



TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

U.S.\$4,000,000,000

Global Medium Term Note Programme

Under this U.S.\$4,000,000,000 Global Medium Term Note Programme (the "**Programme**"), Türkiye Cumhuriyeti Ziraat Bankası A.Ş., a banking institution organised as a joint stock company under the laws of Turkey and registered with the Ankara Trade Registry under number 1148 (the "**Bank**" or the "**Issuer**"), may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons, as defined in Regulation S under the Securities Act, unless an exemption from the registration requirements of the Securities Act is available. See "*Form of the Notes*" for a description of the manner in which Notes will be issued.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. For the purposes of this Base Prospectus, the "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure of a relevant Member State of the European Economic Area. The Central Bank of Ireland only approves this Base 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 of the Irish Stock Exchange (the "**Main Securities Market**") or on another regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") and/or that are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and to trading on the Main Securities Market. References in this Base Prospectus to the Notes being "**listed**" (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Notes have been admitted to the Official List and trading on the Main Securities Market. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**"), in its capacity as competent authority under Law No. 6362 (the "**Capital Markets Law**") of the Republic of Turkey ("**Turkey**") relating to capital markets, for the issuance and sale of Notes by the Bank outside of Turkey. No Tranche of Notes can be sold before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) obtained from the CMB. The CMB approved the issuance certificate (*ihraç belgesi*) dated 30 January 2017 and numbered 10/BA-84 by its letter dated 31 January 2017 and numbered 29833736-105.03.01-E.1205 (the "**CMB Approval**") based upon which any offering of the Notes will be conducted and the written approval of the CMB will be obtained from the CMB before each sale and issuance of the Notes.

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

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Central Bank of Ireland. Copies of such Final Terms will also be published on the Central Bank of Ireland's website at www.centralbank.ie and on the Irish Stock Exchange's website at www.ise.ie.

The Programme has been rated BB+ (long-term senior unsecured) and B (short-term senior unsecured) by Fitch Ratings Ltd. ("**Fitch**") and Ba1 (senior unsecured) and NP (short-term) by Moody's Investors Service Ltd. ("**Moody's**" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), the "**Rating Agencies**"). The Bank has also been rated by Fitch and Moody's, as set out on page 143 of this Base Prospectus. Each of the Rating Agencies is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated by either Fitch or Moody's or unrated. Where a Tranche of Notes is so rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Moody's, as the case may be. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

BofA Merrill Lynch

Dealers

BNP PARIBAS
Citigroup
Deutsche Bank
Goldman Sachs International
J.P. Morgan
Société Générale Corporate & Investment Banking

BofA Merrill Lynch
Commerzbank
Emirates NBP Capital
HSBC
Mizuho Securities
Standard Chartered Bank

The date of this Base Prospectus is 13 March 2017.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive.

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

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

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

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

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

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

IMPORTANT – EUROPEAN ECONOMIC AREA RETAIL INVESTORS - If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes, from 1 January 2018, are not intended 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 European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("*MiFID II*"); (ii) a customer within the meaning of Directive 2002/92/EC ("*IMD*"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "*PRIIPs Regulation*") for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Base Prospectus nor (ii) any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, the People's Republic of China ("*PRC*"), Hong Kong and Japan, see "*Subscription and Sale and Selling Restrictions*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "*Relevant Member State*") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State of Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each

potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (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 or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (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 may affect its investment and its ability to bear the applicable risks.

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

The Issuer has obtained the CMB Approval and the Banking Regulation and Supervision Agency (the "*BRSA*") approval (the "*BRSA Approval*") (dated 29 December 2016 and numbered 43890421-101.02.01[18.2]-E.21535) required for the issuance of Notes under the Programme. The Issuer shall obtain all authorisations and approvals of the CMB necessary for the offer, sale and issue of each Tranche of Notes under the Programme, prior to such issue. Consequently, the scope of the above-mentioned CMB Approval and BRSA Approval may be amended and/or new approvals from the CMB and/or the BRSA may be obtained from time to time. Pursuant to the CMB Approval and the BRSA Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Banking Law No. 5411 ("*Banking Law*") and its related legislation, the Capital Markets Law and Communiqué VII-128.7 on Debt Instruments (the "*Communiqué on Debt Instruments*") and its related regulation. In addition, the CMB introduced an amendment to the Communiqué on Debt Instruments on 18 February 2017 pursuant to which the Issuer is required, using an electronic application platform, to apply to the CMB before each sale and issuance of the Notes to obtain the CMB's approval in respect of each Tranche. However, since the electronic application platform is yet to be established by the CMB as of the date of this Base Prospectus, a written approval in respect of each Tranche of Notes shall also be obtained by the Issuer prior to the issue date of such Tranche of Notes.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish

Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in both the primary and secondary markets; provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should use licensed banks or licensed brokerage institutions purchasing Notes (or beneficial interests therein) and transfer the purchase price through licensed banks authorised under BRSA regulations. For more information, see "*Subscription and Sale and Selling Restrictions—Selling Restrictions—Turkey*". Monies paid for the purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the "*SDIF*").

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

PRESENTATION OF INFORMATION

Presentation of Financial Information

Financial Information

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the Banking Law and in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA which refers to "Turkish Accounting Standards" (the "*TAS*") and "Turkish Financial Reporting Standards" (the "*TFRS*") issued by the Public Oversight Accounting and Auditing Standards Authority (the "*POA*"), and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (collectively referred to as the "*BRSA Principles*").

None of the Annual Financial Statements (as defined below) have been prepared in accordance with International Financial Reporting Standards ("*IFRS*"), including International Accounting Standards ("*IAS*") as promulgated by the International Accounting Standards Board ("*IASB*"). There may have been material differences in the financial information had IFRS been applied to the historical financial information of the Bank. See "*Appendix 1 – Overview of Certain Significant Differences between IFRS and BRSA Accounting and Presentation Principles*" for a discussion of certain significant differences between IFRS and BRSA Principles.

The Bank's financial statements incorporated by reference into this Base Prospectus include:

- (a) the audited unconsolidated annual statutory financial statements of the Bank as of and for the year ended 31 December 2015 (including the qualified audit report issued in respect thereof by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. ("*PwC Turkey*")) (the "**2015 Audited Unconsolidated Financial Statements**"), which include comparative numbers as of and for the year ended 31 December 2014;
- (b) the audited unconsolidated annual statutory financial statements of the Bank as of and for the year ended 31 December 2016 (including PwC Turkey's qualified audit report issued in respect thereof) (the "**2016 Audited Unconsolidated Financial Statements**"), which include comparative numbers as of and for the year ended 31 December 2015;
- (c) the audited consolidated annual financial statements of the Bank as of and for the year ended 31 December 2015 (including PwC Turkey's qualified audit report issued in respect thereof)

(the "**2015 Audited Consolidated Financial Statements**") which include comparative numbers as of and for the year ended 31 December 2014; and

- (d) the audited consolidated annual financial statements of the Bank as of and for the year ended 31 December 2016 (including PwC Turkey's qualified audit report issued in respect thereof) (the "**2016 Audited Consolidated Financial Statements**") which include comparative numbers as of and for the year ended 31 December 2015;

the 2015 Audited Unconsolidated Financial Statements and the 2016 Audited Unconsolidated Financial Statements together being referred to as the "**Unconsolidated Annual Financial Statements**"; the Unconsolidated Annual Financial Statements, the 2015 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements together being referred to as the "**Annual Financial Statements**".

The Annual Financial Statements incorporated by reference herein have each been prepared and presented in accordance with BRSA Principles, except for the free provisions recognised by the Bank, as further discussed below. The Bank's foreign affiliates maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

The Annual Financial Statements incorporated by reference herein have each been audited by PwC Turkey in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA in the Official Gazette numbered 29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the POA. See PwC Turkey's audit reports, which are each qualified with respect to free provisions recognised by the Bank that are not in accordance with BRSA Principles, included with the Annual Financial Statements incorporated by reference herein.

The Annual Financial Statements incorporated by reference herein are prepared on a historical cost basis except for the financial assets and liabilities carried at fair value. Unless otherwise indicated, the financial information presented herein is extracted without material modification from the Unconsolidated Annual Financial Statements incorporated by reference herein. The Annual Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the Turkish language Annual Financial Statements (which translations the Bank confirms were direct and accurate). None of the English language Annual Financial Statements were prepared for the purpose of their incorporation by reference in this Base Prospectus.

The audit reports in relation to the Annual Financial Statements are qualified with respect to free provisions recognised by the Bank that are not in accordance with BRSA Principles.

The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2016 include a free provision amounting to TL 945 million of which TL 295 million was reversed from the income statements for the year ended 31 December 2016. The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2015 include a free provision amounting to TL 1,240.4 million, of which TL 79.6 million was reversed from the income statements for the year ended 31 December 2015. The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2014 include a free provision amounting to TL 1,320 million, of which TL 268 million was charged to the income statements as an expense for the year ended 31 December 2014. The Bank's management provided these free provisions that are not in accordance with BRSA Principles in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market condition. Although these free provisions did not impact the Bank's level of tax or capitalisation ratios, if the Bank had not established these provisions, then its net income might have been higher in the year ended 31 December 2014. Conversely, as the Bank reversed a part of its provisions in the years ended 31 December 2015 and 31 December 2016 then its net income in those years would have been lower. In addition, such provisions might be reversed or re-allocated by the Bank in future periods, which may cause the Bank's net income to be

higher or lower in future periods than it otherwise would be in the absence of such reversal or re-allocation. See "Independent auditors' report" in the Annual Financial Statements incorporated by reference herein.

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

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based upon best estimates and assumptions of the Bank's senior management. Senior 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 senior management internal research, constitute the best current estimates of the information described.

Alternative Performance Measures of Financial Performance

To supplement the Unconsolidated Annual Financial Statements presented in accordance with BRSA Principles, except for the free provisions recognised by the Bank, the Bank uses certain ratios and measures included (including through incorporation by reference) in this Base 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 (the "**ESMA**") 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".

For the Bank, these APMs include (without limitation): net interest margin, adjusted net interest margin, net interest spread, yield, net yield, adjusted net interest income as a percentage of average interest-earning assets, cost-to-income ratio, cost-to-income ratio if income were calculated without subtracting impairment losses, operating expenses as a percentage of total assets, liquid assets as a percentage of total deposits, free capital ratio, allowance for possible loan losses to non-performing loans ("**NPLs**"), return on assets, return on average total assets, return on equity, return on average shareholders' equity, average interest-earning assets, average interest-bearing liabilities, average yield, average margin, average spread, the amount of net allowances charged to operating expenses, the increase of operating expenses if impairment losses and foreign exchange losses are excluded, average total assets, average shareholders' equity, average shareholders' equity as a percentage of average total assets, ratio of operating expenses (excluding net impairment losses on financial assets) to total average assets, operating income before provisions (excluding dividend income), net interest income as percentage of total operating income before provisions (excluding dividend income), loans and advances to total deposits (including deposits from banks and deposits from customers) ratio, loans to total deposits ratio, core deposit ratio, cost of risk and non-recurring items in income statement. See "*Summary Financial and Other Information*" and "*Business of the Group*" sections of this Base Prospectus for further information on certain such calculations.

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

The Bank's senior management believes that these APMs, when considered in conjunction with measures under BRSA Principles, enhance investors' and senior management's overall understanding of the Bank's current financial performance. In addition, because the Bank has historically reported certain APMs to investors, the Bank's senior management believes that the inclusion of APMs provides consistency in the Bank's reporting to investors.

Currency Presentation and Exchange Rate Information

In this Base Prospectus, all references to:

- **"Turkish Lira"** and **"TL"** refer to the lawful currency for the time being of the Republic of Turkey;
- **"euro"** and **"€"** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **"U.S. Dollars"**, **"U.S.\$"** and **"\$"** refer to United States dollars;
- **"Renminbi"** and **"RMB"** refer to the lawful currency of the PRC which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan; and
- **"Sterling"** and **"£"** refer to pounds sterling.

No representation is made that the Turkish Lira or U.S. Dollar amounts in this Base 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 Related to the Bank—Fluctuations in foreign currency exchange rates, to the extent they are not adequately hedged against, may adversely affect the Bank's financial position and cash flows"*.

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

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

In this Base Prospectus, **"Bank"** or **"Issuer"** means Türkiye Cumhuriyeti Ziraat Bankası A.Ş. on a standalone basis, **"Consolidated Group"** means the Bank and its consolidated subsidiaries and **"Group"** means the Bank and its subsidiaries.

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

All of the information contained in this Base 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 Base Prospectus, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, so far as it is aware, and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other party.

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

All data relating to the Turkish banking sector in this Base Prospectus have been obtained from the BRSA's website at www.bddk.org.tr, the Banks Association of Turkey's website at www.tbb.org or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*) at www.bkm.com.tr, all data relation to the Turkish leasing industry have been obtained from the website of the Association of Financial Institutions (*Finansal Kurumlar Birliği*) at <http://www.fkb.org.tr/> 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*) ("**TürkStat**") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (the "**Central Bank**") at www.tcmb.gov.tr, the Turkish Treasury's website at www.hazine.gov.tr or the European Banking Federation's website at <http://www.ebf-fbe.eu/>. Information relating to the clearing systems (as defined herein) in this Base Prospectus has been obtained (in relation to Euroclear) from Euroclear's website at www.euroclear.com and (in relation to Clearstream, Luxembourg) from Clearstream, Luxembourg's website at www.clearstream.com. Such data have been extracted from such websites without material adjustment and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer's management internal research, constitute the best current estimates of the information described.

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

Except as required to comply with its regulatory obligations, the Bank does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Base Prospectus not to occur or to occur in a manner different from what the Bank currently expects.

STABILISATION

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

Notwithstanding anything herein to the contrary, the Bank may not (whether through over allotment or otherwise) issue more Notes than have been approved by the CMB.

TABLE OF CONTENTS

	Page
Risk Factors	11
Enforcement of Judgments and Service of Process	42
Forward-Looking Statements	44
Documents Incorporated by Reference.....	46
Overview of the Bank and the Programme.....	48
Form of the Notes	57
Applicable Final Terms	61
Terms and Conditions of the Notes	74
Use of Proceeds	110
Summary Financial and Other Information	111
Capitalisation of the Bank	115
Business of the Group.....	116
Risk Management	144
Management	163
Turkish Banking System	170
Turkish Regulatory Environment	171
Taxation.....	195
Subscription and Sale and Selling Restrictions	198
General Information	202
Appendix	
1. Overview of certain significant differences between IFRS and BRSA accounting and presentation principles	205

RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Base Prospectus. In addition to the other information in this Base Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks related to the Bank, Turkey and the Notes, before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Related to the Bank

The Bank's loan portfolio, deposit base and government securities holdings are concentrated in Turkey and adverse changes affecting the Turkish economy due to domestic and international factors could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's loans and advances constituted 65.0% of its total assets, or TL 232.6 billion as of 31 December 2016. Substantially all of these loans and advances were made to borrowers located in Turkey. The Bank's deposits from customers constituted 59.0% of its total liabilities and equity, or TL 211.0 billion, as of 31 December 2016, almost all of which were located in Turkey. The Bank's business is significantly dependent upon its customers' ability to make payments and meet their other obligations, which in turn is materially impacted by the strength of the Turkish economy. In addition, 18.6% of the Bank's total assets were invested in Turkish Government securities as of 31 December 2016, which may also increase the Bank's susceptibility to political and fiscal risks at the sovereign level. The Bank's geographical concentration in Turkey may increase the volatility of its earnings.

In recent years, Turkey's Gross Domestic Product ("**GDP**") growth rates have slowed to 5.2% GDP growth in 2014, 6.1% in 2015 and negative 1.8% in the third quarter of 2016 according to Turkstat. Although EU defined Turkish Government debt levels have decreased considerably from 77.9% of GDP in 2001 to 2% in 2014 and estimated to decrease to 32.8% in 2016 according to the 2016-2018 and 2017-2019 medium term economic programmes announced by the Turkish Ministry of Development, Turkey remains an emerging market and remains susceptible to a higher degree of volatility than more developed markets and factors. In particular, factors such as domestic political conditions, especially following the attempted coup in Turkey in July 2016 (see "*Risks Related to Turkey—Political developments in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*" and "*Risks Related to Turkey—Increased political risks following the coup attempt of July 2016*") as well as economic factors, including the current account deficit, inflation and interest rate and currency volatility remain of concern, particularly in light of recent depreciation of the Turkish Lira (see "*Risks Related to Turkey—Economic instability in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*"). Continuing high levels of unemployment, which reached 12.1% in November 2016 with a 1.6 percentage point yearly increase, may affect the Bank's customers, which could impair its business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, as an emerging market dependent upon external fund flows and international trade, Turkey has been and will continue to be significantly impacted a number of factors affecting international economic and geopolitical conditions. In particular, the U.S. Federal Reserve's stated intent of continuing to gradually reduce its quantitative easing policy, is expected to lead to a reduction in global liquidity and a decrease in fund flows to emerging markets as well as other macroeconomic conditions. In addition, in November 2016, Donald Trump was elected president of the United States and was inaugurated on 20 January 2017. The new U.S. administration is expected to implement new policies in a number of areas, including economy, finance, taxation, international trade and international diplomatic relations. It is difficult to predict the economic and political impact of the implementation of such new policies, although a number of such policies may negatively impact fund flows to emerging markets.

Furthermore, in July 2016, the United Kingdom voted to withdraw from the EU. It is expected that the United Kingdom government will activate Article 50 of the Lisbon Treaty in Spring 2017 to begin negotiations with the EU relating to its exit. The economic and political consequences on the UK, the EU and other countries like Turkey of this process and the related uncertainty, during both the negotiations period and following a potential exit of the UK from the EU, are difficult to predict.

Moreover, in the EU Eurozone, being Turkey's principle trading market, economic conditions have remained volatile, with renewed concerns regarding the ability of certain EU Member States, notably Greece, to service sovereign debt obligations, as well as concerns regarding the stability of the Eurozone, in light of critical elections due in 2017 in a number of EU members, notably France, Germany and The Netherlands. In addition, as a major importer of oil, Turkey's economy is vulnerable to any increase in global oil prices.

These and other key factors, such as continuing geopolitical tensions in the region, could have a material adverse impact on international financial markets and economic conditions and, in turn, the market's anticipation of these impacts could have a material adverse effect on the Turkish economy and the Bank's business, financial conditions and liquidity. In particular, these factors could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. Also, the Bank's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy over the near to medium term may remain challenging, which may in turn impact prospects for stabilisation and improvement of economic and financial conditions in Turkey. A lack of improvement, or deterioration in these conditions could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Accordingly, continued uncertainty in the international financial markets, contraction of the global economy and any tightening in credit conditions could adversely impact the Group's business and operating results as a result of decreases in the business activity and deterioration of creditworthiness of companies and individuals, impairments on assets and/or collateral as well as increased levels of non performing loans ("NPLs") and amounts of loan impairment charges, increases in borrowing costs and reduced, or no, access to capital markets due to unfavourable market conditions and increased competition for deposits leading to declines in the Bank's net interest income, and decreases in fee and commission income due to a reduction in consumer demand for the Bank's loan products or measures implemented by banking regulators.

If any of the above events occur, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Any macroeconomic factors that negatively impact Turkey's economy or any adverse developments in Turkey's wider political or geopolitical environment could impair the Bank's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's business, financial condition, results of operations and prospects historically have been, and, even though decreasing recently, continue to be, exposed to risks present in the agricultural sector in Turkey.

A significant proportion of the Bank's lending historically has been to borrowers in the agricultural sector in Turkey. In recent years, the Bank has been aiming, and intends to continue, to transform its business and loan portfolio by increasing its share of lending in markets and industries other than agriculture. Between 2011 and 2016, the Bank was able to decrease the share of agricultural loans in its loan book, however it remains high. As of 31 December 2016, the Bank's loans to borrowers in the agricultural sector amounted to TL 46.2 billion, or 19.9% of its total loans as compared to TL 37.4 billion or 20.0% and TL 28.9 billion, or 20.3% as of 31 December 2015 and 2014, respectively (including accruals).

Factors which may influence the supply and demand for agricultural products in the Turkish market include, among others, increased output of agricultural products in Turkey or elsewhere, unfavourable fluctuations in the prices for agricultural products, government programmes and policies, macroeconomic factors (including exchange rates and inflation) affecting the Turkish and global economies, availability of raw materials, crop yields, prices of supply inputs and changes in global demand and global production of similar and competitive products, as well as the economic and political situations in export markets and changes in consumer preferences, both seasonal and long-term. In addition, severe weather, major climate-related

disasters or disease and pestilence can be unpredictable and devastating to the agricultural sector. Such occurrences could result in crop or other losses for a season, impacting borrowers' liquidity and business prospects. The Bank requires its borrowers in the agricultural sector to obtain insurance under the "Tarsim" scheme that covers risks such as adverse weather, and takes a lien over any insurance proceeds, but there can be no assurances that such insurance proceeds would be sufficient to cover the Bank's loss.

Moreover, the Turkish agricultural sector comprises a majority of individual farmers, some small and medium enterprise ("SME") customers and a small number of large corporations. In the years ended 31 December 2016, 2015 and 2014, individual farmers represented 99.1% of the Bank's agricultural borrowers. While there has been some consolidation in the sector, the pace of this consolidation will depend on a variety of factors, including measures taken by the Turkish Government. This individual-based structure of the Turkish agricultural sector may subject the Bank to higher credit risk as, notwithstanding its credit risk determination procedures, individual borrowers tend to have more limited credit records than corporate borrowers and this could limit the Bank's ability to accurately assess their creditworthiness. There can be no assurances that the number of loans that the Bank provides to individual farmers will not materially increase in the near to medium term, or that the Bank will be able to accurately model the risk associated with such borrowers (see "*—The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*"). Any prolonged downturn in the Turkish agricultural sector as a result of adverse price fluctuations, changes in government policies, inclement weather or otherwise, or the Bank's inability to correctly assess the current financial condition of individual borrowers, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank may experience credit defaults arising from adverse changes in credit and recoverability that are inherent in the Bank's banking businesses.

