDIF.

United Kingdom

Each Joint Bookrunner will have represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended ("*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 Bank and Fiba Holding, and

(b) 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.

General

No action has been taken by the Issuer or either of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes (or beneficial interests therein), or possession or distribution of this Prospectus or any other offering or publicity material relating to the Notes, in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes (or beneficial interests therein) or have in its possession, distribute or publish this Prospectus or any other prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and all offers and sales of Notes (or beneficial interests therein) by it will be made on the same terms.

OTHER GENERAL INFORMATION

Authorisation

The issuance and sale of the Notes by the Bank and the execution and delivery by the Bank of the related transaction documents have been duly authorised pursuant to the authority of the officers of the Bank under the resolutions of its Board of Directors dated 29 March 2017 and 12 April 2017.

Listing

Application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and to trading on the Main Securities Market. Subject to the foregoing, it is expected that admission of the Notes to the Official List and to trading on the Main Securities Market will be granted on or before the Closing Date, subject only to the issue of the Notes. The Main Securities Market is a regulated market for the purposes of MiFID I. The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €6540.

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities Market, the Notes constitute a new class of securities with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Joint Bookrunners are not obligated to make a market in the Notes.

Listing Agent

Walkers Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Clearing Systems

The Global Note has been accepted into the applicable systems used by Euroclear and Clearstream, Luxembourg (ISIN: XS1386178237 and Common Code: 138617823).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 December 2016 and (b) no material adverse change in the financial position or prospects of either the Bank or the Group since such date.

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Joint Bookrunners, so far as the Bank is aware, no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, that is material to the issue of the Notes.

Independent Auditors

The BRSA Financial Statements have been audited by Deloitte in accordance with the "Regulation on Independent Auditing of Banks, published by the BRSA in the Official Gazette dated 2 April 2015 and No. 29314, and the Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*). Deloitte, which is located at Maslak Plaza, Eski Büyükdere Caddesi, Maslak Mahallesi No: 1, Maslak, Sarıyer 34398 İstanbul, is an independent certified public accountant in Turkey and authorised by the BRSA to conduct independent audits of banks in Turkey. See "*Risk Factors – Risks Relating to the Group's Business – Audit Qualification*."

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Bank is aware) that might have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Bank or the Group.

Documents Available for Inspection

For the life of the Notes, copies of the following documents will be available in physical form for inspection from the registered office of the Issuer 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 2015 and 2016,

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for the years ended 31 December 2015 and 2016,

(d) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for the year ended 31 December 2015,

(e) the Agency Agreement, the Deed of Covenant and the form of the Global Note and the Notes in definitive form,

(f) a copy of this Prospectus, and

(g) any future supplements to this Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Prospectus, each document incorporated by reference herein and the financial statements listed above will also be available in electronic format on the Issuer's website at https://www.fibabanka.com.tr (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus).

Joint Bookrunners transacting with the Issuer

Certain of the Joint Bookrunners 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 for, the Issuer and/or its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their respective affiliates might 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 might involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Joint Bookrunners and their respective affiliates that have a credit relationship with the Issuer might from time to time hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Bookrunners and their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

INDEX OF TERMS

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND THE BRSA ACCOUNTING AND REPORTING REGULATIONS

The BRSA Financial Statements are presented in accordance with the BRSA Accounting and Reporting Regulations. The BRSA Accounting and Reporting Regulations differ from IFRS in certain respects. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (*e.g.*, IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. 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 Accounting and Reporting Regulations, 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. As the Bank has only one subsidiary, and such subsidiary operates in the financial services sector, this difference does not apply to the Bank.

Allowance for Loan Losses

Under the BRSA Accounting and Reporting Regulations, specific and general reserves for possible loan losses are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Accounting and Reporting Regulations 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 the BRSA and applied consistently across the Turkish banking sector).

The Bank has allocated specific provisions in accordance with the minimum provision rates required by regulation; *it being understood* that such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (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 Accounting and Reporting Regulations, it is not permitted to recognise deferred tax on a general provision (including general loan loss provisions) allocated based upon BRSA rules although it constitutes a temporary difference based upon IAS 12 Income Taxes.

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 those providing life and non-life insurance services, which are subject to the undersecretariat of Treasury policies/requirements, and factoring and leasing services, which are subject to specific BRSA policies/requirements.

ISSUER

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FISCAL AGENT AND EXCHANGE AGENT

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United Kingdom

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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