The Bank's core banking business has historically focused on the agricultural sector, and the Bank has been enlarging its business to cover retail, SME and corporate customers, with a main focus on SME and corporate banking. As of 31 December 2016, loans to customers in the SME segment constituted 21.5% of the Bank's total assets. Many factors affect customers' ability to repay their loans or meet their other obligations to the Bank. Some of these factors, including adverse changes in consumer confidence levels due to local, national or global factors, consumer spending, unemployment levels, bankruptcy rates, and increased market volatility, may be difficult to anticipate and completely outside of the Bank's control. Other factors are dependent upon the Bank's strategy of loan growth (including sector focus) and the effectiveness of the Bank's internal credit application and monitoring systems. See "*—The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*". The Bank's participation in significant project financing or large government infrastructure projects may also expose it to additional sector concentration and credit risk in the event of an economic downturn. The Bank may not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions may change) and, as a result, the Bank could suffer material credit losses. While the Bank seeks to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, such efforts may be insufficient to protect the Bank against material credit losses. For example, if the value of the collateral securing the Bank's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Bank will be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, determining the amount of provisions and other reserves for possible credit losses involves the use of numerous estimates and assumptions. As a result, the level of provisions and other reserves that the Bank has set aside may prove insufficient and the Bank may be required to create significant additional provisions and other reserves in future periods.

All of the aforementioned risks could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Rapid growth of the Bank's loan portfolio might subject the Bank to the risk of not being able to maintain asset quality.

Since 2010, loan volumes in Turkey have been growing continuously, and this growth is supported by relatively low market penetration levels. It grew by 16.8%, 20.1% and 18.5% in 2016, 2015 and 2014, respectively, and reached TL 1,752.2 billion in gross loan transaction volume as of 31 December 2016, 1,500.5 TL billion as of 31 December 2015 and TL 1,249.8 billion as of 31 December 2014 according to the

BRSA. Following large increases of the Central Bank's rates in January 2014 (see "*—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*" below), according to BRSA, loan volumes in Turkey continued growing in 2014 at a slower pace of 18.5%. In 2015, loan volumes in Turkey grew by 20.1% primarily as a result of the growth in corporate loans and depreciation in the Turkish Lira (as loan volumes are measured in TL, which increased the value of foreign currency loans). In 2016, loan volumes in Turkey grew by 16.8% primarily as a result of the increase in corporate loans and depreciation in the Turkish Lira. Along with the market growth the Bank's loan portfolio has been growing since 2005, with the exception of the first three months of 2011, when the Bank materially reduced its assets in an effort to restructure its portfolio with a focus on higher performing assets to increase profitability, and it opened 150 additional branches in 2013, in celebration of its 150th anniversary. The Bank opened a further 53 branches, 112 branches and 15 branches in 2014, 2015 and 2016, respectively. The Bank's loans amounted to TL 232.6 billion as of December 2016 compared to TL 186.8 billion as of 31 December 2015 and TL 141.9 billion as of 31 December 2014. This reflects a loan portfolio growth rate for the years ended 31 December 2016, 31 December 2015 and 2014 of 24.5%, 31.6% and 27.8%, respectively. During this period, the Bank's NPLs as of 31 December 2016, 2015 and 2014 were 1.8%, 1.7% and 1.9%, respectively; however rapid growth in the Bank's loan portfolio may lead to deterioration in the quality of its assets and portfolio and an increase of NPL levels in the future. The share of restructured loans in the Bank's loan book was 3.5%, 2.2% and 2.1% while the share of loans on the Bank's watch list was 1.9%, 2.2% and 2.5%, respectively, as of 31 December 2016, 2015 and 2014.

The significant and rapid increase in the Bank's loan portfolio requires continued and improved monitoring by management of the Bank's lending policies, credit quality and adequacy of provisioning levels through its risk management programme. The Bank expects to further increase its loan portfolio in the future and any failure by the Bank to manage loan book growth within prudent risk parameters, sufficiently control the credit quality of its customers or monitor and regulate the adequacy of its provisioning levels, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Changes in interest rate levels may affect the value of the Bank's assets sensitive to interest rates and spread changes, as well as the Bank's net interest margins and borrowing costs.

The Bank's results of operations depend significantly upon the level of its net interest income, which is the difference between the total interest income the Bank receives on its interest-earning assets and the total interest expense that it pays on its interest-bearing liabilities. Net interest income is the principal source of income for the Bank. Thus, the differential between the interest rates that it charges on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.* its average spread), and the volume of such assets and liabilities, tend to have the most significant impact on the Bank's results of operations. Net interest income represented 81.0%, 79.6% and 80.3% of the Bank's total operating income before provisions for the years ended 31 December 2016, 2015 and 2014, respectively. The Bank's net interest margin, defined as net interest income as a percentage of average total interest-earning assets, was 5.1%, 4.6% and 4.6% for the years ended 31 December 2016, 2015 and 2014, respectively.

Interest rates are highly sensitive to many factors beyond the Bank's control, including monetary policies pursued by the Turkish Government and domestic and international economic and political conditions, and the Bank may be unable to take actions to mitigate any adverse effects of interest rate movements. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below in the following paragraph. In particular, the Bank may be affected by the Central Bank's policies with respect to interest rates and reserve requirements. See "*—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities, and thereby affect results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which for Turkish banks are typically short-term and reset frequently) to increase more significantly and quickly than interest income from loans (which are short-, medium-, and long-term), resulting in a reduction in net interest income. Moreover, an increase in interest rates such as the large increases in January 2014 described in "*—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the*

Bank's business, financial condition, results of operations and prospects" below, could reduce demand for the Bank's loans, resulting in a further reduction in net interest income. In addition, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's profitability may be negatively affected as a result of regulatory, competitive and other factors impacting the Turkish banking sector.

The Bank's profitability may be negatively affected in the short-term and possibly in the long-term as a result of a number of factors that are generally impacting the Turkish banking sector. Such factors include macroeconomic shocks, increased competition, particularly as it impacts net interest margins (see "*—The Bank faces intense competition in the Turkish banking sector from both private banks and other Turkish Government owned financial institutions, including as a result of consolidation in the sector, which may result in reduced net interest margins and fee income and may materially and adversely affect the Bank's business, financial condition, results of operations and prospects*"), the interest rate environment in Turkey (see "*—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*") and Central Bank and BRSA regulatory actions. There have been a number of significant changes to capital adequacy rules, including regulations regarding countercyclical capital buffers, systemically important banks as well as changes to equity and capital adequacy regulations. (see "*—Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Bank's business*" and "*—The Bank is a highly regulated entity 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 Bank's business, financial condition, results of operations and prospects*"). There can be no assurances that such factors will not have a material adverse effect on the Bank's profitability or otherwise on its business, financial condition, results of operations and prospects.

The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Central Bank has adjusted reserve requirement ratios as a policy tool at various times in the past several years to reduce or encourage certain actions by the banking sector, including both deposit and lending activity. Such actions directly impact the profitability of banking products and services and can impact the Bank's strategy. For example, reserve requirement ratios for Turkish Lira deposits have increased several times since 2011 and the reserve requirement ratios for foreign currency (FX) denominated liabilities of banks and financing companies were revised in order to encourage the extension of maturities of non-core liabilities. Such actions had the impact of requiring the Bank to hold larger reserves with the Central Bank. If the Bank is not able to increase the term of its deposits or obtain additional sources of financing, its reserve requirements and associated costs may remain elevated or increase further, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*—The Bank's loan portfolio, deposit base and government securities holdings are concentrated in Turkey and adverse changes affecting the Turkish economy could have a material adverse effect on its business, financial condition, results of operations and prospects*". Conversely, more recently, on each of 9 August 2016 and 6 September 2016, the Central Bank decreased Turkish Lira reserve requirement ratios by 50 basis points for all maturity brackets (comprising a total decrease of 100 basis points) and on 24 November 2016 and 10 January 2017 the Central Bank decreased foreign exchange reserve requirement ratios by 50 basis points for all maturity brackets to provide liquidity to financial system. Accordingly, such adjustments to reserve requirements have had and are likely to continue to have an impact on the Bank's results of operations.

The adjustments in reserve requirement ratios have been combined with changes in the Central Bank's interest rate policies, which directly influence the Bank's deposit and lending rates and thereby impact margins and results of operations given the maturity mismatch between shorter term assets and longer term liabilities (see "*Risk Management—Management of Specific Risks—Liquidity Risk*"). For example, to minimise the adverse impacts of domestic and external developments leading to depreciation in TL and risk premium increase, the Central Bank increased one-week repo rate to 10.0% on 28 January 2014 so as to curb

the inflation and achieve macroeconomic stability; this rate was subsequently reduced in a series of steps with the most recent reduction to 8.0% on 24 November 2016. The overnight borrowing rate was increased from 3.5% on 17 May 2013 to 8.0% on 28 January 2014 as a response to rising inflation in Turkey and volatility across emerging markets given uncertainty over possible gradual reduction by the U.S. Federal Reserve of its quantitative easing policy. In line with the monetary developments, the overnight borrowing rate stood at 7.25% in 2016 after 50 base points and 25 base points decrease on 18 July 2014 and 25 February 2015, respectively. The overnight lending rate was substantially increased by the Central Bank to 12.00% on 28 January 2014 due to depreciation of the Turkish Lira following political unrest in Turkey in January 2014. In line with the monetary developments, the overnight lending rate decreased in the second half of 2014 and early 2015, reaching 10.75% on 25 February 2015. In 2016, the overnight lending rate was decreased to 8.25% after several meetings of Central Bank and increased to 8.50% and 9.25% on 25 November 2016 and 25 January 2017, respectively.

Changes in interest rates may impact a number of aspects of the Bank's business, such as deposits and loans. For a discussion of other risks that the Bank may face as a result of the highly regulated environment in which it operates, see "*—The Bank is a highly regulated entity 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 Bank's business, financial condition, results of operations and prospects*".

Any failure by the Bank to adopt adequate responses to these or other future changes in Turkish monetary policy could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank faces intense competition in the Turkish banking sector from both private banks and other Turkish Government-owned financial institutions, including as a result of consolidation in the sector, which may result in reduced net interest margins and fee income and may materially and adversely affect the Bank's business, financial condition, results of operations and prospects.

The Turkish banking sector is highly competitive among both private and state-owned banks. A small number of these banks represent a major share of the Turkish banking market and according to the BRSA, as of 31 December 2016, the top five banks in Turkey (including the Bank) held approximately 54.4% of the Turkish banking sector's total cash loan portfolio and approximately 54.1% of the total bank assets in Turkey.

The banking industry in Turkey is highly competitive across each banking division and sector. The Bank's net interest margin, defined as net interest income as a percentage of average total interest earning assets was 5.1%, 4.6% and 4.6% for the years ended 31 December 2016, 2015 and 2014, respectively. The intense competition may increase the pressure for the Bank to expand the range and sophistication of its products and services currently offered which may lead to the Bank reducing its net interest margins and could otherwise have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Increased pricing competition in the Turkish banking markets through the offer of products at significantly lower prices may also impact customer behavioural patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

In addition, there has been a decline in the number of banks operating in Turkey due to the significant consolidation in the Turkish banking industry in the early to mid-2000s, the takeovers of many failed banks by the SDIF and the stricter requirements set by the BRSA on capital adequacy, provisioning, maximum single counterparty exposure, accounting, information disclosure and foreign exchange positions. In addition, international banks have shown an increased interest in the banking sector in Turkey. In May 2014, the BRSA issued a permit for the establishment of the main Istanbul branch of a new deposit bank, Intesa Sanpaolo S.p.A. Italy. In November 2014, Spanish bank Banco Bilbao Vizcaya Argentaria S.A (BBVA) purchased an additional 14.89% stake in Türkiye Garanti Bankası AŞ, and BBVA's stake in Türkiye Garanti Bankası AŞ increased to 39.9%. In April 2015, BRSA approved the purchase by Industrial and Commercial Bank of China Limited of a 75.50% stake in Tekstil Bank A.S. and the business name of this bank was amended to ICBC Turkey Bank A.S as of 19 November 2015. In June 2016, Qatar National Bank purchased

99.8% stake in Finansbank. The entry of foreign owned companies into the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market.

The Bank's increased exposure to intense competition in each of its key areas of operation may, among other things, limit the Bank's ability to increase its client base and expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurances, therefore, that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's retail and SME customer base is particularly sensitive to adverse developments in the Turkish economy, which renders such lending activities relatively riskier than lending to larger corporate customers.

Loans to retail customers and SMEs (which include SMEs and micro enterprises) historically represented a significant part of the Bank's loan portfolio. The percentage of such loans in the Bank's portfolio remained stable in 2014-2016, however increasing its SME customer base, particularly among medium-sized enterprises and diversifying its asset base, including its retail loans, remain strategic priorities of the Bank. Loans to retail customers, as a percentage of the Bank's loan portfolio, decreased from 27.5% as of 31 December 2014 to 24.1% and 24.4% as of 31 December 2015 and 2016, respectively, and loans to SMEs (which include SMEs and micro enterprises), as a percentage of the Bank's loan portfolio, decreased from 37.0% as of 31 December 2014 to 36.4% as of 31 December 2015 and then decreased to 35.7% as of 31 December 2016. SMEs, who typically have less financial strength than large companies (and who, as a result, may be more affected by negative developments in the Turkish economy, including changes in growth, unemployment and foreign exchange depreciation), are a key component of the Bank's current business and growth strategy. It is generally accepted that lending to retail customers and SMEs entails a relatively higher degree of risk than comparable transactions with other larger corporate borrowers, mostly because accurate and comprehensive financial information and general credit information on which to base credit decisions are less available for retail customers and SMEs than for large corporate borrowers. Therefore, notwithstanding the credit risk policies and procedures that the Bank has in place, the Bank may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability, and there can be no guarantee that the percentage of retail customers or SMEs in the Bank's portfolio will not materially increase in the near to medium term. If the Bank is unable to accurately model the risk associated with its retail and SME borrowers, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's NPLs ratio for its SME loan portfolio, as of 31 December 2016, 2015 and 2014, was 2.5%, 2.1%, and 2.4%, respectively, and the Bank's NPL ratio for its retail loan portfolio as of 31 December 2016, 2015 and 2014 was 1.3%, 1.4% and 1.4%, respectively (compared to an NPL ratio of 1.8%, 1.7% and 1.9%, for its entire loan portfolio as of the same dates). The ratio of NPLs to total loans in the Turkish banking sector was 3.2%, 3.1% and 2.9% as of 31 December 2016, 2015 and 2014, respectively, according to the BRSA's monthly statistical bulletin. There can be no assurances that the Bank's NPLs for its SMEs and retail banking divisions, or any of its other divisions, will not materially increase in the near to medium term, in particular if there is a deterioration in macroeconomic conditions in Turkey or if the Bank is unable to accurately model the risk associated with retail, SME or other borrowers to which it extends credit. See "*The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*". Furthermore, above the sector growth in the Bank's loan portfolio due to increasing loan demand, may lead to deterioration in the underlying asset quality and an increase in loan to deposit ratios, due to a relatively slower growth in deposits. Any failure by the Bank 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 could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is entirely state-owned and is subject to government control.

The Bank's share capital is 100% owned by the Turkish Government through the Turkey Wealth Fund managed by Türkiye Varlık Fonu Yönetimi A.Ş. (the Turkey Wealth Fund Management Company) ("**TWFM Company**"), which has the right to appoint the members of the Bank's Board of Directors. The Bank's share capital was recently transferred from the Turkish Undersecretariat of Treasury to the Turkey

Wealth Fund managed by the TWFM Company on 5 February 2017. At times the interests of the Turkish Government and the TWFM Company may differ from those of Noteholders and there can be no assurances that the TWFM Company's policies and decisions regarding the Bank will not negatively affect the Noteholders. Although the Bank has not experienced pressure from its shareholder to date to conduct transactions upon more favourable terms with Turkish state-owned or state-controlled legal entities or to deviate from its credit and lending policies and procedures, there can be no assurances that the Bank will not be directed or come under pressure to engage in activities with a lower profit margin than it would otherwise pursue or to provide financing to certain companies or entities on favourable or non-market terms. However, legislation exists in Turkey which is aimed at protecting state-owned and state-controlled financial institutions from being unduly influenced or pressured in their dealings with other such institutions. Any such strategies or actions may not necessarily be the same as those pursued by an independent profit-oriented institution. Furthermore, as the sole shareholder, the Turkey Wealth Fund managed by TWFM Company may influence the amount of dividend payment in a given period and there can be no assurances that the TWFM Company will not direct the Bank to pay a larger dividend than the Bank might believe to be prudent. Moreover, as the TWFM Company is a new state institution, its three year Strategic Investment Plan is still being prepared and will be submitted for approval to the Council of Ministers, and, therefore, its policies and staffing remain uncertain and any developments following approval of the Strategic Investment Plan may impact the Bank's governance and policies (including strategy and dividend policy) in a manner that cannot currently be predicted.

The Turkish Government may decide to privatise the Bank in whole or in part. Any decisions regarding the timing and extent of any privatisation are expected to be taken at the highest levels of the Turkish Government and would not necessarily be subject to prior consultation with or approval by the Bank's senior management. There can be no assurance of the timing of such privatisation or that any full or partial privatisation of the Bank would be successful, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's credit portfolio has certain industry and customer concentration, which renders it susceptible to deterioration in the financial condition of such industries and customers

Cash and non-cash loans and advances to the Bank's ten largest customers as of 31 December 2016, 2015 and 2014, represented 9.2%, 8.8% and 9.1%, respectively, of its total cash and non-cash loans and advances. In terms of sector concentration, as of 31 December 2016, cash loans and advances in the manufacturing, agricultural, services and construction sectors comprised 18.6%, 26.0%, 7.7% and 7.5%, respectively, of the Bank's total cash business loans and advances. Furthermore as of 31 December 2016, 20.1% of deposits held by the Bank were funds deposited by public institutions. A downturn in any of these sectors, individually or in the aggregate, may adversely affect the financial condition of the companies operating in such sectors and may result in, among other things, a decrease in funds that such corporate and commercial customers hold on deposit with the Bank, defaults on their obligations owed to the Bank or a need for the Bank to increase provisions in respect of such obligations, any of which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

A significant portion of the Bank's total assets comprises securities issued by the Turkish Government, and thus, in the event of a Turkish Government downgrade or default, there would be a direct negative impact on the Bank in addition to a severe impact on the Turkish economy.

The Bank, like other Turkish banks, has traditionally invested a significant portion of its assets in securities issued by the Turkish Government. As of 31 December 2016, 18.6% of the Bank's total assets were invested in securities issued by the Turkish Government, compared to 20.9% and 25.7% as of 31 December 2015 and 2014, respectively.

In general, investing in the Turkish Government's securities (similarly to investing in the securities of issuers that have operations primarily in emerging markets like Turkey) involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. Therefore, the Bank's investment in securities issued by the Turkish Government is subject to a high degree of volatility due to developments and perceptions of risks in other countries and there can be no assurance that the Bank's investment in the Turkish Government's securities will not be negatively affected by events in other emerging markets or the global economy in general. Turkey's sovereign debt rating was downgraded by S&P on 20 July 2016 followed by a downgrade by

Moody's on 23 September 2016 to below investment-grade status, which also led to a downgrade of Turkish financial institutions, including the Bank. Turkey's long-term foreign currency debt and its long-term local currency debt are currently rated "BBB-", with negative outlook, by Fitch. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and Moody's. The Bank calculates its capital adequacy ratio according to the Capital Adequacy Regulation published by the BRSA, which allows the Bank to use credit ratings to calculate the risk-weighted assets for capital adequacy purposes. Management estimates that these recent downgrades to sub-investment grade will have declining effect on capital adequacy ratio of the banking sector and potential capital erosion could be even larger for the banking industry if the Turkish Lira were to face further depreciation pressures or Turkish Lira bonds were to suffer a significant sell-off, negatively affecting bond prices. Overall, management expects that Turkey's recent downgrades to below investment grade bond status may have medium-term negative implications on key macroeconomic balances and capital adequacy ratios. In particular, as of February 2017, the Bank's management estimates that the Turkey's recent downgrades to below investment grade may alone have between 70 and 90 basis point negative impact on the capital adequacy ratio of the Bank. See also "*Risk Related to Turkey—The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries*".

In addition to any direct losses that the Bank might incur, a default by the Turkish Government in making payments on its treasury bills and other securities would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Security interests or loan guarantees provided in favour of the Bank may not be sufficient to cover any losses in the event of defaults by debtors and may entail long and costly enforcement proceedings.

Accepting collateral to extend a bank loan and foreclosing on security interests are subject to certain costs and formal limitations under Turkish law. It may not be possible to obtain a security interest, such as a mortgage, for all loans that the Bank provides, and certain of the Bank's loans are unsecured or secured only by a personal guarantee. Enforcement of any type of collateral involves a long and costly procedure under Turkish law. The Bank may have difficulty foreclosing on collateral provided by borrowers or third parties when debtors default on their loans, and would likely face further difficulties if any of its key customers were to default on their loans. In addition, the time and costs associated with enforcing security interests in Turkey may make it uneconomical for the Bank to pursue such proceedings, adversely affecting its ability to recover its loan losses.

Any decline in the value or liquidity of collateral may prevent the Bank from foreclosing on such collateral for its full value or at all, in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby have a material adverse effect on the Bank's ability to recover any loan losses.

The Bank has incurred, and continues to incur, a risk of counterparty default that arises, for example, from entering into swaps or other derivative contracts under which counterparties have financial obligations to make payments to the Bank.

The Bank routinely executes transactions with counterparties in the financial services industry, including commercial banks, investment banks, central banks and other institutional clients, resulting in a significant credit concentration. A significant portion of the Bank's derivative transactions, which mainly include customer-driven forward transactions, foreign exchange swaps, gold swaps, interest rate swaps and cross-currency swaps, are entered into with non-Turkish financial institutions. The Bank is exposed to counterparty risks that have increased as a result of financial institution failures and nationalisations during the global financial crisis and will continue to be exposed to the risk of loss, if counterparty financial institutions fail or are otherwise unable to meet their obligations. In addition, the Bank's credit risk would be exacerbated if the collateral it holds cannot be realised, or is not liquidated, at prices that are sufficient to recover the full amount of the loan or derivative exposure it is intended to secure. In addition, a default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or to losses or defaults by other financial institutions, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank's business, financial condition, results of operations and prospects have been affected by liquidity risks in a volatile Turkish market, and may be further affected by liquidity risks, particularly if Turkish or international financial market conditions deteriorate.

Liquidity risk comprises uncertainties in relation to the Bank's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Bank's liabilities reasonably in line with its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Bank's inability to meet its net funding requirements due to inadequate liquidity could have a material adverse effect on its business, financial condition, results of operations and prospects.

In common with other Turkish banks, many of the Bank's liabilities are demand and short-term time deposits (typically, term deposits with terms of 30 days to three months), whereas its assets are generally medium- to long-term (such as loans and mortgages). As of 31 December 2016, 95.8% of the Bank's funding (which includes amounts due to banks and financial institutions, customers' deposits and other borrowed funds) had remaining maturities of one year or less or were payable on demand. As of the same date, the Bank had a negative cumulative maturity gap (more short-term liabilities than short-term assets) of TL 121.9 billion as compared to TL 107.3 billion and TL 92.4 billion as of 31 December 2015 and 2014, respectively. Although the Bank has accessed wholesale funding markets (through syndicated loan facilities and Turkish and global capital markets, in particular as of the date of this Base Prospectus, a total amount of \$1,324.3 million is outstanding under the Programme, which includes US\$74.3 million placed in private placements) in order to diversify its funding sources, such borrowings have not eliminated asset-liability maturity gaps and such may result, ultimately, in liquidity problems. See "*Risk Management—Management of Specific Risks—Liquidity Risk*".

There can be no assurances that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. If deposit growth does not keep pace with loan and asset growth, or if a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or if the Bank fails to refinance some of its large short- to medium-term borrowings, the Bank may need to access more expensive sources of financing to meet its funding requirements, including wholesale funding. No assurances can be given that the Bank will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. An inability on the Bank's part to access funds or to access the markets from which it raises funds may put the Bank's positions in liquid assets at risk and lead the Bank to be unable to finance its operations and growth plans adequately. The Bank may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

A rising interest rate environment could compound the risk of the Bank not being able to access funds at favourable rates. These and other factors could lead creditors to form a negative view of the Bank's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds. In addition, the Bank's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or policy changes of the Turkish Government for the agricultural sector. While the Bank aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise could adversely affect the Bank's business, financial condition, results of operations and prospects.

There can be no assurances that the Bank will not experience liquidity issues in the future. In the event that the Bank experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, wholesale funding becomes increasingly costly and more difficult to obtain, which may adversely affect borrowing using many capital market instruments including asset-backed securities, Eurobonds and the Programme. The Bank's inability to refinance or replace deposits and devalued assets with alternative funding available on commercially reasonable terms, if at all, could result in the failure of the Bank to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank may have difficulty raising capital on reasonable terms.

By regulation, the Bank is required to maintain certain capital levels and capital adequacy ratios in connection with its banking business, which depend in part upon the level of the Bank's risk-weighted assets. Basel II took effect in Turkey on 1 July 2012.

The Basel Committee recently adopted further revisions ("**Basel III**"), which are expected to be implemented in Turkey by 2019. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA issued regulations for the implementation of capital standards and leverage ratio which came into force on 1 January 2014 and regulation for the implementation of liquidity coverage ratio which was issued on 21 March 2014 and came into force as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015). As of 31 December 2016, the Bank's total regulatory capital to risk weighted assets ratio calculated in accordance with Basel III rules, prepared on an unconsolidated basis in accordance with BRSA Principles, was 14.6%.

Any other potential changes relating to Basel III or any other capital adequacy related revisions may impact the manner in which the Bank calculates its capital ratios and may even impose higher capital requirements, which may need the Bank to raise additional capital in the future to ensure that it has sufficient capital reserves, which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Additionally, it is possible that the Bank's capital levels could decline due to, among other things, credit losses, increased credit reserves, currency fluctuations or dividend payments. In addition, the Bank may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets, especially in light of the Bank's strategy to migrate from investments in its securities portfolio to a loan book, which may put pressure on the Bank's capitalisation in the future. Should the Bank wish or be required to raise additional capital, it may not be in a position to do so at all or at prices that the Bank considers to be reasonable. If any or all of these risks materialise, then this could have a material adverse effect on the Bank's liquidity, business, financial condition, results of operations and prospects.

Market risks arising from open positions in interest rate, currency, and equity products affect the Bank, particularly if economic conditions deteriorate.

The Bank is exposed to market risk as a consequence of the management of its overall financial position, including its trading portfolio. Therefore, the Bank is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates and to a lesser extent equity prices. If the Bank were to suffer substantial losses due to any such market volatility this would have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Fluctuations in foreign currency exchange rates, to the extent they are not adequately hedged against, may adversely affect the Bank's financial position and cash flows.

A portion of the Bank's assets and liabilities are denominated in foreign currencies, particularly the US Dollar and Euro. As of 31 December 2016, the Bank's total foreign currency assets amounted to TL 122.9 billion, whereas the Bank's total foreign currency liabilities amounted to TL 112.9 billion, resulting in a net balance sheet foreign currency position of TL 10.1 billion. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities and gains or losses realised upon the sale of such assets, to Turkish Lira in preparing its financial statements. As a result, the Bank's reported income is affected by changes in the value of the Turkish Lira against foreign currencies (primarily the US Dollar and Euro). Moreover, if the Turkish Lira were to depreciate materially against foreign currencies, it would be more difficult for the Bank's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency denominated loans. See also "*Risks Related to Turkey—Economic instability in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*".

The Bank manages foreign currency risk primarily by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities. When deemed necessary, the Bank enters into foreign currency

swap transactions with other banks. See "*Risk Management—Management of Specific Risks—Market Risk—Currency Risk*".

Restrictive covenants under the Bank's outstanding agreements may adversely affect the Bank's operations, and a breach of any of these covenants could result in the counterparty exercising remedies against the Bank or its properties.

The Bank is party to a range of agreements, including in respect of debt instruments issued by the Bank, which contain restrictive covenants, such as negative pledges, maintenance of certain regulatory authorisations, refraining from certain transactions with affiliates, and certain financial reporting requirements. These restrictive covenants may adversely affect the Bank's operations. In addition, a breach of any of these covenants could result in a default under the applicable agreements, which could result in the counterparty exercising remedies against the Bank or its properties and that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Future events may be different to those reflected in the management assumptions and estimates used in the preparation of the Bank's financial statements, which may cause unexpected reductions in profitability or losses in the future.

The Bank maintains its accounting systems and prepares its accounts in accordance with the BRSA Principles which are different from IFRS. Pursuant to BRSA rules and interpretations in effect as of the date of this Base Prospectus, the Bank is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future BRSA rules or interpretations, the Bank may experience unexpected reductions in profitability or losses or such inaccuracies in estimated values could otherwise have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The audit reports in relation to the Annual Financial Statements are each qualified.

The audit reports in relation to the Annual Financial Statements are qualified with respect to free provisions recognised by the Bank that are not in accordance with BRSA Principles. The Bank may have similar qualifications in the future.

The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2016 include a free provision amounting to TL 945 million, of which TL 295.4 million was reversed from the income statements in the current year. The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2015 include a free provision amounting to TL 1,240.4 million, of which TL 79.6 million thousand was reversed from the income statement for the year ended 31 December 2015. The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2014 include a free provision amounting to TL 1,320 million, of which TL 268 million was charged to the income statements as an expense for the year ended 2014. The Bank's management provided these free provisions that are not in accordance with BRSA Principles in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market condition. Although these free provisions did not impact the Bank's level of tax or capitalisation ratios, if the Bank had not established these provisions, then its net income might have been higher in 2014. Conversely, as the Bank reversed a part of its provisions in the years ended 31 December 2015 and 31 December 2016, then its net income in those years would have been lower. In addition, such provisions might be reversed or re-allocated by the Bank in future periods, which may cause the Bank's net income to be higher or lower in future periods than it otherwise would be in the absence of such reversal or re-allocation. See "*Independent auditors' report*" in the Annual Financial Statements incorporated by reference herein.

Customers may bring claims (including class action) against the Bank seeking damages in relation to violations of competition and antitrust laws of Turkey.

The Bank is subject to competition and antitrust laws as application to all other enterprises in Turkey. Pursuant to its resolution 11-55/1438-M dated 2 November 2011, the Turkish Competition Authority (the "**Competition Board**") resolved to initiate an investigation against twelve major banks, as well as two other financial institutions that are active in the banking services industry in Turkey, including the Bank,

regarding three banking instruments (deposits, loans and credit card services). The purpose of the investigation was to determine whether the respective entities were involved in actions that restrict competition, or in concerted practices and associations of undertakings as stated under Article 4 of Competition Law No. 4054. Within the scope of this investigation the Competition Board imposed on the Bank a TL 148.2 million administrative fine on 8 March 2013 in relation to allegations of acting in concert regarding interest rates and fees on deposits, loans and credit cards in breach of the competition law (other banks were also fined, ranging from TL 10.0 million to TL 213.0 million with fines generally based on net income). On 16 August 2013, the Bank took advantage of an early payment discount scheme and paid 75% (TL 111.2 million) of the total fine while it is currently challenging the Competition Board's decision. It has also taken corrective steps to address the practices for which it was fined. As of the date of this Base Prospectus, the Bank's appeal of the Competition's Board has not been completed. The Bank's management does not expect to pay any additional amounts towards the fine. While there is no precedent Turkish court decision upholding the validity of any such claims by customers and there are no resolved cases brought by any customers against the Bank in this respect, under articles 57 and 58 of the Law on the Protection of Competition, customers may be able to bring claims (including in a class action) against the Bank seeking damages, which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Additionally, an administrative fine of TL 110 million was imposed on the Bank by the Ministry of Customs and Trade and on 7 September 2015, the Bank paid TL 83 million in full settlement of the fine using the prepayment discount available for early payments of administrative fines. On 9 September 2015, the Bank initiated a lawsuit seeking cancellation and suspension of the fine issued by the Ministry of Customs and Trade. The motion for suspension of execution of the fine was rejected by the Ankara District Administrative Court and the lawsuit is still pending.

The Bank's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks.

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

Some of the Bank's methods of managing risk are based on its use of historical market behaviour, which may not predict future risk exposures that could be significantly greater than historical measures indicate. For example, in 2012 the Bank implemented a scorecard system for risk rating purposes. If its measures to assess and mitigate risk prove insufficient, the Bank may experience unexpected losses which could have a material adverse effect on its business, financial condition, results of operations and prospects. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Bank calculates using mathematical models and the deterioration of assets like these could lead to losses that the Bank has not anticipated.

Other risk management practices, including "Know Your Customer" ("KYC") practices, depend upon the evaluation of information regarding the markets in which the Bank operates, its clients or other matters that are publicly available or information otherwise accessible to the Bank. As such practices are less developed in Turkey than in other, non-emerging markets, and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up to date or properly evaluated in all cases.

In the course of its business activities, the Bank is exposed to operational risk, which is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events. The Bank also cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. The Bank is susceptible to, amongst other things, failure of internal processes or systems, including, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. The Bank's risk management and internal control capabilities are also limited by

the information tools and technologies available to it. Given the Bank's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Consequently, any inadequacy of the Bank's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank may also suffer service interruptions from time to time due to failures by third party service providers and natural disasters, which are beyond the Bank's control. Such interruptions may result in interference to services to the Bank's branches and may impact customer service and could otherwise have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Any material deficiency in the Bank's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Any failure or interruption in or breach of the Bank's information systems, and any failure to update such systems, may result in lost business and other losses.

The Bank relies heavily on information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing and/or loan origination systems. Although the Bank has developed back-up systems and business continuity plans in case of emergency, if the Bank's information systems were to fail, even for a short period of time, it could be unable to serve some customers' needs on a timely basis and could therefore lose their business. Likewise, a temporary shutdown of the Bank's information systems could result in costs that are required for information retrieval and verification. There can be no assurances that such failures or interruptions will not occur or that the Bank will adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. In addition, there can be no assurances that the rollout or implementation of any new systems or processes will provide the desired benefit to the Bank's business, or will not involve failures or business interruptions that could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*Business of the Group—Information Technology*". The Bank operates in a number of emerging markets, which exposes it to regulatory, political and economic risks in these markets.

As of 31 December 2016, the Bank had subsidiaries, affiliates and joint ventures and branches operating in 19 countries, including Azerbaijan, Turkmenistan, Uzbekistan, Montenegro and Bosnia and Herzegovina, and the Bank plans to further expand its international operations. These operations may expose the Bank to risks greater than those associated with more developed markets, including political, economic and social instability, uncertainty of local contractual terms and of enforcing terms in disputes before local courts, the introduction of exchange or foreign investment controls and the complexities and uncertainties of complying with local regulatory requirements. In particular, an inability to comply with evolving local regulatory requirements could lead to a suspension, withdrawal, revocation or loss of relevant regulatory permissions, which would restrict the relevant Group entity's ability to operate and could lead to reputational damage to the Bank. Any failure by the Bank to effectively manage these risks could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank may not be able to fully comply with anti-money laundering regulations, which could result in criminal and regulatory fines and reputational damage.

Although the Bank has implemented comprehensive anti-money laundering ("AML") and KYC policies and procedures, and seeks to adhere to all requirements under Turkish legislation aimed at preventing the Bank from being used as a vehicle for money laundering, there can be no assurances that these policies and procedures will be completely effective. Moreover, to a certain extent the Bank must rely upon correspondent banks to maintain and properly apply their own appropriate AML and KYC policies and procedures. If the Bank in the future fails to comply with timely reporting requirements or other AML or KYC regulations, or is associated with money laundering or terrorist financing, its reputation, business, financial condition, results of operations or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

The Bank's success depends upon key members of its senior executive management and its business and growth prospects may be impacted.

According to its Articles, the Board of Directors of the Bank is responsible for the Bank's management while the Members of the Board of Directors of the Bank (other than Mr Hüseyin Aydın, who holds the position of the Bank's General Manager and a Member of the Board of Directors) do not hold executive management positions at the Bank. At the same time, the Bank is dependent upon its senior executive management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior executive management are important to the conduct of the Bank's business. If key members of senior executive management were to leave the Bank, this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. Furthermore, the Bank's ability to successfully implement its strategy depends upon its ability to recruit and maintain suitably qualified and capable employees. Even though its human resources policy is aimed at achieving these goals, it is not possible to guarantee that the policy will be successful. An inability to attract and retain qualified and capable employees for each position may limit or delay the execution of the Bank's strategy, and could have a material adverse effect on its business, financial condition, results of operations and prospects.

Labour disputes or other industrial actions could disrupt operations or make them more costly.

Labour disputes or work stoppages could disrupt operations or make them more costly. The Bank is exposed to the risk of labour disputes and work stoppages. 85.6% of the Bank's employees are members of a trade union. Although a collective agreement is in place between the Bank and the trade union and the Bank has not experienced any work stoppages or labour disputes, there can be no assurances that they will not occur in the future. If employees engage in a prolonged work stoppages or strikes, this could have a material adverse effect on the Bank's financial condition and future prospects.

The Bank may face risks related to its joint ventures.

The Bank conducts its operations in Turkmenistan, Uzbekistan and Azerbaijan through entities which it does not control or in which it shares control with strategic or business partners. Joint venture operations involve additional risks, including the possibility that the Bank's joint venture partners may have economic, business or legal interests or goals that are inconsistent with the Bank's, become bankrupt, refuse to make additional investments or implement business practices that the Bank deems necessary or desirable or prove otherwise unwilling or unable to fulfil their obligations under the relevant joint venture or affiliate agreements. These factors could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks Related to Turkey

Political developments in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Beginning in late 2013, the Turkish political and social situation has been particularly volatile, specifically following an attempted coup in July 2016.

In late 2013, there were a series of arrests of prominent businessmen and family members of some cabinet ministers (who have since 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 officials from their offices. In addition, the BRSA's regulatory actions taken towards Bank Asya (which involved the SDIF taking over management of Bank Asya on 3 February 2015) incurred criticism from a number of Turkish politicians. The BRSA announced it was taking such action due to Bank Asya's violation of a provision of the Banking Law that requires banks to have a transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the bank by the BRSA.

Despite the occurrence of these events, the then-current Prime Minister Recep Tayyip Erdoğan announced his candidacy to run for the presidency, which he won with approximately 52% of the vote in August 2014. Most recently, elections were held 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 ("**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 22 May 2016, the AKP selected the former minister of transport, maritime affairs and communication, Binali Yıldırım, as its next leader and President Recep Tayyip Erdoğan approved the new government formed by Mr. Yıldırım. On 24 May 2016, Mr. Yıldırım replaced Ahmet Davutoğlu and became the new prime minister in Turkey. Notwithstanding this, social and political conditions remain challenging, 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 organization 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 Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions.

Any significant changes in the political environment, including the failure of the Turkish Government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, the Bank's business, financial condition, results of operations and prospects. Perceptions of political risk have also increased as a result of certain geopolitical factors affecting Turkey, including relating to terrorist attacks (see "*—Conflict and terrorism within Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects*"), the refugee crisis and tensions with Russia.

Increased political risks following the coup attempt of July 2016

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. Following the coup attempt, there have been arrests of thousands of individuals, including senior members of the military, police and judiciary, as well as restrictions of media outlets, suspension, dismissal, travel bans and legal proceedings against police officers, public employees and the business community. As of 13 March 2017, investigations with respect to the attempted coup are on-going. Any future investigations or other restrictions may include customers of the Bank, which could impact the Bank's growth or such customers' ability to meet their obligations and may in turn have an adverse impact on the Bank's loan portfolio. The ongoing investigations following the failed coup attempt and state of emergency may contribute to uncertainty about the Turkish political landscape. There might be further arrests and actions taken by the Turkish Government in relation to these investigations, including changes in policies and laws.

On 20 July 2016, the government declared a three month state of emergency in the country, entitling the government to exercise additional powers. The state of emergency was further extended in October 2016 and in January 2017, in each case by an additional 90 days, and is currently expected to remain effective until 19 April 2017. 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. Although, through the date of this Base Prospectus, the Bank's operations have not been materially affected by the attempted coup, the impact on political and social circumstances following the attempted coup and its aftermath (including rating downgrades of Turkey and the Bank) might have a negative impact on the Turkish economy and institutions, the Bank's and/or the Group's business, results of operations and/or financial condition (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand) and/or the value and/or market price of an investment in the Notes. In addition, the Bank's asset quality might be adversely affected as a result of negative impact of the attempted coup on the Turkish tourist industry and slowing growth in the construction and energy sectors. As such, political uncertainty continues.

On 4 November 2016, the Turkish authorities arrested several members of the Grand National Assembly of Turkey from People's Democracy Party (*Halkların Demokrasisi Partisi (HDP)*), including its two co-leaders. Following the November 2015 elections, the AKP announced its intention to replace the existing constitution with a new constitution and to create an executive presidency. The constitutional amendment package, which includes presidential system, was approved at the Parliament on 21 January 2017 and the President also

approved the bill to be put to a referendum, which will be held on 16 April 2017. If approved in a referendum, the bill would amend certain articles of the Turkish Constitution to expand the powers of the president to create an executive presidency structure. It is unclear as of the date hereof what such structure would have on Turkish government institutions, including the continuing independence of Turkish government institutions. As of the date of this Base Prospectus, any possible social and economic effects of such amendments remain uncertain. As such, political uncertainty remains elevated. There can be no assurance that the political situation in Turkey will not deteriorate. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumours and/or uncertainties) could have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of the Notes.

Economic instability in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Since the mid-1980s, the Turkish economy has evolved from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation), currency volatility and persistent unemployment.

In spite of its economic development progress since 2001 when Turkey implemented its macroeconomic programme, it has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including escalating oil prices and terrorist activity, as well as potential domestic political uncertainty and changing investor opinion. High Turkish Government debt levels and a substantial current account deficit may also contribute to economic vulnerability. See "*Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Bank's business*". According to Turkstat, Turkish GDP grew at a rate of 5.2% in 2014, 6.1% in 2015 and negative 1.8% in the third quarter of 2016.

Since February 2001 the Central Bank has applied a floating exchange rate policy and exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile and recent events in Turkey and globally have further contributed to significant fluctuations in the value of the Turkish Lira against international currencies such as the U.S. Dollar as well as varying interest rate policy to respond to currency volatility and economic conditions. In recent years, there have been a number of periods of sharp depreciation and some recovery. For example, from 1 January 2014 through 28 January 2014, the Turkish Lira declined in value by 9.8% in nominal terms against the U.S. Dollar. In response, the Central Bank significantly increased interest rates on 28 January 2014 as described above under "*Risks Related to the Bank—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*". From 28 January 2014 until 30 April 2014, the Turkish Lira appreciated against the US Dollar by 9.6% and, due to such improvement, on 22 May 2014, the Central Bank reduced its one-week repo rate 50 basis points to 9.5% and in the following months, the Central Bank further reduced the one week repo rate from 9.5% initially on 24 June 2014 to 7.50% on 25 February 2015. However, in nominal terms, between 31 December 2014 and 31 December 2015, the Turkish Lira depreciated against the U.S. Dollar by 30.0%. On a real basis, based upon the CPI-based real effective exchange rate, the Turkish Lira depreciated by 13.6% during this period.

On 24 November 2016, the Central Bank increased the upper band of the interest rate corridor from 8.25% to 8.5%, one-week repo rate from 7.5% to 8%, late liquidity window lending rate from 9.75% to 10% and kept the borrowing rate at 7.25% and late liquidity window borrowing rate at 0%. Through this decision, the Central Bank aimed to lower inflationary pressures from exchange rate volatility. Additionally, on 24 November 2016, the Central Bank decreased the foreign exchange reserve requirement ratios by further 50 basis points for all maturity brackets. In nominal terms, between 31 December 2015 and 31 December 2016, the Turkish Lira depreciated against the U.S. Dollar by 20.6%. On a real basis, based upon the consumer price index-based ("**CPI-based**") real effective exchange rate, the Turkish Lira depreciated by 5.5% during this period. On 24 January 2017, Central Bank increased the overnight marginal funding rate from 8.5% to 9.25% and kept the borrowing rate at 7.25%. Central Bank also kept late liquidity window borrowing rate at 0%, and increased lending rate from 10% to 11%.

Accordingly, domestic and international circumstances have resulted in significant volatility in the value of the Turkish Lira, and in particular, its depreciation in the past years. Any significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies, or 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) may adversely affect the financial condition of Turkey as a whole, including its inflation rate, and may have a negative effect on the Bank's business, financial condition and/or results of operations.

There can be no assurances that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. In such circumstances, there can be no assurances that Turkey may need to enter into a new agreement with the International Monetary Fund ("IMF") in relation to macroeconomic stabilisation policies and, even if agreed upon, there can be no assurances that any such agreement would help Turkey to remain economically stable during any current or future macroeconomic imbalances or that IMF support for Turkey would continue. Future negative developments in the Turkish economy could impair the Bank's business strategies and have a materially adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Bank's business.

According to the Central Bank, as of 31 December 2016, Turkey's current account deficit was US\$32.6 billion. Although there have been some improvements due to lower oil prices, the current account deficit remains a principal concern for Turkish policy makers as it increases Turkey's vulnerability to changes in global macroeconomic conditions and the Turkish Government may take policy actions to reduce the current account deficit, including policies that may have a negative impact on domestic growth and consumption. Any reduction in economic growth or policies that curtail the Bank's activity could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

Turkey is an energy-dependent country and recorded US\$27.2 billion of energy imports in 2016. In 2016 Turkey's current account deficit reached US\$32.6 billion and, as such, energy imports represented 13.7% of Turkey's total imports during 2016. While falling oil prices in December 2015 and January 2016 have resulted in a positive impact on Turkey's current account deficit, increasing oil prices following the agreement between OPEC and non OPEC countries in November 2016 together with the Turkish Lira depreciation against the U.S. Dollar might have negative impact on Turkey's current account deficit in 2017, any geopolitical development concerning energy security could have a material impact on Turkey's current account balance. With regard to this, the efforts in northern Iraq to export its oil reserves via Turkish territory might improve Turkey's energy bill; however, in order to export its oil reserves, the regional government in northern Iraq will need to reach an agreement with Iraq's central government. Turkey might also be able to diversify its energy suppliers and lower its energy cost as a result of the interim arrangement between the P5+1 countries (China, France, Russia, the United Kingdom, the United States and Germany) and Iran. Nonetheless, both of these approaches are subject to significant political and other risks and might not result in reduced energy costs to Turkey.

The Bank is a highly regulated entity 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 Bank's business, financial condition, results of operations and prospects.

The Bank is subject to a number of banking and other regulations designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. See "*Turkish Regulatory Environment*". These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries where the Bank and its subsidiaries conduct business. Additionally, the implementation process of Directives of the European Community numbered 2006/48/EC and 2006/49/EC ("**CRD**") and Basel II became effective in July 2012 and Basel III became effective on 1 January 2014. As of 31 December 2016, the Bank's total capital adequacy ratio (computed on an unconsolidated basis and in accordance with the "Regulations on Measurement and Assessment of Capital Adequacy of Banks" issued by the BRSA, which implements the Basel III capital adequacy framework), was 14.6%.

The Banking Law, which was approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005, replaced the previous Banks Act No. 4389 (the "**Banks Act**") and was designed to address the dynamic nature of the banking sector and international financial and economic developments and to operate in parallel with EU banking laws and regulations as well as international banking standards. Compared to its predecessor, the Banking Law is much more comprehensive and detailed. EU banking directives, international rules and standards and relevant country laws and applications were taken into account during the preparation of the Banking Law. The objective of the Banking Law is to maintain the safety and soundness of Turkish financial markets and the Turkish credit system and to protect the rights and interests of investors. Under the Banking Law, customers' rights are regulated with new principles; measures that are to be taken against systemic risk were introduced; honesty, competence, transparency, confidentiality and ethical principles were made legal obligations; and an extensive list of judicial offences was defined, which may lead to heavy penalties. The Banking Law also places a strong emphasis on remedial measures for banks in financial difficulty.

New laws and regulations may increase the Bank's cost of doing business or limit its activities. The Turkish banks' intra-bank borrowing limits at the Central Bank Interbank Money Market were reduced to TL 11 billion as of 16 January 2017. On the days deemed necessary, the amount of funding provided by the Central Bank of the Republic of Turkey through Borsa Istanbul repo markets may be limited and banks will be able to meet their remaining liquidity needs without limits at late liquidity window funding rate. On 24 January 2017 late liquidity window lending rate has been increased from 10% to 11%. The Central Bank decided to open Foreign Exchange Deposits against Turkish Lira Deposits market to enhance flexibility and instrument diversity of the Turkish lira and FX liquidity management.

The BRSA continuously conducts examinations of all banks operating in Turkey. Even small credit deteriorations are closely monitored by the BRSA. Financial information, total capital ratios, open positions, liquidity, interest rate risks and credit portfolios are followed up in detail at frequent intervals. Although the Bank has implemented procedures to monitor these issues, there can be no guarantee that the Bank will not breach the ratios and limits set by the regulator.

The Turkish Government's influence over the Turkish economy could negatively impact the Bank's business.

Traditionally the Turkish Government has exercised, and continues to exercise, significant influence over many aspects of the Turkish economy. The Turkish Government is directly involved in the Turkish economy through its ownership and administration of State Economic Enterprises ("**SEEs**") which, despite the divestments undertaken in the Turkish Government's privatisation programme, continue to represent a significant portion of the Turkish economy. SEEs and other such public enterprises operate in business sectors in which the Bank is active or may be active in the future, including businesses in the financial services sector. Accordingly, any decisions taken by the Turkish Government with respect to SEEs and other such public enterprises may significantly impact the Turkish economy, which could in turn have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and reductions in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of issuers in all emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurances that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

The Bank's credit ratings may not reflect all risks, and changes to Turkey's credit ratings may affect the Bank's ability to obtain funding.

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate the Bank and their ratings of the Bank's long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. Any ratings of the Bank may not reflect the potential impact of all risks related to the Notes, the global financial market or the Turkish banking sector, additional factors described in this "Risk Factors" section or any other factors that may affect the value of the Notes. In light of the difficulties in the financial markets, there can also be no assurances that any rating agency will maintain the Bank's current ratings or outlooks, which could materially adversely affect the trading values of the Notes, the Bank's ability to finance its operations and the expected expansion of its business going forward, any of which could materially adversely affect the Bank's business, financial conditions, results of operations and prospects.

In particular, Turkey's credit ratings have been downgraded by each of the three principal rating agencies and are below investment-grade status for each of these rating agencies, which has led to downgrades generally to the Turkish banking sector, including the Bank. On 20 July 2016, S&P downgraded Turkey's long-term foreign currency sovereign rating from "BB+" to "BB" and assigned its outlook as "Negative." On 4 November 2016, S&P revised the outlook of Turkey's credit rating from "negative" to "stable" and affirmed the foreign currency long-term sovereign credit rating of Turkey as "BB". However, on 27 January 2017, S&P has revised its outlook for Turkey's sovereign credit rating to "negative" from "stable" and affirmed its long-term foreign credit rating at "BB". On 23 September 2016, Moody's downgraded Turkey's credit rating to Ba1 from Baa3 and lowered the country's foreign deposit ceiling to Ba2. On 19 August 2016, Fitch lowered its outlook in respect of Turkey's credit rating to negative from stable. On 27 January 2017, Fitch downgraded Turkey's long-term foreign credit rating to "BB+" from "BBB-" with stable outlook.

A downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception these agencies have of the Bank's rating. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by its assigning rating agency at any time. As of the date of this Base Prospectus, each of the Rating Agencies is established in the EU and registered under the CRA Regulation. As such, the Rating Agencies are included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

Regional developments may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Since December 2010, political instability has increased in a number of countries in the Middle East and North Africa. The conflict in Syria has been the subject of significant international attention and is

inherently volatile and its impact and resolution is difficult to predict. There have recently been military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. The political and military tensions between Syria and Turkey have not yet normalised and may escalate in the future. Unrest in those countries may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy including through both financial markets and the real economy or negatively affect market sentiment towards securities originating in Turkey. There can be no assurance that such disturbances will not have political repercussions within Turkey. Such disturbances may also have a negative impact on the Turkish economy that could, in turn, have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% 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 and consumer price inflation was 8.2%, 8.8% and 8.5% in 2014, 2015 and 2016, respectively. Domestic producer price inflation was 6.4%, 5.7% and 9.9% in 2014, 2015 and 2016, respectively. Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures and any further depreciation of the Turkish Lira may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Uncertainties relating to Turkey's accession to the European Union may adversely affect the Turkish financial markets and result in greater volatility.

Turkey has had a long term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same twenty eight criteria (or "**Chapters**") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. The legislative reforms included the enactment of three new major laws: the Turkish Commercial Code (Law No. 6102) (the "**TCC**"), the Capital Markets Law and the Code of Obligations replaced the former Turkish Commercial Code No. 6762, the Capital Markets Law No. 2499 and Turkish Code of Obligations No. 818, respectively. See "*Recent changes in Turkish law may have a significant impact on the Bank's business, financial condition, results of operations and prospects*".

Although Turkey has implemented various reforms and continued harmonisation efforts with the EU, the relationship between the EU and Turkey has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005 relating to the Customs Union and in connection with recognition of the Republic of Cyprus. Following this, in December 2006 the EU decided that negotiations in eight Chapters should be suspended and that no Chapter would be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol of July 2005. In November 2013, the negotiations on Chapters and Turkey's accession to the EU were recommenced. There can be no assurances that the EU or Turkey will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State, including the new Chapters applicable from 2009 relating to taxation and the environment. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. On the other hand, there can be no assurances that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

Conflict and terrorism within Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on the Bank's business, financial condition, results of operations or prospects.

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 and nearby countries, such as Iran, Iraq, Georgia, Cyprus, Egypt, Tunisia, Armenia and Syria has historically been one of the potential risks associated with investment in Turkish securities. Political instability in the Middle East has increased since the terrorist attacks in the United States of 11 September 2001. The period since the commencement of military action in Iraq by the United States and its allies in March 2003 has been characterised by frequent incidents of violence and sectarian conflict and the heightened risk of terrorist acts against both the United States and its allies. Frequent incidents of violence and sectarian conflict in Iraq, the recent rebellions in a number of countries near to Turkey and growing global tensions with Iran and Syria have increased concern about the stability of those countries and led to greater volatility in the financial markets of the region.

In addition, there have been recent military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. Turkey has been one of the countries that has 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 October 2014, the self-proclaimed jihadist Islamic State ("IS"), which has expanded rapidly across Iraq and Syria since mid-2014, extended its territorial hold on the Turkish-Syrian border. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against IS in Syria and against the People's Congress of Kurdistan (formerly known as the PKK) in northern Iraq. Recent developments in Iraq also raise concerns as Iraq is one of Turkey's largest export markets, ranking second in 2014 according to TurkStat.

In July 2015, following a suicide bombing in a Turkish town bordering Syria, Turkey started to carry out air strikes against the PKK in northern Iraq, which marked the beginning of a period with elevated tension. The intensifying conflict with the PKK might lead to tension with the minority Kurdish population, which could negatively impact political and social stability in Turkey.

The clashes between Turkish security forces and the PKK have intensified in the south-eastern part of Turkey. In August 2016, Turkey's military began direct operations in Syria to combat IS and the People's Protection Units. As a result of such operations, tensions with certain international stakeholders could increase and Turkey may face increased security risks if terrorists seek to retaliate for increased military actions.

Two suicide bomb attacks, allegedly conducted by ISIS, took place in January 2016 in Istanbul and in Ankara in October 2015. A further suicide bomb attack took place in Ankara in March 2016. In June 2016, a terrorist attack occurred at the Atatürk Airport in Istanbul, resulting in 45 fatalities and over 230 injured persons. On 31 December 2016, a shooting occurred at the Reina nightclub in Istanbul, resulting in 39 fatalities and 69 injured persons. Such incidents are likely to continue to occur periodically. Any such negative impacts could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the price of the Notes, including as a result of the reduced revenues from tourism following heightened terrorist activity and its coverage in the international media.

Since January 2011, there have also been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries. Although such instances of instability have not so far materially affected Turkey's financial or political stability, there can be no assurances that such instability will not escalate in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability or that Turkey's financial or political stability will not consequently be affected.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognized the new government, Russia claimed that that 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 on its borders, including Russia effectively taking control of Crimea (and Crimea's independence vote and absorption by Russia), have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. The actions in Crimea have prompted condemnation from the international community, and

combined with the continuing political and economic uncertainties in Ukraine, have had an adverse effect on the Ukrainian economy, and may adversely affect the Russian economy. Resolution of Ukraine's political and economic conditions will likely not be obtained for some time, and the situation could even degenerate into increased violence and/or economic collapse. The Bank's operations in Russia through its subsidiary Ziraat Bank (Moscow) JSC represented 0.0% of the Bank's total assets as of 31 December 2015. Therefore, the Bank does not expect that a possible adverse economic situation in Russia would have a significant impact on the Bank's operations. However, while not directly impacting Turkey's territory, the disputes in Ukraine 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, which, in turn, could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Turkey is located in a high-risk earthquake zone.

On 17 August 1999, an earthquake measuring 7.6 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake measuring 7.2 on the Richter scale occurred in the city of Düzce, between Ankara and Istanbul. More recently, on 23 October 2011, an earthquake measuring 7.2 on the Richter scale struck eastern Turkey near the city of Van. A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (*i.e.* the zone with the highest level of risk of damage from earthquakes) and a number of the Bank's properties and projects in Turkey are located in high-risk earthquake zones.

The Bank maintains earthquake insurance, but does not have wider business interruption insurance or insurance for loss of profits, which are not generally available in Turkey. In spite of the Bank's revision of its Business Continuity Plan in December 2012, the occurrence of a severe earthquake could adversely affect one or more of the Bank's facilities, causing an interruption in, and an adverse effect on, its business or could affect the facilities, assets, business and financial condition of its borrowers and could harm the Turkish economy in general, which could adversely affect the Bank's business, financial condition, results of operations and prospects.

Risks Related to the Structure of a Particular Issue of Notes

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

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

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

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

Change of interest basis – If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this may affect the secondary market in, and the market value of, the Notes since the Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for the Issuer. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the

same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

In the case of Turkish Lira denominated Notes, held other than through the Depository Trust Company ("DTC"), unless an election to receive payments in U.S. Dollars as provided in Condition 6.10 of the "*Terms and Conditions of the Notes*" is made, holders of such Notes may need to open and maintain a Turkish Lira denominated bank account, and no assurance can be given that Noteholders will be able to do so either in or outside of Turkey. For so long as such Notes are in global form, any Noteholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Notes) from its account at Euroclear or Clearstream, Luxembourg to which any such payment is made.

For Notes in a Specified Currency other than U.S. Dollars, that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to open and maintain a bank account denominated in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on the Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. Dollars and the holders of such Notes will receive payment in U.S. Dollars. See "*Terms and Conditions of the Notes—Condition 6.11*". Under Condition 6.10 of the "*Terms and Conditions of the Notes*", if the Fiscal Agent receives cleared funds in respect of Turkish Lira denominated Notes, held other than through DTC, from the Bank after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. Dollar amounts Noteholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If it is not possible for the Fiscal Agent to purchase U.S. Dollars with any Turkish Lira funds received, the relevant payments in respect of the Notes will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira denominated Notes for the purposes of Condition 6.10 of the "*Terms and Conditions of the Notes*" is irrevocable: (a) its exercise may (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, Noteholders will receive the relevant amount in Turkish Lira.

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

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

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

Risks Related to Notes Denominated in Renminbi

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

Renminbi Convertibility – Renminbi is not completely freely convertible and there are still significant restrictions on remittance of Renminbi into and out of the PRC, which may adversely affect the liquidity of investments in Renminbi Notes.

Renminbi is not completely freely convertible as of the date of this Base Prospectus. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

Renminbi Availability - There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes.

As a result of the restrictions by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. As of the date of this Base Prospectus, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the People's Bank of China ("**PBoC**") has entered into agreements on the clearing of Renminbi business (the "**Settlement Agreements**") with financial institutions in a number of financial centres and cities (the "**RMB Clearing Banks**") including, but not limited to, Hong Kong, and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of investments in the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where RMB Currency Event is specified as being applicable in the applicable Final Terms, in the event access to Renminbi becomes restricted by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 6.9 of the "*Terms and Conditions of the Notes*"), to the extent that the Issuer is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Issuer to make payment in U.S. Dollars converted at the Spot Rate, all as provided in Condition 6.9 of the "*Terms and Conditions of the Notes*". The value of these Renminbi payments in U.S. Dollar terms may vary with the prevailing exchange rates in the market.

Renminbi Exchange Rate Risks – An Investment in Renminbi Notes is subject to exchange rate risks.

The value of the Renminbi against the U.S. Dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBoC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless RMB Currency Event is specified as being applicable in the applicable Final Terms and a RMB Currency Event occurs, in which case payment will be made in U.S. Dollars converted at the spot rate. As a result, the value of these Renminbi payments in U.S. Dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. Dollar or other foreign currencies, then the value of a Noteholder's investment in terms of the U.S. Dollar or other applicable foreign currency will decline.

Renminbi Interest Rate Risk - An investment in fixed rate Renminbi Notes is subject to interest rate risks.

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. If a Renminbi Note carries a fixed interest rate then the trading price of such Renminbi Note will vary with fluctuations in Renminbi interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes, they may receive an offer that is less than the amount invested.

Renminbi Payment Mechanics - Payments in respect of Renminbi Notes will be made to investors in the manner specified in the Conditions.

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary for Euroclear and Clearstream, Luxembourg, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in Condition 6.9 of the "*Terms and Conditions of the Notes*", the Issuer cannot be required to make payment by any other means (including in any other currency by transfer to a bank account in the PRC).

There may be PRC tax consequences with respect to investment in the Renminbi Notes

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation, as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholder's investment in the Renminbi Notes may be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

Risks Related to Notes Generally

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

Effective Subordination – Claims of Noteholders under the Notes will be subordinated to those of certain other creditors.

While the Notes will rank equally with all of the Bank's other unsecured and unsubordinated indebtedness, the ranking will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Issuer to the extent of any amount that such depositors are not fully able to recover from the SDIF, claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank). Any such preferential claims may reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and may result in an investor in the Notes losing all or some of its investment.

The Notes constitute unsecured obligations of the Issuer.

The Issuer's obligations under the Notes constitute unsecured obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The ability of the Issuer to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

Redemption for Taxation Reasons – The Bank will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of current levels, if any, applicable to interest or other payments on the Notes.

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree 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: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7.0%, (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3%, and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0.0%. The Bank will have the right to redeem the Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 of the "*Terms and Conditions of the Notes*") or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, on the next Interest Payment Date the Bank would be required to: (A) pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 8 of the "*Terms and Conditions of the Notes*" on account of any Taxes (as defined in Condition 8 of the "*Terms and Conditions of the Notes*") and (B) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, and such requirement cannot be avoided by the Bank taking reasonable measures available to it. Upon such a redemption, investors in such Series of 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 and, in the case of any Floating Rate Notes, the redemption could take place on any relevant date during an Interest Period.

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

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

The Conditions of the "Terms and Conditions of the Notes" contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Bank may issue further Notes of any Series, which would dilute the interests of an existing holder of the Notes of such Series.

As permitted by Condition 16, the Bank may from time to time without the consent of the Noteholders of a Series create and issue further Notes of that Series; such further Notes will be required to be fungible with the existing Notes of such Series for U.S. federal income tax purposes as a result of their issuance being a "qualified re-opening" under U.S. Treasury Regulation § 1.1275-2(k). To the extent that the Bank issues further Notes of a Series, the interests of an existing holder of the Notes of such Series (for example, in respect of any meeting of holders of the Notes of that Series (see "*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors*" above)) will be diluted.

Transfer Restrictions – Transfers of Notes will be subject to certain restrictions and interests in Global Notes can only be held through Euroclear, Clearstream, Luxembourg and/or DTC.

Although the Notes have been authorised by the CMB pursuant to Decree 32 and the Capital Markets Law, the Communiqué on Debt Instruments and other related legislation as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws, or (b) with the U.S. Securities and Exchange Commission or any regulatory authority of any U.S. state or other jurisdiction. The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments 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.

Further to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Registry Agency (*Merkezi Kavit Kuruluşu*) within three Turkish business days from the date of issuance of any Notes 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.

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

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

The Bank is a joint stock company organised under the laws of Turkey. All of the directors and substantially all of the officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and majority of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may 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.

Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom with respect to the enforcement of judgments of their respective courts. However, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. For further information, see "*Enforcement of Judgments and Service of Process*".

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

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

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive bearer Notes are subsequently required to be issued.

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

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

Clearing Systems – Reliance on Euroclear, Clearstream, Luxembourg and DTC.

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

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

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

Risks Related to the Market Generally

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

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

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

Market price volatility - The market price of the Notes may be subject to a high degree of volatility.

The market value of any 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 Bank of other Notes or debt securities, as well as other factors, including the trading market for notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market value of Notes without regard to the Bank's financial condition or results of operations.

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal of the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

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

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a joint stock company under the TCC. All of the directors and substantially all of the officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In 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 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:

- (i) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;
- (ii) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- (iii) 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;
- (iv) the judgment is not of a civil nature;
- (v) the judgment is clearly against public policy rules of Turkey;
- (vi) 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
- (vii) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In any suit or action against the Bank in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574) or (ii) a national of a state that has signed a bilateral treaty with

Turkey which is duly ratified and contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

In connection with the Programme, process may be served on the Bank at Türkiye Cumhuriyeti Ziraat Bankası A.Ş., London Branch at its registered office for the time being with respect to any proceedings in England.

FORWARD-LOOKING STATEMENTS

This Base Prospectus contains statements that may be considered to be "forward-looking statements" relating to the Bank's financial position, business strategy, plans and objectives of senior management for future operations (including development plans and objectives relating to the Bank's businesses).

When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "may", "will", "should" and any similar expression generally identify forward-looking statements. Forward-looking statements appear in a number of places throughout this Base Prospectus, including (without limitation) under "*Risk Factors*", "*Use of Proceeds*" and "*Business of the Group*" and include, but are not limited to, statements regarding:

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

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

The Bank has identified some of the risks inherent in these forward-looking statements and these are set out under "*Risk Factors*". Such risks include, but are not limited to, those in relation to:

- changes in the agricultural sector in Turkey and the impact of such changes on the Bank's customers in this sector;
- the effect of economic, social and political developments in Turkey;
- changes in the Turkish banking and financial markets;
- changes in interest rates, foreign exchange rates, equity markets, commodity prices, asset prices and estimates of the impact of such factors on the Bank's results of operations and financial condition;
- changes to governmental monetary regulation, taxation or accounting standards and practices;
- changes in the Bank's ownership by the Turkey Wealth Fund managed by the TWFM Company or other changes in policy by the Turkish Government;
- competition in the Turkish banking sector;
- the Bank's ability to rapidly expand its loan portfolio while maintaining asset quality;
- the Bank's ability to manage any mismatches between interest-earning assets and interest-bearing liabilities;

- the Bank's ability to raise capital on reasonable terms; and
- failure of the Bank's risk management procedures and information systems.

Should one or more of these factors or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Bank's results or the accuracy of forward-looking statements in this Base Prospectus. Therefore, potential investors should not consider the factors discussed under "*Risk Factors*" to be a complete set of all potential risks or uncertainties of investing in the Notes.

Potential investors should not place undue reliance upon any forward-looking statements. Except as required to comply with its regulatory requirements, the Bank does not have any intention or obligation to update forward-looking statements to reflect new information or future events or risks that may cause the forward-looking events discussed in this Base Prospectus not to occur or to occur in a manner different from what the Bank currently expects.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the convenience translation into English of the 2015 Audited Unconsolidated Financial Statements which include comparative numbers as of and for the year ended 31 December 2014;
- (b) the convenience translation into English of the 2016 Audited Unconsolidated Financial Statements which include comparative numbers as of and for the year ended 31 December 2015;
- (c) the convenience translation into English of the 2015 Audited Consolidated Financial Statements which include comparative numbers as of and for the year ended 31 December 2014;
- (d) the convenience translation into English of the 2016 Audited Consolidated Financial Statements which include comparative numbers as of and for the year ended 31 December 2015;
- (e) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 21 May 2014, pages 75 to 109 (both inclusive), prepared by the Issuer in connection with the Programme and published on the website of the Irish Stock Exchange at http://www.ise.ie/debt_documents/Base%20Prospectus_808b7b10-aa32-4ab5-9bd0-70f5b75d3e1e.PDF?v=2522015;
- (f) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 2 April 2015, pages 75 to 109 (both inclusive), prepared by the Issuer in connection with the Programme and published on the website of the Irish Stock Exchange at http://www.ise.ie/debt_documents/Base%20Prospectus_21ba0aec-36dc-4d7d-9101-f3392ce9f224.PDF?v=122016; and
- (g) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 14 March 2016, pages 79 to 114 (both inclusive), prepared by the Issuer in connection with the Programme and published on the website of the Irish Stock Exchange at http://www.ise.ie/debt_documents/Base%20Prospectus_53a5b0e3-2192-4adf-8aaa-c7ccc1f428a2.PDF.

Copies of the Annual Financial Statements incorporated by reference herein are available on the Issuer's website at:

<http://www.ziraat.com.tr/en/InvestorRelations/Financials/Pages/AuditReportAndFinancialStatements.aspx>

(such websites are not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus).

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes in accordance with Article 16 of the Prospectus Directive.

OVERVIEW OF THE BANK AND THE PROGRAMME

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

Overview of the Bank

General

The Bank is a full-service commercial and retail banking group historically focused on the agricultural sector, and provides a broad range of products and services to approximately 30 million corporate, commercial, retail and international customers across Turkey and select international markets. The Bank's name has been associated with agriculture in Turkey since 1863. The Bank has been a consistent source of financial support for agriculture in Turkey throughout its history and has played a substantial role in both the development and the modernisation of the Turkish agricultural sector. Agriculture remains one of the core sectors of the Bank's focus today, although the Bank has, since its establishment, also expanded its business into additional sectors.

The Bank offers its products and services to its customers through an international branch network, which as of 31 December 2016 included 1,786 domestic branches and 28 international branches (the largest international service network of any Turkish bank according to data published by the Banks Association of Turkey). The Bank also has subsidiary, affiliate and joint venture operations in Germany, Bosnia and Herzegovina, Montenegro, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan and Russia. The Bank's network includes eight subsidiaries in Turkey focused on insurance, leasing, pension portfolio management, securities brokerage, Islamic banking, real estate investment and information technology to complement its core banking business. The two foreign subsidiaries of the Bank, Ziraat Bank Montenegro AD and Ziraat Bank Azerbaijan ASC launched their banking operations in July 2015. The Bank opened a branch in Pristina/Kosovo in June 2015. In addition, the Bank established its participation bank, Ziraat Participation Bank, which engages in banking activities in accordance with Islamic principles on 29 May 2015.

On 18 July 2016, the Bank's Marneuli-Georgia sub-branch started its operations. On 19 September 2016, the Sanski Most branch of the Bank's subsidiary Ziraat Bank BH dd started its operations. On 1 November 2016, the Bank established Ziraat Real Estate Investment Trust, a wholly-owned subsidiary of the Bank. On 28 November 2016, the Bank's Bahrain branch started its operations and the Bank expanded its operations to nineteen countries.

According to the Banks Association of Turkey and financial statements of Turkish banks, as of 31 December 2016, the Bank was the largest bank, and the largest state-owned bank, in Turkey in terms of total assets (TL 357.8 billion), the largest in terms of total deposits (TL 223.0 billion) and the largest in terms of number of branches (1,814). As of 31 December 2016, the Bank had 25,015 employees.

According to data published by the BRSA, the Bank's market share in Turkey in loans and assets was 13.5% and 13.1%, respectively. The Bank's loans and advances increased to TL 232.6 billion as of 31 December 2016, from TL 186.8 billion as of 31 December 2015, representing a growth rate of 24.5%. As of 31 December 2016 and according to data published by the BRSA, the Bank had a 14.5% market share in the deposit market in Turkey, with total deposits of TL 223.0 billion, representing 62.3% of the Bank's total liabilities and shareholders' equity, and it was the largest bank in Turkey in terms of Turkish Lira deposits (17.2% market share). The Bank had a loans and advances to total deposits ratio (including deposits from banks and from customers) of 104.3% as of 31 December 2016 compared to 100.2% as of 31 December 2015 and 92.6% as of 31 December 2014, which was one of the lowest among its principal Turkish bank competitors, as estimated by the Bank based on its own data.

For the year ended 31 December 2016 and on an unconsolidated BRSA basis, the Bank's return on equity ("ROE") and return on assets were 18.8% and 2.0%, respectively, as compared to 17.2% and 1.9% for the year ended 31 December 2015, while the corresponding rates of return for the Turkish banking sector for the

same period were 14.3% and 1.5%, respectively, as compared to 11.3% and 1.2% for the year ended 31 December 2015.

Business Divisions - Overview

The Bank operates through five principal business divisions: SME Banking, Corporate Banking, Retail Banking, Treasury-Investment Banking and International Banking.

SME Banking. The Bank's SME Banking operations focus on micro and midcap SMEs and as of 31 December 2016 the Bank had 79 SME branches and 76 Dynamic SME branches. The principal products and services provided by the Bank to SMEs include deposits, investment and working capital loans, non-cash loans (*i.e.* guarantees and letters of credit), treasury products and cash management services. As of 31 December 2016, the Bank's loans and advances to SME borrowers comprised 35.7% of its total loans and advances. The Bank had approximately 3.9 million SME customers (defined by the Bank as a business with annual turnover of TL 100 million or less) as of 31 December 2016.

Corporate Banking. The Bank's Corporate Banking operations provide corporate customers with cash and non-cash loans, financial services related to import and export transactions, trade finance, project finance, treasury management services, international banking services, financial intermediary services and asset management services. As of 31 December 2016, the Bank had 20 corporate branches. As of 31 December 2016, deposits from corporate customers comprised, on an unconsolidated BRSA basis, 22.1% of the Bank's total deposits from customers and total loans from corporate customers amounted to TL 85.7 billion, which comprised 39.9% of the Bank's total loans and advances.

Retail Banking. The Bank's Retail Banking operations offer a broad range of retail banking and financial services to its retail customers, including retail loans (including housing and automobile loans), deposit banking, debit card and credit card services, payroll accounts, investment accounts, utility and other payment systems. As of 31 December 2016, the Bank's total savings deposits represented 40.6% of total deposits and they amounted to TL 90.6 billion. As of 31 December 2016, the Bank's retail loans represented 24.4% of its total loans and advances.

Treasury-Investment Banking

The Bank's Treasury-Investment Banking division's key role is to manage the Bank's assets and liabilities, funding, liquidity risk and trade finance transactions. The Treasury-Investment Banking division, including its branches and subsidiaries both local and abroad, centralises the Bank's asset and liability management operations, trading (both customer driven and proprietary) and fixed income portfolio management. Although the Bank's treasury management activities are primarily focused on asset and liability management, the Financial Markets Department also generates profits through proprietary trading in foreign exchange and fixed income securities markets. The Bank is also one of the 13 primary dealers (market makers) of Turkish Government bonds and bills.

Investment banking operations and asset management of mutual and pension funds are conducted by Ziraat Portfoy Yonetimi A.Ş.

International Banking

The Bank's International Banking operations provide letters of credit, letters of guarantee, export and import financing and structured trade financing products, and also support customers in the area of medium and long-term capital goods financing under the export credit agency insurance schemes offered by many countries. The Bank's International Banking operations are performed through its 28 foreign branches, one representative office and nine equity investments abroad, which numbers 99 service points in total. The 28 branches and sub-branches operated by the Bank are located in the United States, the United Kingdom, Georgia, Iraq, Greece, Saudi Arabia, Bulgaria, Georgia, Kosovo, Bahrain and the Turkish Republic of Northern Cyprus. The Bank also has a representative office in Tehran, Iran which as of 31 December 2016 is dormant and does not conduct, and is not authorised to conduct, any lending or deposit taking activities or money transfer activities. The Bank also serves its international customers through its subsidiaries in Germany, Russia, Bosnia and Herzegovina, Montenegro, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan.

Strengths

The Bank's senior management believes that the Bank has a number of key strengths, which include:

- Well-established nationwide franchise, including in underbanked areas, in a growing Turkish market;
- Leading agricultural banking franchise;
- Strong funding structure benefiting from state ownership;
- Experienced management team; and
- High asset quality, prudent risk management and solid credit policies and procedures.

Strategy

The Bank's strategy is to continue to improve its business through:

- Leveraging its existing customer base through cross-selling an expanding and more tailored product offering;
- Maintaining and enhancing its leading position in the agricultural sector with a focus on activities with higher added value, while increasing its market share in other sectors, with a specific focus on SME banking;
- Achieving further growth with sustainable profitability and efficiency while maintaining and enhancing a strong equity base that is compatible with its asset size, and improving operational efficiency through cost control initiatives;
- Diversifying asset base and improving returns; and
- Improving and expanding its international network through strategic acquisitions and overseas investments.

Overview of the Programme

The following overview does not purport to be complete and is taken from, should be read in conjunction with, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Prospective investors should see "Risk Factors" for a discussion of certain factors that should be considered in connection with an investment in the Notes (or beneficial interests therein). This overview only relates to the terms and conditions of the Notes as set out in this Base Prospectus. Notes may be issued under the Programme in a form other than that contemplated in such conditions, and where any such Notes are to be: (a) admitted to trading on the Main Securities Market or another regulated market for the purposes of the Markets in Financial Instruments Directive or (b) offered to the public in the European Economic Area in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

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

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

Issuer: Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" and include risks related to the Bank, its business, operations and shareholding, Turkey and the Turkish banking industry. In addition, there are certain factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.

Description: Global Medium Term Note Programme

Arranger: Merrill Lynch International

Dealers: BNP Paribas
Citigroup Global Markets Limited
Commerzbank Aktiengesellschaft
Deutsche Bank AG, London Branch
Emirates NBD PJSC
Goldman Sachs International
HSBC Bank plc
J.P. Morgan Securities plc
Merrill Lynch International
Mizuho International plc
Société Générale
Standard Chartered Bank

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect

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

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Selling Restrictions*".

Fiscal Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to U.S. \$4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or (other than in the United States) public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	<p>Notes may be denominated and payments in respect of the Notes may be made in euro, Renminbi, Sterling, U.S. Dollars, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer, and as set out in the conditions and specified in the applicable Final Terms.</p> <p>Payment in respect of Notes denominated in Renminbi may be made in U.S. Dollars if RMB Currency Event is specified in the applicable Final Terms and a RMB Currency Event occurs. See "<i>Terms and Conditions of the Notes—Condition 6.9</i>".</p> <p>If specified in the applicable Final Terms, payment in respect of Notes denominated in Turkish Lira may be made in U.S. dollars if an irrevocable election to receive such payment in U.S. dollars is made. See "<i>Terms and Conditions of the Notes—Condition 6.10</i>".</p>
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms, subject to such

minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes:

The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and as specified in the applicable Final Terms and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

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

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

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

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

Zero Coupon Notes:

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

Redemption:

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

In addition, the applicable Final Terms may provide that Notes may be redeemable at the option of the Noteholders upon the occurrence of a Change of Control, as set out in Condition 7.5 of the "*Terms and Conditions of the Notes*".

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution; see "*Certain Restrictions—Notes having a maturity of less than one year*" above.

Denomination of Notes:

The Notes will be issued in any denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Certain Restrictions—Notes having a maturity of less than one year*" above), and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be not less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Calculation Amount:

The Calculation Amount for any Series of Notes will be specified in the applicable Final Terms and will be the single highest whole number which, when each Specified Denomination of the relevant Series is divided by such number, results in a whole number. For example, where the Specified Denominations of a Series of Notes are specified in the applicable Final Terms as being €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000, the Calculation Amount specified in the applicable Final Terms will be €1,000.

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, levies, assessments or governmental charges (including

related interest and penalties) of whatever nature ("**Taxes**"), imposed, assessed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation—Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes—Condition 8*".

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 6.1 of the "*Terms and Conditions of the Notes*" and, in accordance with Condition 8.1 of the "*Terms and Conditions of the Notes*", no additional amount will be payable by the Issuer, any Paying Agent, or any other person, in respect of any such withholding or deduction.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.1 of the "*Terms and Conditions of the Notes*".

Certain Covenants:

The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates, as further described in Condition 4 of the "*Terms and Conditions of the Notes*".

Events of Default:

The Notes will be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "*Terms and Conditions of the Notes—Condition 10*".

Status of the Notes:

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

Rating:

The Programme has been rated BB+ (long-term senior unsecured) and B (short-term senior unsecured) by Fitch and Ba1 (senior unsecured) and NP (short-term) by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings

assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on the Main Securities Market, *however*, no assurance can be given that such application will be accepted.

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

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

Governing Law:

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

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Turkey, the People's Republic of China, Hong Kong and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale and Selling Restrictions*".

United States Selling Restrictions:

Regulation S (Category 2)/Rule 144A. Bearer Notes will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) ("**TEFRA D**") or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) ("**TEFRA C**") such that the Bearer Notes will not constitute "registration required obligations" under section 4701(b) of the Code, as specified in the applicable Final Terms. Such rules impose certain additional restrictions on transfer of Bearer Notes.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued in "offshore transactions" to non-U.S. persons in reliance on the exemption from registration provided by Regulation S or otherwise in transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of a temporary global note (a "**Temporary Bearer Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Bearer Global Note**" and, together with a Temporary Bearer Global Note, each a "**Bearer Global Note**") which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream Luxembourg**").

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

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

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification in the manner described above.

The applicable Final Terms will specify that a Temporary Bearer Global Note or a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days' written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 11 of the "*Terms and Conditions of the Notes*") has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than

by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the "*Terms and Conditions of the Notes*" if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

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

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

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

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

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

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, Registered Notes offered and sold in reliance on Regulation S ("**Regulation S Notes**") or beneficial interests therein may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 of the "*Terms and Conditions of the Notes*" and such beneficial interests in a Regulation S Global Note may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Notes will bear a legend regarding such restrictions on transfer.

Registered Global Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depositary, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4 of the "*Terms and Conditions of the Notes*") as the registered holder of the Registered Global Notes on

the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4 of the *"Terms and Conditions of the Notes"*) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **"Exchange Event"** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as a depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the *"Terms and Conditions of the Notes"* if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

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

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10 of the *"Terms and Conditions of the Notes"*. In such circumstances, where any Note is still represented by a Global

Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following the applicable due date. At the same time holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream, Luxembourg and/or DTC as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant, such deed of covenant as modified and/or supplemented and/or restated from time to time, (the "**Deed of Covenant**") dated 13 March 2017 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes[, from 1 January 2018,]¹ are not intended 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 European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, 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.]²

[Date]

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)
under the U.S.\$4,000,000,000
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 13 March 2017 [which[, as supplemented by the supplement[s] to it dated [date] [and [date]] (the "**Supplement[s]**")], constitutes a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus[, as so supplemented]]³. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus[, as so supplemented]. [The Base Prospectus[and][, the Supplement[s]] [and the Final Terms] have been published on [the website of the Issuer] [and] [the website of the Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie)][and the Final Terms have been published on the website of the Issuer].]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [21 May 2014]/[2 April 2015]/[14 March 2016][and the supplement to it dated [date]] which are incorporated by reference in the Base Prospectus dated 13 March 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 13 March

¹ This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.

² Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable" and (ii) for offers concluded before 1 January 2018 at the option of the parties.

³ Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

2017 [and the supplement[s] to it dated [date] [and [date]] (the "**Supplement[s]**") which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus[[and][,] the Supplement[s]] [and the Final Terms] have been published on [the website of the Issuer] [and] [the website of the Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie)][and the Final Terms have been published on the website of the Issuer].]

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

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. Issuer: Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
2. (a) Series Number: []
 (b) Tranche Number: []
 (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency or Currencies: []
4. USD Payment Election: [Applicable/Not Applicable]
(Only applicable for Turkish Lira-denominated Notes)
5. Aggregate Nominal Amount:
 (a) Series: []
 (b) Tranche: []
6. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
7. (a) Specified Denominations: []
(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))
(Note – where multiple denominations above €100,000 or equivalent are being used the following

sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")

- (b) Calculation Amount (in relation to calculation of interest in global form, see Conditions): []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

8. (a) Issue Date: []

- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

9. Maturity Date: [Specify date or for Floating Rate Notes - Interest Payment Date falling in or nearest to [specify month and year]]⁴

10. Interest Basis: [[] per cent. Fixed Rate]

[] month
[currency][LIBOR/EURIBOR/TRYIBOR/ROBOR/P
RIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH
HIBOR/KLIBOR/TIBOR] +/- [] per cent.
Floating Rate]

[Zero coupon]

(see paragraph [15]/[16]/[17] below)

11. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount

12. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [], paragraph [15/16] below applies, and, for the period from (and including) [] up to (and including) the Maturity Date, paragraph [15/16] below applies] [Not Applicable] []

⁴ For Renminbi denominated Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment it may be necessary to use the second option here.

13. Put/Call Options: [Investor Put]
 [Change of Control Put]
 [Issuer Call]
 [Not Applicable]
 [(see paragraph [19]/[20]/[21]/[22] below)]
14. Date Board approval for issuance of Notes obtained: [] [Not Applicable] (N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions [Applicable/Not Applicable]
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]⁵
 [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the "[Short]/[Long] First Coupon")]
 [There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date (the "[Short]/[Long] Final Coupon")]
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [[] per Calculation Amount][, other than in respect of the [Short]/[Long] [First]/[Final] Coupon] [Not Applicable]
(Applicable to Notes in definitive form. Not applicable to Renminbi denominated Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions): [In respect of the [Short]/[Long] [First]/[Final] Coupon, [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
(Applicable to Notes in definitive form. Not applicable to Renminbi denominated Fixed Rate Notes)

⁵ For certain Renminbi denominated Fixed Rate Notes, Interest Periods and Interest Amounts are subject to adjustment and the following proviso should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day".

where Interest Periods and Interest Amounts are subject to adjustment)

(e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)] [Actual/360]
[Actual/365 (Fixed)]⁶

(f) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)

16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: [][, subject to adjustment in accordance with the Business Day Convention set out in (b) below][, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

[There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the "[Short]/[Long] First Coupon")]

[There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date (the "[Short]/[Long] Final Coupon")]

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

(c) Additional Business Centre(s): []

(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]

(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []

(f) Screen Rate Determination:

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [] month [currency][LIBOR/EURIBOR/TRYIBOR/ROBOR/P RIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR/KLIBOR/TIBOR]

⁶ Actual/365 (Fixed) may be applicable to Renminbi denominated Fixed Rate Notes.

Relevant Time: []

(11.00 a.m. in the case of LIBOR, EURIBOR, ROBOR, PRIBOR, SIBOR, WIBOR, HIBOR, KLIBOR and TIBOR, 11.15 a.m. in the case of CNH HIBOR, 11.30 a.m. in the case of TRYIBOR and 12.00 p.m. in the case of NIBOR)

Relevant Financial Centre: [London] [Brussels]
[Istanbul] [Bucharest] [Prague] [Singapore] [Oslo]
[Warsaw] [Hong Kong] [Kuala Lumpur] [Tokyo]
[other]

- Interest Determination []
Date(s):

(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the second Istanbul business day prior to the start of each Interest Period if TRYIBOR, the second Bucharest business day prior to the start of each Interest Period if ROBOR, the second Prague business day prior to the start of each Interest Period if PRIBOR, the first day of each Interest Period if HIBOR, the second Singapore business day prior to the start of each Interest Period if SIBOR, the second Oslo business day prior to the start of each Interest Period if NIBOR, the second Warsaw business day prior to the start of each Interest Period if WIBOR, the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR, the first day of each Interest Period if KLIBOR and the second Tokyo business day prior to the start of each Interest Period if TIBOR)

- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(g) ISDA Determination:

- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []

(In the case of a LIBOR, EURIBOR or TRYIBOR

based option, the first day of the Interest Period)

- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [Long]/[Short] [First]/[Final] Coupon shall be calculated using Linear Interpolation (*specify for each short or long Interest Period*)]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]

17. Zero Coupon Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition 7.2: Minimum period: [] days
Maximum period: [] days
19. Issuer Call: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Redeemable in part: [Applicable]/[Not Applicable – the Notes are not redeemable in part only]
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []

- (d) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
20. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
21. Change of Control Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraph of this paragraph)
- Change of Control Redemption Amount: [] per Calculation Amount
22. Final Redemption Amount: [] per Calculation Amount
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount
(N.B. If the Final Redemption amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Notes in definitive form [on not less than 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Notes in definitive form on and after the Exchange Date]

[Permanent Global Note exchangeable for Notes in definitive form [on not less than 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]]

Bearer Notes shall not be physically delivered (i) in Belgium, except to a clearing system, a depositary or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005, or (ii) in the United States of America.

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]". Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Notes in definitive form.)

[Registered Notes:

[Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Registered Notes in definitive form [upon an Exchange Event][at any time at the request of the Issuer]]]

(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Notes, specify the nominal amounts of each Global Note)

25. Additional Financial Centre(s):

[Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for

the purposes of calculating the amount of interest, to which paragraph 17(b) relates)

26. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

PROVISIONS APPLICABLE TO RMB NOTES

27. RMB Currency Event: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Party responsible for calculating the Spot Rate [[] (the "Calculation Agent")]
- (b) RMB Settlement Centre(s) [[]/Not Applicable]

THIRD PARTY INFORMATION

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

Signed on behalf of **TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange plc with effect from [].] [Not Applicable.]

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

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

2. RATINGS

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

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

[Each of *[defined terms]* is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**").]

*[[Insert legal name of credit rating agency] is established in the EU and is not registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").]*

*[[Insert legal name of credit rating agency] is not established in the EU but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").]*

*[[Insert legal name of credit rating agency] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**").]*

[[Insert legal name of credit rating agency] is not

established in the EU and is not certified under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

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

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

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

4. YIELD *(Fixed Rate Notes only)*

Indication of yield: []

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

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

Details of historic
[LIBOR/EURIBOR/TRYIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH
HIBOR/KLIBOR/TIBOR] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

- (a) ISIN Code: []
- (b) Common Code: []
- (c) [CUSIP]: []
- (d) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (e) Delivery: Delivery [against/free of] payment
- (f) Names and addresses of additional Paying Agent(s) (if any): []

7. DISTRIBUTION

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

(If the offer of the Notes is completed prior to 1 January 2018, or on or after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded after 1 January 2018 and the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

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

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 13 March 2017 and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent (the "**Fiscal Agent**" and the "**Exchange Agent**", which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York 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 (Luxembourg) S.A. as registrar (the "**Registrar**", which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, in the case of Bearer Notes which, when issued in definitive bearer form, have more than 27 interest payments remaining, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided

below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

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

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time), (the "**Deed of Covenant**") dated 13 March 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, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the "**Deed Poll**") dated 13 March 2017 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, the Exchange Agent and the other Transfer Agents (such agents and the Registrar being together referred to as the "**Agents**"). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms will be available for viewing at the specified office of the Fiscal Agent and will be published either (i) on the Irish Stock Exchange's website (www.ise.ie) and the Central Bank of Ireland's website (www.centralbank.ie) or (ii) on the Issuer's website (www.ziraat.com.tr). If the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area).

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

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

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

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

The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of Turkey and the Communiqué VII-128.7 on Debt Instruments of the Turkish

Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the "**CMB**") on the Principles on the Registration and Sale of Debt Instruments.

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

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

1.2 Title

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

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of a Registered Global Note, registered in the name of a nominee for a common depository or a common safekeeper, as the case may be, for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

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

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

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such

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

2.2 Transfers of Registered Notes in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the Specified Denomination(s) set out in the applicable Final Terms (and provided that, if transferred in part, the aggregate nominal amount of the balance of that Registered Note not so transferred is an amount of at least the minimum Specified Denomination). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (if so requested by the specified transferee and at the risk of such transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail to the transferor.

2.3 Costs of registration

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

3. STATUS OF THE NOTES

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

4. COVENANTS

4.1 Negative Pledge

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

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by not less than three-quarters of the votes cast) of the Noteholders.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to (i) a bond, note or similar instrument whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such bond, note or similar instrument, a "**Covered Bond**"), or (ii) any securitisation of receivables, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided that* the aggregate most recently published balance sheet value of assets or revenues subject to any Security Interest created in respect of (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of any outstanding Direct Recourse Securities, does not, at any time, exceed 15.0% of the consolidated total assets of the Issuer and its Subsidiaries (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with BRSAAS) (as defined below).

4.2 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in the Republic of Turkey (including, without limitation, with the CMB and the Banking Regulation and Supervision Authority (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (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 have a material adverse effect on (i) the business, financial condition or results of operations of the Issuer or (ii) the Issuer's ability to perform its obligations under the Notes, the conduct by it of the Permitted Business.

4.3 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties,

revenues or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an "**Affiliate Transaction**") which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of U.S.\$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 Material Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Material Subsidiary with an unrelated Person.

4.4 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent:

- (a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated and unconsolidated financial statements for such financial year, prepared in accordance with BRSA accounting standards ("**BRSAAS**"), together with the 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 unaudited unconsolidated and (if any) consolidated financial statements for such six-month period, prepared in accordance with BRSAAS, 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.

4.5 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 the purposes of this definition, "**control**", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, and the terms "**controlling**", "**controlled by**" and "**under common control with**" shall have corresponding meanings;

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

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

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited BRSA accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated BRSA accounts of the Issuer and its

Subsidiaries, *provided that* in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated BRSA accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated BRSA accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) of this definition on the date on which the consolidated BRSA accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, represented (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) of this definition, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its assets represent (or, in the case aforesaid, are equal to) not less than 10% of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) of this definition, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) of this definition on the date on which the consolidated BRSA accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Agency Agreement;

"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 of the first Tranche of the Notes;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality;

"Relevant Indebtedness" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction, where such

securities or loan have an original maturity at issue or disbursement in excess of 365 days and (ii) any guarantee or indemnity of any such indebtedness; and

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any time, any other Person (i) in which the first Person holds a majority of the voting rights, (ii) of which the first Person is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the first Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person.

5. INTEREST

5.1 Interest on Fixed Rate Notes

This Condition 5.1 applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

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

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. In the case of any long or short interest period (a "**Stub Period**"), payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified in respect of such Stub Period.

As used in the Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

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

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

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (i) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if **"30/360"** is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (iii) if **"Actual/360"** is specified in the applicable Final Terms, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 360; and
- (iv) if **"Actual/365 (Fixed)"** is specified in the applicable Final Terms, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date divided by 365.

In these Conditions:

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

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

5.2 Interest on Floating Rate Notes

This Condition 5.2 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 5.2 for full information on the manner in which interest is calculated on Floating

Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) **Interest Payment Dates**

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

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

Such interest will be payable in respect of each Interest Period. In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (2) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET 2 System) specified in the applicable Final Terms; and
- (b) if TARGET 2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer ("**TARGET 2**") System (the "**TARGET 2 System**") is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro or Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open or (3) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong.

(b) **Rate of Interest**

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

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

For the purposes of this sub-paragraph (i) "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

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

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

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

(ii) Screen Rate Determination for Floating Rate Notes

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

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

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

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

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time in the Relevant Financial Centre on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRYIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR), the Kuala Lumpur interbank market (if the Reference Rate is KLIBOR), the Tokyo interbank market (if the Reference Rate is TIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which

would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRYIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR), the Kuala Lumpur interbank market (if the Reference Rate is KLIBOR), the Tokyo interbank market (if the Reference Rate is TIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

"Reference Banks" means:

- (A) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market;
- (B) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market;
- (C) in the case of a determination of TRYIBOR, the principal İstanbul office of four major banks in the Turkish Lira interbank market;
- (D) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Romanian interbank market;
- (E) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague interbank market;
- (F) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market;
- (G) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market;
- (H) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian interbank market;
- (I) in the case of a determination of WIBOR, the principal Warsaw office of four major banks in the Warsaw interbank market;
- (J) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong interbank market;
- (K) in the case of a determination of KLIBOR, the principal Kuala Lumpur office of four major banks in the Kuala Lumpur interbank market;

- (L) in the case of a determination of TIBOR, the principal Tokyo office of four major banks in the Tokyo interbank market; and
- (M) in the case of a determination of a Reference Rate that is not LIBOR, EURIBOR, TRYIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR, KLIBOR or TIBOR, the principal office of four major banks in the interbank market of the Relevant Financial Centre,

in each case as selected by the Fiscal Agent and unless otherwise specified in the applicable Final Terms.

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

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

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

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

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

The Fiscal Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

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

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

- (iii) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

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

- (vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

(e) **Linear Interpolation**

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

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

(f) **Notification of Rate of Interest and Interest Amounts**

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of

adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. 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.

(g) **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 5.2, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date of its redemption unless payment of the principal in respect of the 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 (or part thereof) have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee with or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (b) payments in euro will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) 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 (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

6.2 Presentation of definitive Bearer Notes and Coupons

Notwithstanding any other provision of the Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified in Condition 6.2 in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented.

6.4 Payments in respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (the "**Register**") at (i) where in global form, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, the first such day prior to such 15th day) before the relevant due date (in each case, the "**Record Date**"). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.\$250,000.00 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means any bank which processes payments in such Specified Currency.

Payments of interest in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on such Record Date and at that holder's risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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

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

Neither the Issuer nor the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

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

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

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

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon 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 shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Centre (other than TARGET 2 System) specified in the applicable Final Terms; and
 - (iii) if TARGET 2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET 2 System is open; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which a participant of DTC (with an interest in such Registered Global

Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

6.7 Interpretation of principal and interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.6; and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

6.8 RMB account

All payments in respect of the Notes in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as RMB Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of RMB in Hong Kong or any relevant RMB Settlement Centre).

6.9 RMB Currency Event

If RMB Currency Event is specified in the applicable Final Terms and a RMB Currency Event occurs and is continuing on a date for payment of any amount due in respect of any Note or Coupon, the Issuer's obligation to make payment in RMB under the terms of the Notes may be satisfied by payment of such amount in U.S. dollars converted using the Spot Rate for the Rate Calculation Date.

Upon the occurrence of a RMB Currency Event that is continuing, the Issuer shall give irrevocable notice to the Noteholders in accordance with Condition 15 not less than five nor more than 30 days before the relevant due date for payment or, if this is not practicable due to the time at which the relevant RMB Currency Event occurs, as soon as practicable following such occurrence, stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 5.2(g)):

"Governmental Authority" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other

entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"PRC" means the People's Republic of China which, for the purposes of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"Rate Calculation Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

"Rate Calculation Date" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"RMB Currency Events" means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

"RMB Illiquidity" means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make a payment, if any amount, in whole or in part, under the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong;

"RMB Inconvertibility" means the occurrence of any event that makes it impossible for the Issuer to convert in the general RMB exchange market in Hong Kong any amount, in whole or in part, due in respect of the Notes into RMB on any payment date, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation);

"RMB Non-Transferability" means the occurrence of any event that makes it impossible for the Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law, rule or regulation); and

"Spot Rate" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including, among other things, pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

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

- (a) If USD Payment Election is specified in the applicable Final Terms and the Specified Currency is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, a Noteholder as of the applicable Record Date may, not more than 10 and not less than five Business Days before the due date (the "**Relevant Payment Date**") for the next payment of interest and/or principal on a Note (such period, the "**USD Election Period**"), give an irrevocable election to any Agent to receive such payment in U.S. Dollars instead of Turkish Lira (each, a "**USD Payment Election**"). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Noteholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the "**Lira Amount**") to be paid by the Issuer in respect of the Notes the subject of such USD Payment Elections and which is to be converted into U.S. Dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 6.10 and Clause 7 of the Agency Agreement.

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

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

The Issuer's obligation to make payments on Notes the Specified Currency of which is Turkish Lira is limited to the specified Turkish Lira amount of such payments and, in the event that it fails to make any payment on the Notes in full on its due date, its obligation shall remain the payment of the relevant outstanding Turkish Lira amount and it shall have no obligation to pay any greater or other amount as a result of any change in the Applicable Exchange Rate between the due date and the date on which such payment is made in full.

- (c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 6.10 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount of U.S. Dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. Dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 14 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer on the Relevant Payment Date by no later than 11.00 a.m. (London time) in the case of a payment of interest or principal becoming due in order to make any payments to Noteholders on such Relevant Payment Date, including any such payments in U.S. Dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. Dollar amounts) as soon as reasonably practicable thereafter.

- (d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. Dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with Condition 14 and all payments on the Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 6, irrespective of any USD Payment Election made.
- (e) To give a USD Payment Election:
 - (i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 6.10 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable U.S. Dollar payment is made; and
 - (ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.
- (f) Notwithstanding any other provision in the Conditions to the contrary: (i) all costs of the purchase of U.S. Dollars *with* the Lira Amount shall be borne *pro rata* by the relevant Noteholders relative to the Notes of *such* Noteholders the subject of USD Payment Elections, which *pro rata* amount will be deducted from the U.S. Dollar payment made to such Noteholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, commissions or expenses or to indemnify any Noteholder against any difference between the U.S. Dollar amount received by such Noteholder and the portion of the Lira Amount that would have been payable to the Noteholder if it had not made the relevant USD Payment Election and (iii) the Issuer shall not have any liability or other obligation to any Noteholder with respect to the conversion into U.S. Dollars of any amount paid by it to the Fiscal Agent in Turkish Lira or the payment of any U.S. Dollar amount to the applicable Noteholders.

6.11 Payments on Notes held through DTC in a Specified Currency other than U.S. dollars

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

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

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

7.2 Redemption for tax reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes (which shall, for the avoidance of doubt and for the purposes of this Condition 7.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:
 - (i) pay additional amounts as provided or referred to in Condition 8; and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms 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 at any time at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

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

This Condition 7.3 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons pursuant to Condition 7.2), such option being referred to as an "**Issuer Call**". The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7.3 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or (if redemption in part is specified as being applicable in the applicable Final Terms) some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. If redemption in part is specified as being applicable in the applicable Final Terms, any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

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

This Condition 7.4 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an "**Investor Put**". The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7.4 for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem, such Note on the Optional Redemption Date and at the Optional Redemption Amount together (if appropriate) with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 7.4 in any Specified Denomination.

To exercise the right to require redemption of this Note:

- (a) if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to such Paying Agent's order or under its control; and
- (b) if this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream,

Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC as applicable, given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Redemption at the option of the Noteholders (Change of Control Put)

This Condition 7.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder following the occurrence of a Change of Control, such option being referred to as a "**Change of Control Put**". The applicable Final Terms contains provisions applicable to any Change of Control Put and must be read in conjunction with this Condition 7.5 for full information on any Change of Control Put. In particular, the applicable Final Terms will identify the Change of Control Redemption Amount.

If Change of Control Put is specified as being applicable in the applicable Final Terms, upon the occurrence of a Change of Control while this Note remains outstanding, the holder of this Note will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 7.2) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of this Note on the Change of Control Redemption Date (as defined below) at its Change of Control Redemption Amount together (if appropriate) with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Change of Control Redemption Date. Registered Notes may be redeemed under this Condition 7.5 in any Specified Denomination.

For the purposes of these Conditions a "**Change of Control**" shall be deemed to occur if the Republic of Turkey, acting through the Turkey Wealth Fund managed by Türkiye Varlık Fonu Yönetimi A.Ş. or through any other entity owned or controlled, directly or indirectly, by the Republic of Turkey, ceases to (i) control or hold, directly or indirectly, more than 50.0% of the ordinary shares of the Issuer giving the right to vote at a general meeting; or (ii) whether directly or indirectly and whether by ownership of share capital, possession of voting powers or otherwise, be able to appoint, or direct the appointment of, a majority of the board of directors of the Issuer. For the avoidance of doubt, the occurrence of a Change of Control shall not constitute an Event of Default.

Promptly upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control, the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option:

- (a) if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the period (the "**Change of Control Put Period**") of 30 days after that on which the Change of Control Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Change of Control Put Notice**") and in which the

holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.5 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Change of Control Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to such Paying Agent's order or under its control; and

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

The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Note on the date (the "**Change of Control Redemption Date**") being the tenth day after the date of expiry of the Change of Control Put Period, unless previously redeemed or purchased and cancelled.

Any Change of Control Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, given by a holder of any Note pursuant to this Condition 7.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.5 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.6 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

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

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

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

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

7.7 Purchases

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

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.7 above (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 7 or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

8.1 Payment without Withholding

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges (including related interest and penalties)

of whatever nature ("**Taxes**") imposed, assessed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) presented for payment in the Republic of Turkey; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of the Note or the Coupon, as applicable, 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 6.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer, any Paying Agent or any other person 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) "**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 the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or Coupons.

8.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 8.

9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest 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 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

10.1 Events of Default

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

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any originally applicable grace period; *provided that* no event described in this Condition 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above, exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) if any order is made by any competent court or the Government of Turkey, or resolution is passed, for the winding up or dissolution of the Issuer or any of its Material Subsidiaries; or
- (e) if (i) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of (A) a solvent voluntary winding up, dissolution or reorganisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or one or more Material Subsidiaries of the Issuer or any Subsidiary or Subsidiaries of the Issuer that becomes (or become) a Material Subsidiary (or Material Subsidiaries) as a result of such combination or transfer, or (B) reorganisation on terms previously approved by an Extraordinary Resolution of Noteholders, or (ii) the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or

- (g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) (i) takes any corporate action or other steps are taken or legal proceedings are started: (A) for its winding-up, dissolution, administration, bankruptcy or reorganisation (other than for the purposes of (x) a solvent voluntary winding-up, dissolution or reorganisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or one or more Material Subsidiaries of the Issuer or any Subsidiary or Subsidiaries of the Issuer that becomes (or become) a Material Subsidiary (or Material Subsidiaries) as a result of such combination or transfer, or (y) reorganisation on terms approved by an Extraordinary Resolution of Noteholders), or (B) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any or all of its revenues and assets or (ii) shall, or proposes to, make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors, and (in the case of any such steps taken or other proceedings started by a person other than the Issuer or any of its Subsidiaries) any such steps or proceedings are not discharged within 60 days; or
- (h) the Issuer is or becomes entitled or subject to, or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 18.4 is held to be invalid or unenforceable; or
- (i) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

10.2 Definitions

For the purposes of these Conditions, "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

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

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

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

12. AGENTS

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

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

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 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 or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

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

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

For so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, 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 and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published 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 Business Day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, as applicable.

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

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, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10.0% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50.0% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

15.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which is, in the opinion of the Issuer, either (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders.

Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise any such modification shall be notified by the Issuer to the Noteholders and the Couponholders 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 or the Couponholders create and issue further notes, having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; *provided that* the issuance of such further notes will be fungible with the original notes for U.S. federal income tax purposes as a result of their issuance being a "qualified re-opening" under U.S. Treasury Regulation § 1.1275-2(k).

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

18.2 Submission to jurisdiction

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

The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum.

To the extent permitted by applicable law, the Noteholders and the Couponholders may take any suit, action or proceeding arising out of or in connection with the Notes and the Coupons (including any suit, action or proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) (together referred to as "**Proceedings**") 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 (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in the Republic of Turkey in connection with the Notes and/or the Coupons, 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 sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

18.4 Waiver of Immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity, if any, (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees: (i) not to claim; and (ii) irrevocably waives such immunity, in each case only to the fullest extent permitted by the laws of such jurisdiction.

18.5 Appointment of Process Agent

Service of process may be made upon the Issuer at the offices of Türkiye Cumhuriyeti Ziraat Bankası A.Ş., London Branch located at Basildon House, 7-11 Moorgate, London, EC2R 6DB, United Kingdom, in respect of any Proceedings and undertakes that in the event of such process agent ceasing so to act it will appoint another person as its agent for that purpose.

18.6 Other documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent for service of process, in terms substantially similar to those set out above. In addition, the Issuer has, in such documents, waived any rights to sovereign immunity and other similar defences which it may have.

USE OF PROCEEDS

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

SUMMARY FINANCIAL AND OTHER INFORMATION

Financial Data

The following tables present selected financial and other information of the Bank as of and for the years ended 31 December 2016, 2015 and 2014, which have been extracted or derived from the Unconsolidated Annual Financial Statements, or from the Bank's accounting records. Prospective investors should read the following information in conjunction with "*Presentation of Information—Presentation of Financial Information*" and the Unconsolidated Annual Financial Statements, including the notes thereto.

Income Statement Data

	BRSA		
	Year ended 31 December		
	2016	2015	2014
	<i>(TL thousands)</i>		
Interest income	27,290,689	22,050,495	18,165,007
Interest expenses	13,342,418	11,541,569	9,558,161
Net interest income/expenses	13,948,271	10,508,926	8,606,846
Net fees and commissions income/expenses	1,642,848	1,300,081	1,077,115
Dividend income	259,184	213,056	191,840
Trading profit/loss (net)	(187,837)	(165,539)	(69,960)
Other operating income	1,554,538	1,339,895	911,050
Total operating income/expenses	17,217,004	13,196,419	10,716,891
Provision for losses on loans or other receivables	3,344,870	1,420,554	1,443,194
Other operating expenses	5,302,999	5,208,242	4,094,964
Net operating profit/loss	8,569,135	6,567,623	5,178,733
Provision for taxes on income from continuing operations	(1,992,715)	(1,405,153)	(1,128,224)
Net profit/losses from continuing operations	6,576,420	5,162,470	4,050,509

Balance Sheet Data

	BRSA		
	As of 31 December		
	2016	2015	2014
Assets	<i>(TL thousands)</i>		
Cash balances with the Central Bank of Turkey	39,167,097	36,535,963	30,148,983
Financial assets at fair value through profit or (loss) (net)	1,684,791	944,899	310,742
Banks	3,901,674	4,446,792	2,191,041
Financial assets available for sale (net)	58,631,953	53,782,308	54,230,853
Loans and receivables.....	232,643,535	186,812,851	141,914,662
Investments held to maturity (net).....	8,749,464	10,144,142	10,021,056
Investments in subsidiaries (net)	94,912	94,912	1,459,972
Investments in associates (net)	4,107,589	2,449,180	94,912
Entities under common control (net)	109,239	111,274	76,401
Tangible assets (net).....	5,315,203	4,841,638	4,683,614
Intangible assets (net).....	312,814	211,511	185,066
Tax assets	76,878	262,631	221,479
Assets held for sale and assets held from discontinued operations (net)	562,033	240,606	173,255
Other assets	2,404,183	1,969,619	1,888,275
Total Assets	357,761,365	302,848,326	247,600,311
Liabilities:			
Deposits.....	223,018,934	186,469,435	153,255,248
Derivative financial liabilities held for trading.....	643,628	292,271	395,584
Funds borrowed.....	22,816,736	19,542,648	14,607,707
Money market balances.....	47,211,961	43,085,776	31,781,076
Marketable securities issued (net)	6,833,001	5,287,606	4,218,806
Funds	6,020,839	5,931,129	5,426,448
Miscellaneous payables.....	2,480,721	2,320,183	1,746,503
Other liabilities.....	3,449,289	2,434,122	2,043,213
Payables from leasing transactions (net)	492	686	1,389
Provisions	6,053,011	5,160,896	4,757,837
Tax liability	850,315	777,305	826,336
Total Liabilities.....	319,378,927	271,302,057	219,060,147
Shareholders' Equity:			
Paid-in Capital.....	5,100,000	5,000,000	2,500,000
Capital Reserves	3,118,426	3,218,437	6,302,199
Profit Reserves	22,681,247	18,005,564	15,527,658
Profit or loss	7,482,765	5,322,268	4,210,307
Total Liabilities and Equity	357,761,365	302,848,326	247,600,311

Key Ratios and Other Information

The Bank calculates certain ratios in order to measure its performance and to compare its performance to that of its main competitors. See "*Presentation of Information—Presentation of Financial Information—Alternative Performance Measures of Financial Performance*". The following table sets out certain key performance indicators for the Bank as of and for the periods indicated:

	BRSA		
	As of and for year ended 31 December		
	2016	2015	2014
	(percentages, except employees and branches) ⁽¹⁾		
	(audited)		
<i>Profitability Ratios:</i>			
Yield ⁽²⁾	9.9	9.7	9.7
Net interest margin ⁽³⁾	5.1	4.6	4.6
Net interest spread ⁽⁴⁾	5.1	4.7	4.7
Cost to income ratio ⁽⁵⁾	31.3	40.1	38.9
Operating expenses to total average assets ratio ⁽⁶⁾	1.6	1.9	1.8
Return on average total assets ⁽⁷⁾	2.0	1.9	1.8
Return on average shareholders' equity ⁽⁸⁾	18.8	17.2	17.3
Dividend payout ratio ⁽⁹⁾	1.3	1.0	0.9
<i>Balance Sheet Ratios:</i>			
Loans and advances to total deposits ⁽¹⁰⁾	104.3	100.2	92.6
Loans to total assets ⁽¹¹⁾	65.0	61.7	57.3
Securities to total assets ⁽¹²⁾	19.3	21.4	26.1
Deposits to total liabilities ⁽¹³⁾	62.3	61.6	61.9
Cost of Risk ⁽¹⁴⁾	1.4	0.5	0.5
<i>Credit Quality Ratios:</i>			
Non-performing loans to total cash loans ⁽¹⁵⁾	1.8	1.7	1.9
Loan losses reserves to non-performing loans ⁽¹⁶⁾	94.0	72.3	71.1
<i>Capital Adequacy Ratios:</i>			
Tier I regulatory capital to risk-weighted assets and market risk ⁽¹⁷⁾ ..	13.46	14.0	17.2
Total regulatory capital to risk-weighted assets and market risk ⁽¹⁷⁾ ..	14.55	15.1	18.2
<i>Other Information:</i>			
Operating income before provisions (excluding dividend income) ⁽¹⁸⁾	16,957,820	12,983,363	10,525,051
Employees ⁽¹⁹⁾	25,015	25,697	23,617
Branches ⁽²⁰⁾	1,786	1,786	1,682

(1) Operating income before provisions (excluding dividend income) is in TL thousands.

(2) Yield represents interest income as a percentage of average interest-earning assets.

(3) Net interest margin represents net interest income before provisions for loan losses as a percentage of average interest-earning assets.

(4) Net interest spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest accrued on interest-bearing liabilities.

(5) Cost to income ratio represents total operating expenses (excluding net impairment losses on financial assets) divided by total operating income before provisions (excluding dividend income).

(6) Operating expenses to total average assets ratio represents total operating expenses (excluding net impairment losses on financial assets) divided by total average assets (average of the opening and closing balances for the applicable period).

(7) Return on average total assets represents profit for the period as a percentage of average total assets (average of the opening and closing balances for the applicable period).

(8) Return on average shareholders' equity represents profit for the period as a percentage of average shareholders' equity (average of the opening and closing balances for the applicable period).

(9) Dividend payout ratio represents dividends paid divided by profit for the period.

(10) Loans and advances to total deposits ratio represents total loans and advances divided by total deposits (deposits from banks and deposits from customers).

(11) Loans to total assets ratio represents total loans and advances divided by total assets.

(12) Securities to total assets ratio represents securities divided by total assets.

(13) Deposits to total liabilities ratio represents total deposits (deposits from banks and customers) divided by total liabilities (excluding shareholders' equity).

(14) Cost of risk represents the impairment charge for the period minus recoveries and reversals for the period, divided by average net loans.

- (15) Non-performing loans to total cash loans ratio represents non-performing loans divided by loans and receivables plus non-performing loans.
- (16) Loan losses reserves to non-performing loans ratio represents loan losses reserves divided by non-performing loans.
- (17) Calculated in accordance with the Basel III capital adequacy framework. The Bank is also monitoring developments relating to the implementation of Basel III, which may impact the manner in which the Bank calculates capital adequacy ratios and may impose higher capital requirements. See *"Risk Factors—Risks Related to the Bank—The Bank may have difficulty raising capital on reasonable terms"* and *"Risk Factors—Risks Related to Turkey—The Bank is a highly regulated entity 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 Bank's business, financial condition, results of operations and prospects"*.
- (18) Operating income before provisions (excluding dividend income) represents the Bank's operating income (which equals the sum of net interest income, net fees and commission income, net trading income from securities, net trading gains/loss from derivative financial instruments, foreign exchange gains/losses net, net cost of insurance operations, and other operating income) before provisions (excluding dividend income).
- (19) Employees represent the total number of employees of the Bank (including 83 employees outside of Turkey).
- (20) Branches represent the total number of domestic branches of the Bank.

CAPITALISATION OF THE BANK

The following table sets forth the total capitalisation of the Bank as of 31 December 2016, 2015 and 2014. The following financial information has been extracted from the Unconsolidated Annual Financial Statements of the Bank without material adjustment. This table should be read in conjunction with the Unconsolidated Annual Financial Statements (including the notes thereto) incorporated by reference herein.

	As of 31 December		
	2016	2015	2014
	<i>(TL thousands)</i>		
Paid-in-capital	5,100,000	5,000,000	2,500,000
Capital reserves	3,118,426	3,218,437	6,302,199
Profit reserves.....	22,681,247	18,005,564	15,527,658
Profit or loss	7,482,765	5,322,268	4,210,307
Total shareholders' equity	38,382,438	31,546,269	28,540,164
Long term liabilities ⁽¹⁾	15,104,428	11,595,447	11,999,880
Total capitalisation	53,486,866	43,141,716	40,540,044

(1) Shareholders' equity and provisions are excluded.

BUSINESS OF THE GROUP

Incorporation

In 1863 "Homeland Funds" were established to support farmers, and these funds were officially transformed into the Bank on 15 August 1888. The Bank was converted into a joint stock company under the laws of Turkey in 2000 and operates under the Banking Law No.5411. The Bank is registered with the Ankara Chamber of Commerce under number 48/7-1148 and has its registered addresses at Anafartalar Mahallesi, Atatürk Bulvarı No. 8, Altındağ, Ankara, Turkey. The telephone number of the Bank is +90 312 584 20 00.

Overview

The Bank is a full-service commercial and retail banking group historically focused on the agricultural sector, and provides a broad range of products and services to approximately 30 million corporate, commercial, retail and international customers across Turkey and select international markets. The Bank's name has been associated with agriculture in Turkey since 1863. The Bank has been a consistent source of financial support for agriculture in Turkey throughout its history and has played a substantial role in both the development and the modernisation of the Turkish agricultural sector. Agriculture remains one of the core sectors of the Bank's focus today, although the Bank has, since its establishment, also expanded its business into additional sectors.

The Bank offers its products and services to its customers through an international branch network, which as of 31 December 2016 included 1,786 domestic branches and 28 international branches (the largest international service network of any Turkish bank according to data published by the Banks Association of Turkey). The Bank also has subsidiary, affiliate and joint venture operations in Germany, Bosnia and Herzegovina, Montenegro, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan and Russia. The Bank's network includes eight subsidiaries in Turkey focused on insurance, leasing, pension portfolio management, securities brokerage, Islamic banking, real estate investment and information technology to complement its core banking business. The two foreign subsidiaries of the Bank, Ziraat Bank Montenegro AD and Ziraat Bank Azerbaijan ASC launched their banking operations in July 2015. The Bank opened a branch in Pristina/Kosovo in June 2015 and a branch in Bahrain in November 2016. In addition, the Bank established its participation bank, Ziraat Participation Bank, which engages in banking activities in accordance with Islamic principles on 29 May 2015.

On 18 July 2016, the Bank's Marneuli-Georgia sub-branch started its operations. On 19 September 2016, the Sanski Most branch of the Bank's subsidiary Ziraat Bank BH dd started its operations. On 1 November 2016, the Bank established Ziraat Real Estate Investment Trust, a wholly-owned subsidiary of the Bank. On 28 November 2016, the Bank's Bahrain branch started its operations and the Bank expanded its operations to nineteen countries.

According to the Banks Association of Turkey, as of 31 December 2016, the Bank was the largest bank, and the largest state-owned bank, in Turkey in terms of total assets (TL 357.8 billion), the largest in terms of total deposits (TL 223.0 billion) and the largest in terms of number of branches (1,814). As of 31 December 2016, the Bank had 25,015 employees.

According to data published by the BRSA, the Bank's market share in Turkey in loans and assets was 13.5% and 13.1%, respectively. The Bank's loans and advances increased to TL 232.6 billion as of 31 December 2016, from TL 186.8 billion as of 31 December 2015, representing a growth rate of 24.5%. As of 31 December 2016 and according to data published by the BRSA, the Bank had a 14.5% market share in the deposit market in Turkey, with total deposits of TL 223.0 billion, representing 62.3% of the Bank's total liabilities and shareholders' equity, and it was the largest bank in Turkey in terms of Turkish Lira deposits (17.2% market share). The Bank had a loans and advances to total deposits ratio (including deposits from banks and from customers) of 104.3% as of 31 December 2016 compared to 100.2% as of 31 December 2015 and 92.6% as of 31 December 2014, which was one of the lowest among its principal Turkish bank competitors, as estimated by the Bank based on its own data.

For the year ended 31 December 2016 and on an unconsolidated BRSA basis, the Bank's return on equity ("ROE") and return on assets were 18.8% and 2.0%, respectively, as compared to 17.2% and 1.9% for the year ended 31 December 2015, while the corresponding rates of return for the Turkish banking sector for the

same period were 14.3% and 1.5%, respectively, as compared to 11.3% and 1.2% for the year ended 31 December 2015.

Business Divisions - Overview

The Bank operates through five principal business divisions: SME Banking, Corporate Banking, Retail Banking, Treasury-Investment Banking and International Banking.

SME Banking. The Bank's SME Banking operations focus on micro and midcap SMEs and as of 31 December 2016 the Bank had 79 SME branches and 76 Dynamic SME branches. The Bank intends to grow its SME banking business by further expanding its branch network, increasing its marketing efforts and offering new tailor-made products, with an increased focus on cross-selling efforts to increase revenues and maintain sustainable growth in SME banking. The principal products and services provided by the Bank to SMEs include deposits, investment and working capital loans, non-cash loans (*i.e.* guarantees and letters of credit), treasury products and cash management services. As of 31 December 2016, the Bank's loans and advances to SME borrowers comprised 35.7% of its total loans and advances. The Bank's senior management believes that the SME sector accounts for the largest single segment of the Turkish GDP and that the SME sector is still underserved and underpenetrated in terms of financial services products. As at 31 December 2016, the Bank had approximately 3.9 million SME customers (defined by the Bank as a business with annual turnover of TL 100 million or less).

Corporate Banking. The Bank's Corporate Banking operations provide corporate customers with cash and non-cash loans, financial services related to import and export transactions, trade finance, project finance, treasury management services, international banking services, financial intermediary services and asset management services. As of 31 December 2016, the Bank had 20 corporate branches. One of the Bank's strengths has been its strong and diverse deposit base, which senior management believes has enabled it to provide competitive corporate lending services. As of 31 December 2016, the Bank had over 14,000 corporate customers (classified by the Bank as businesses, each with annual turnover of TL 100 million or more). As of 31 December 2016, deposits from corporate customers comprised, on an unconsolidated BRSA basis, 22.1% of the Bank's total deposits from customers and total loans from corporate customers amounted to TL 85.7 billion, which comprised 39.9% of the Bank's total loans and advances.

Retail Banking. The Bank's Retail Banking operations offer a broad range of retail banking and financial services to its retail customers, including retail loans (including housing and automobile loans), deposit banking, debit card and credit card services, payroll accounts, investment accounts, utility and other payment systems. As of 31 December 2016, the Bank's total savings deposits represented 40.6% of total deposits and they increased to TL 90.6 billion as of 31 December 2016 from TL 78.2 billion as of 31 December 2015, representing an increase of 15.8%. The Bank is also active in the retail loan market, which has grown significantly in Turkey since 2010. As of 31 December 2016, the Bank's retail loans represented 24.4% of its total loans and advances. As of 31 December 2016, the Bank had approximately 26 million retail customers and 2.6 million active credit card customers.

Treasury-Investment Banking

The Bank's Treasury-Investment Banking division's key role is to manage the Bank's assets and liabilities, funding, liquidity risk and trade finance transactions. The Treasury-Investment Banking division, including its branches and subsidiaries both locally in Turkey and abroad, centralises the Bank's asset and liability management operations, trading (both customer driven and proprietary) and fixed income portfolio management. Although the Bank's treasury management activities are primarily focused on asset and liability management, the Financial Markets Department also generates profits through proprietary trading in foreign exchange and fixed income securities markets. The Bank is also one of the 13 primary dealers (market makers) of Turkish Government bonds and bills.

Investment banking operations and asset management of mutual and pension funds are conducted by Ziraat Portfoy Yonetimi A.Ş.

International Banking

The Bank's International Banking operations provide letters of credit, letters of guarantee, export and import financing and structured trade financing products, and also support customers in the area of medium and long-term capital goods financing under the export credit agency insurance schemes offered by many

countries. The Bank's International Banking operations are performed through its 28 foreign branches, one representative office and nine equity investments abroad, which numbers 99 service points in total. The 28 branches and sub-branches operated by the Bank are located in the United States, the United Kingdom, Georgia, Iraq, Greece, Saudi Arabia, Bulgaria, Georgia, Kosovo, Bahrain and the Turkish Republic of Northern Cyprus. The Bank also has a representative office in Tehran, Iran which as of 31 December 2016 is dormant and does not conduct, and is not authorised to conduct, any lending or deposit taking activities or money transfer activities. The Bank also serves its international customers through its subsidiaries in Germany, Russia, Bosnia and Herzegovina, Montenegro, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan.

Strengths

The Bank's senior management believes that the Bank has a number of key strengths, which include:

Well-established nationwide franchise, including in underbanked areas, in a growing Turkish market. With approximately 80 million population in 2016, Turkey is the second largest European country by population, and its population continues to grow, with approximately 50.0% of the population below the age of 30. According to Turkstat, in 2016 Turkey had 1.4 population growth compared to the EU average of 0.4% for the same year, according to Eurostat. Turkish GDP contracted 1.8% in the third quarter of 2016 and grew 6.1% in the year ended 31 December 2015 and 5.2% in the year ended 31 December 2014. According to data published by the BRSA, the Turkish banking sector also grew, with a 15.8% increase in total banking assets, a 16.8% increase in loans and a 16.7% increase in deposits for the year ended 31 December 2016 as compared to a 18.2% increase in total banking assets, a 19.7% increase in loans and a 17.9% increase in deposits for the year ended 31 December 2015. The Bank is the largest domestic Turkish state-owned bank in terms of total assets and had an extensive network of 1,786 domestic branches as of 31 December 2016. The Bank's historic ties to the agricultural sector have provided a platform to penetrate underbanked (*i.e.* those areas with poor access to mainstream financial services and that rely on non-traditional forms of finance and micro-finance) rural areas of the country, and the Bank is the sole bank providing services to customers in 400 sub-provinces in Turkey. The Bank's senior management believes that the growth prospects of the Turkish banking market will benefit from the currently low levels of banking penetration, as Turkey's loan to GDP ratio in 2016 is estimated to be around 81.6%. Senior management believes that the Bank's strong presence in underbanked parts of Turkey, together with its focus on further expanding its branch network in industry centres and major cities of Turkey to improve the Bank's access to corporate and SME customers will enable it to capitalise on this growth.

Leading agricultural banking franchise. The Bank's name has been associated with agriculture in Turkey since 1863, affording it a deep track record of experience and know-how in the agricultural sector. Agricultural loans as a share of the Bank's loan book were 19.9% as of 31 December 2016, 20.0% as of 31 December 2015 and 20.3% as of 31 December 2014. This experience gives the Bank significant insight into its agricultural customers' needs, enabling it to develop tailor-made product offerings for its customers in this sector such as Başakkart, a bank card through which demand deposit accounts and agricultural loan accounts can be linked. In addition, the Bank is the sole bank distributing Turkish Government subsidised agricultural loans, which covers the borrower's interest costs. Approximately 76.2% of the Bank's agricultural loans benefit from these subsidies. The Bank also plays an intermediary role for certain public funds that are distributed to the agricultural sector, for which the Bank receives fees and commissions income but does not bear any repayment risk. These loans accounted for 4.7% of the Bank's agricultural loan book as of 31 December 2016. Senior management believes that this, combined with its strong sector knowledge and extensive tailor-made product offerings, contributes to the Bank's low NPL ratio for agricultural loans and low overall NPL ratio, which were 0.9% and 1.8%, respectively, as of 31 December 2016. Agriculture accounts for 6.3% of Turkish GDP as of 30 September 2016 and as of 31 December 2016 the Bank's share of the market for agricultural loans was 60.5% according to data published by the BRSA.

Strong funding structure benefiting from state ownership. As the largest bank in Turkey in terms of total deposits according to the BRSA, the Bank has a strong, stable and well-diversified core deposit base, with total deposits of TL 223.0 billion as of 31 December 2016, representing 62.3% of its total liabilities and shareholders' equity as of the same date. As of 31 December 2016 and on an unconsolidated BRSA basis, the Bank's core deposit ratio was 96%, and 25% of total deposits from customers were demand deposits that do not pay interest. The Bank's loans to total deposits ratio was 104.3% as of 31 December 2016, which is the

lowest in the Turkish banking sector, according to the BRSA. Senior management believes that the Bank's balance sheet offers a strong opportunity to leverage further growth in loans and advances. State ownership provides the Bank with a competitive advantage over certain of its competitors in respect of deposits from Turkish public institutions, as the Bank is one of only three banks that is qualified to hold deposits from public bodies under current regulations. Deposits from Turkish public institutions amounted to TL 42.1 billion as of 31 December 2016, or 20.1% of total deposits.

Experienced management team. The Bank has a highly-experienced management team with significant experience at the Bank and in the banking industry generally. Such personnel have a proven track record in the Turkish banking sector, particularly in restructuring and repositioning entities in the sector, and senior management believes that the combined experience of the Bank's management team will enable it to successfully implement the measures the Bank is taking to transform its business and support its focus on sustainable and profitable growth.

High asset quality, prudent risk management and solid credit policies and procedures. Senior management believes that proper and well-functioning evaluation and assessment with a specific focus on control of risk is critical to the Bank's success. Therefore, the Bank has been strengthening its balance sheet by diversifying its asset base, with a prudent approach on credit concentration in its cash and non-cash portfolios. The Bank has developed its risk management and monitoring platforms to enable it to identify and closely measure, monitor and manage the various risks inherent in its loan portfolio. The Bank's risk management policies are consistently being revised and updated based on its analysis of new market trends and risks, in line with best market practices. The Bank has never written off or sold to third parties any of its NPLs, and, with an average collection period of NPLs of approximately three years, senior management believes that the Bank has strong collection capabilities. The Bank's NPL ratio was 1.8% in the year ended 31 December 2016, which is below the sector average.

Strategy

The Bank's strategy is to continue to improve its business through:

Leveraging its existing customer base through cross-selling an expanding and more tailored product offering. Senior management believes that the Bank enjoys strong brand recognition and long-standing relationships with its customers that can be further enhanced with a more customer-oriented approach. As such, the Bank has segmented its customer base in line with best market practices to help it better understand the needs of its customers and to develop revenue opportunities by continuing to provide bespoke solutions to meet the evolving needs of customers. This approach involves continuously reviewing and developing products and service offerings to complement the Bank's core banking products as well as primarily targeting SMEs and midcap corporates. Using its Big Data and Behaviour Analysis, the Bank analyses its extensive database of retail and other segment customers for their credibility both within and outside the Bank. In particular, the Bank analyses past and potential future financial behaviour and preferences of its customers with an aim of offering optimal products and services. With a better understanding of its large customer base, senior management believes that there is scope for the Bank to cross-sell other core banking products and promote the use of alternative delivery channels to these customers. In addition, senior management believes that this deeper understanding will enable the Bank to better tailor its products and services to increase its competitive advantages. With stakes in a number of domestic and overseas institutions engaged in banking, insurance, leasing, pension, portfolio management, securities brokerage, real estate investment and information technology, senior management believes that the Bank is well positioned to address the needs of its different customer groups with tailor-made products and services through an efficient and focused marketing strategy, with the aim of establishing and further improving long-lasting customer relationships.

Currently the Bank's cross-selling ratio for retail customers (a rate of the Bank's different products usage per customer in retail banking) is 2.6%, and the Bank intends to introduce new product offerings to the market through focused cross-selling efforts to increase revenues and maintain sustainable growth. The Bank intends to increase its loan portfolio through cross-selling activities to its existing customer base and through new customer acquisition. The Bank has reorganised its branch network and head office to enhance its competitiveness and is implementing customer-oriented marketing policies to further increase its loan portfolio under the auspices of its established, prudent credit policies and procedures.

Maintaining and enhancing its leading position in the agricultural sector with a focus on activities with higher added value, while increasing its market share in other sectors, with a specific focus on SME banking. With its strong association with the agricultural sector in Turkey, the Bank is uniquely positioned to leverage its extensive experience and know-how, well-established national franchise and long-standing relationships with its customers and enhance its leading position in the agricultural sector and continue focusing on activities with higher added value. The Bank aims to maintain and enhance its strong position in the agricultural sector through tailor-made product offerings and superior service quality. Agriculture is one of the core sectors of focus at the Bank, and this focus runs through its business divisions. The Bank aims to increase its market share in each customer segment, with a specific focus on SMEs and midcap corporates in each segment. In addition the Bank has been focusing on industrial agricultural loans to harness the sector's potential. Senior management believes that this focus on SMEs and midcap corporates is a natural extension of its more traditional agricultural sector lending and provides the Bank with better yield opportunities. The Bank aims to implement this strategy by using in particular its extensive branch network and industry know-how to expand its customer base to SMEs and midcap corporates that have business operations in various other aspects of the agricultural sector such as food processing, export and import business and manufacturing. In line with its new business model, the Bank does not classify agriculture as a separate business segment, but as a specific sector.

Achieving further growth with sustainable profitability and efficiency while maintaining and enhancing a strong equity base that is compatible with its asset size, and improving operational efficiency through cost control initiatives. The Bank intends to focus on maintaining its profitability and cost controls while increasing market share in lending and other banking products. The Bank aims to increase net profit through increased operational efficiency and cost control initiatives, including through measures such as continuing to focus on alternative distribution channels and outsourcing certain functions, such as outsourcing its corporate vehicle requirements to car fleet companies which was recently completed by the Bank and outsourcing all security and cleaning services, optimization of personnel transportation and the maintenance services of fringe benefits. Between 31 December 2014 and 31 December 2016, the number of all customer transactions processed by the Bank through its alternative distribution network increased from 79% to 85%. The Bank is also improving its operating efficiency through organisational restructuring, investments in human resources and information technology and focusing its marketing at the branch level, as well as ongoing development of its internal control functions. The Bank's personnel expenses as a percentage share of its operating expenditure declined from 44.5% to 43.1% between 31 December 2014 and 31 December 2016 and cost to income ratio decreased from 38.9% to 31.3%. The Bank has established an operations centre in Ankara to realise economies of scale for effective cost control and process management. Along with improving operational efficiency and its cost control initiatives, the Bank aims to leverage its market leading Turkish Lira deposit base and increase deposits by expanding its customer base by marketing and expanding into larger urban areas such as Istanbul, Ankara, Izmir and other major cities, while reducing the cost of its deposits by increasing the share of demand deposits, as well as opportunistically reducing high-cost deposits. The Bank is committed to ensuring the effectiveness of all critical processes, especially in credit and risk management, and to improving productivity in all business divisions by means of product diversity, transaction system security, high-quality service and competitive pricing. The Bank has been investing in technology, with its own funds and through its subsidiaries, to lower transaction and operation costs, including an upgrade to its core banking application platform, and to improve its capabilities in alternative delivery channels. In the years 2011 - 2016, the Bank has spent approximately TL 1 billion (TL 521 million on investments in IT and TL 516 million on Ziraat Teknoloji Services) in total on upgrading its IT infrastructure. The Bank has a strong presence in alternative distribution channels including call centre banking, internet banking, ATMs, VTMs and mobile branches.

Diversifying asset base and improving returns. The Bank's strategy has a long-term business perspective without sacrificing short-term gains. As part of this strategy, the Bank aims to diversify its asset base, and in particular to reduce the share of securities gradually and to shift from investment in securities to a loan book, as the Bank expects to be able to generate relatively higher yields from loans over a medium and longer-term basis. As of 31 December 2016, the Bank's share of securities as a percentage of its total assets was 19.3%, which (according to financial statements of Turkish banks) was the second highest ratio in the Turkish banking sector. The share of securities as a percentage of its total assets was 19.3%, 21.4% and 26.1% for the years ended 31 December 2016, 2015 and 2014. In line with its strategy of migrating from investment in its securities portfolio to a loan book, the Bank has been focusing on improving its loan book through increasing

its marketing capabilities. Senior management believes that the strategy of segmenting its customers to leverage its existing customer base will help the Bank expand its loan book and thus diversify its asset base.

Improving and expanding its international network through strategic acquisitions and overseas investments. The Bank has a wide international presence, with 23 foreign branches, five sub-branches, one representative office and nine international banking subsidiaries and is present in 19 countries, including Germany, Russia, Kazakhstan, Azerbaijan, Turkmenistan, Uzbekistan, the United States, the United Kingdom, Greece, Saudi Arabia, Iraq, Georgia, Bosnia and Herzegovina, the Turkish Republic of Northern Cyprus, Bahrain, Montenegro, Kosovo and Bulgaria. The Bank aims to obtain an increasing share of foreign trade financing and maintain the advantage it has with the largest international service network of any Turkish bank. As part of its strategy, the Bank aims to continue to improve its global points of service in order to integrate products and services of local units through a more customer- and marketing-oriented business model; increase efficiency and profitability in the countries in which it operates; contribute to the development of commercial and economic relations between Turkey and the host countries; acquire a higher share of foreign trade financing and channel trade transactions to the Bank; and ensure that the Bank's global points of service offer timely and efficient service to their customers, particularly Turkish entrepreneurs and companies. The Bank's main focus has been on the Balkan and Central Asian regions, as these areas have strong trading and geographical ties with Turkey. In the short term, the Bank intends to focus on consolidating and potentially expanding its existing operations but in the future it may look to expand operations into new countries and may opportunistically expand as Turkey's business community continues to expand its international footprint. The two foreign subsidiaries of the Bank, Ziraat Bank Montenegro AD and Ziraat Bank Azerbaijan ASC launched their banking operations in July 2015. The Bank opened a branch in Pristina/Kosovo in June 2015 and a branch in Bahrain in November 2016.

History

Officially established in 1888, the Bank traces its roots back to 1863 when an Ottoman governor helped form an organisation called "Homeland Funds" under the auspices of the state, which used funds collected by farmers to provide mutual assistance in the agricultural community. By 1883 these "Homeland Funds" had been reorganised as "Benefit Funds", with control in the hands of the central government. On 15 August 1888 the Bank was established to undertake the operations of the Benefit Funds and the Benefit Funds were transformed into branches.

In 1923, with the declaration of the Republic, the Bank began to expand its operational services, and started to provide services to customers across Turkey and particularly to farmers. In this process, the mission of the Bank was not limited to the agricultural sector, although the Bank continued to help foster the development of the agricultural sector in Turkey.

Branches in Cyprus and an agency office in Hamburg, Germany were opened in 1975. By 1977, the increase in the Bank's branches necessitated a change in its administration, and a number of regional directorates were established to more closely monitor operations and ensure that corporate decisions were effectively implemented in its various branches. The Bank continued to expand internationally and by 1983 five further agency offices (in Duisburg, Berlin, Munich, Stuttgart and Rotterdam) were opened in Germany and the New York and London agencies became branch offices in 1983 and 1987, respectively. In 1988, according to the ranking of *Euromoney*, the Bank ranked 452nd by equity size among the top 500 banks. During this time, the Bank opened Turkey's first Bank Museum (in its head office building Ulus-Ankara) and founded a banking school.

In the 1990s, the Bank continued its international expansion. In 1993 Ziraat Bank (Moscow) CJSC, Kazakhstan-Ziraat International Bank ("**KZI Bank**"), Turkmen Turkish Commercial Bank ("**TTJSC Bank**") and Uzbekistan Turkish Bank ("**UTBANK**") commenced operations. According to the rankings of *Euromoney*, the Bank ranked 202nd in 1993 by equity size among the top 500 banks, while it was ranked 41st by net profit and first by ROE. By 1999, the Bank had 21 subsidiaries.

Law No. 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bankası A.Ş." published in the Official Gazette dated 25 November 2000 and numbered 24241 was prepared within the framework of the macroeconomic programme between 2000 and 2002. While this law regulates the terms of the restructuring of these state-owned banks, the purposes of the law were to modernise the operations of the three banks so that they meet the requirements of international banking

practice and competition and to enable the sale of the majority of the banks' shares to individuals or legal entities in the private sector.

With the enactment of this law the Bank was transformed into a joint-stock company, and the restructuring of the Bank's organisational structure and operations began in 2001. Within the scope of the restructuring plan and the provisions of Law No. 4603, Emlak Bank was closed and merged into the Bank. In addition, the Bank opened branches in Greece, Iraq and Saudi Arabia to strengthen its presence in the Balkans and the Middle East and by 2013 the number of countries in which it provided services with a subsidiary or a branch reached 16.

According to the Customer Satisfaction Index of Turkey of the Quality Association of Turkey (KALDER), the Bank ranked first between 2007-2010 among state-owned banks regarding its customer satisfaction in retail banking. In the list of "1,000 Largest Banks" published by "The Banker" magazine in 2011 the Bank ranked second within Western Europe and fifth globally in the "The Best Average Return on Capital" category. Hüseyin Aydın was appointed as CEO of the Bank in 2011 and implemented measures to transform the Bank's business to better enable it to compete in banking services on a global level while employing best banking practices. In the list of "Top 250 Bank Safety Ranking" published by "The Banker" magazine in 2015, the Bank ranked second within Western Europe. In the list of "Western and Eastern European Banking" published by "The International Banker" magazine, the Bank was appointed as "The Commercial Bank of the Year Turkey" and ranked first in the "Innovation in Retail Banking Turkey".

In 2013, the Bank celebrated its 150th year in business, and in 2014 the Bank continued its progress of transition and transformation under the motto "Together to a Better Future". In 2015, the Bank established its participation bank subsidiary, Ziraat Katılım. The Bank enhanced its foreign network and launched operations in Pristina/Kosovo, Azerbaijan and Montenegro. The Transformation Project that started in 2011 was completed by 2015. The Bank continues to improve its business and maintain leadership in Turkish banking sector during 2016. It also launched operations in Bahrain and established real estate investment trust, Ziraat GYO.

Ownership and Capital Structure

The authorised share capital of the bank consists of 5,100,000,000 shares, par value TL 1 per share. As of the date hereof, all of the shares are currently held by the Turkey Wealth Fund managed by the TWFM Company. The TWFM Company was established by the legislation approved and promulgated in the Official Gazette dated 26 August 2016 with the objective of launching and managing Turkey Wealth Fund in order to contribute the product diversity and depth of capital markets, generate external funding, participate in large scale, strategic investments, bring in the government funds into the economy and contribute the investor confidence in the markets, as mentioned in the legislation. The Bank's share capital was transferred from the Turkish Undersecretariat of Treasury to the Turkey Wealth Fund managed by the TWFM Company on 5 February 2016. The TWFM Company will be operating under Prime Ministry as a state owned entity. According to the related legislation of the TWFM Company, the Turkey Wealth Fund is aimed to manage the public assets more efficiently, to generate external funding, and participate in large scale strategic investments. As the TWFM Company is a new state institution, its three year Strategic Investment Plan is still being prepared and will be submitted for approval to the Council of Ministers and, therefore, its policies and staffing remain uncertain.

On 30 March 2016, the Bank's General Assembly approved the increase of the Bank's paid-up share capital from TL 5,000 million to TL 5,100 million. The increase was funded with TL 72.0 million from the Undersecretariat of Treasury and with TL 28.0 million from the Bank's own funds. The cash fund attained from the capital increase was used to fund the Bank's capital commitment to the participation bank which is a subsidiary of the Bank.

Banking Divisions

The Bank has five principal business divisions: SME Banking, Corporate Banking, Retail Banking, Treasury-Investment Banking and International Banking. In addition, the Bank through its subsidiaries, associates and joint ventures provides, among other services, insurance, leasing, pension, portfolio management, securities brokerage, Islamic banking and information technology to complement its core banking business. In line with its new business model, the Bank does not classify agriculture as a separate

business segment, but as a specific sector focus that runs through the Bank's business divisions, particularly SME and corporate banking.

Overview of Agricultural Sector Focus

General

The Bank's name has been associated with agriculture and farming in Turkey since 1863, and farmers and those operating in the agricultural industry remain one of the significant elements of the Bank's customer base today. The Bank's senior management believes that the agricultural sector remains a significant component of the Bank's strategy and that the agricultural sector still requires a greater number of well-structured products and services to enable the continual growth of the agricultural industry in Turkey. The Bank's principal products and services provided to agricultural sector clients include working-capital and investment loans, payment services, non-cash loans (*i.e.* guarantees and letters of credit), treasury products and cash management services. The Bank is the sole bank distributing Turkish Government subsidised agricultural loans which senior management believes brings valuable know-how, experience and long-standing relationships with customers. As a natural extension of its more traditional agricultural sector lending, the Bank has been focusing on industrial agricultural loans to benefit from better yield opportunities and to address the value chain of this sector.

In line with its new business model, the Bank does not classify agriculture as a separate business segment, but as a specific sector. To this end, agricultural loans include SME banking and corporate banking in line with segmentation policies and procedures. Senior management believes that the Bank's extensive tailor-made products, structured in line with the seasonal nature of the agricultural business and the specific characteristics of the sector, contribute to the low NPL ratio of agricultural loans, which was 0.9%, 0.9% and 1.3% as of 31 December 2016, 2015 and 2014, respectively. Almost 76.1% of the agricultural loans offered by the Bank benefit from government subsidies which cover the borrower's interest costs. The Bank continues to be active in all aspects of agricultural lending and aims to enhance its leading position in the agricultural sector.

As of 31 December 2016, the Bank had approximately 671,000 agricultural sector customers who are served through its domestic branches. The Bank's extensive branch network across Turkey, including branches in over 400 sub-provinces where it is the sole bank providing services to customers, enables it to provide broad sectoral coverage and diversified products to its agricultural customers.

As of 31 December 2016, and on an unconsolidated BRSA basis, the total amount of the Bank's lending to agricultural customers comprised 19.9% of its total loans and advances. Of these agricultural loans, as of 31 December 2016, approximately 95% were loans from the Bank's own funds, while approximately 5% were fund sourced (for which the Bank acts as an intermediary, receives fees and commission but does not bear any repayment risk). According to data published by the BRSA, as of 31 December 2016 the Bank's market share in Turkey in terms of loans to agricultural sector clients was 60.5%.

Overview of Customer Segmentation

In order to apply its products and services according to the specific needs of its customers and to deliver these in an efficient manner through best CRM practices, the Bank classifies its agricultural customers in segments on the basis of net sales and the size of agricultural assets or the amount of agricultural investments, as each type of customer is in need of different banking products and services. The Bank has been improving its internal database to capture more information about such customers and has access to a centralised Turkish database under the "farmer registry system".

The agricultural sector customer segments are listed below, categorised by amount of annual net sales:

Customer Type	Net Sales (TL millions)
Mass SME	<1
Micro SME	1-3
Small SME.....	3-8
Midcap SME	8-40
Large SME.....	40-100
Corporate	>100

Agricultural loans include crop production, dairy cattle breeding, forestry, grain production, animal husbandry production, hunting, livestock breeding, poultry farming, orcharding, fisheries and sea food breeding loans.

Products and Services

Deposit Accounts. The Bank offers savings accounts, commercial accounts and foreign currency accounts to its agricultural customers.

Specialised loans. The Bank offers various specialised loans to its agricultural customers, some of which are products unique to the Bank in the Turkish banking sector and subsidised by the Turkish Government. These specialised products include crop production loans, animal production loans, fishing loans, agricultural mechanisation loans, loans for acquiring land and contractual farming loans. The subsidies and implementation guidance are negotiated on an annual basis by representatives of the Bank, the Undersecretariat of Treasury (which is expected to transfer such activities to the TWFM Company) and the Ministry of Food, Agriculture and Livestock in line with the needs and strategies of the Ministry, taking into account the Government's choice of which agricultural sectors to subsidise. The Bank's role during these negotiations is to provide banking expertise and know-how. The interest rates of agricultural loans are determined by the Bank according to market dynamics, market practice regarding loan pricing and the Bank's cost of funding.

To this end, the Bank works on tailoring products and service offerings and on deriving alternative collateral forms from different agricultural assets of farmers.

The Bank has a wide range of tailored products and service offerings to fit its customers' needs and demands. With these products, the investment expenses and operation costs of the holdings founded with those investments can be covered. 37% of the agricultural loan portfolio consists of investment loans and remaining 63% is composed of working capital loans.

Başakkart, one of the tailored products of the Bank, is a bank card through which demand deposit accounts and agricultural loan accounts can be linked. Başakkart is an innovative product designed to decrease the number of clients approaching branches for agricultural loan utilisation. The Bank, in line with customer demand, allows customers to use Başakkart Member Business points for the purchase of agricultural inputs (such as feed, grain and fuel). Customers may make repayments at branches and agricultural products/services obtained using Başakkart can be repaid without any interest being charged, if the repayment is done within the time periods set by the Bank. The Bank is focusing on marketing Başakkart and increasing the number of agricultural customers using the card for loans and repayments. The Bank's credit policy is that customers having a credit limit of less than TL 100,000 must use Başakkart. Başakkart not only helps to reduce the number of customers approaching branches, increasing their service quality and marketing capabilities, but is also an effective instrument for reducing transaction costs.

Set forth in the table below is a breakdown of the Bank's specialised cash loans issued to the agricultural sector customers by loan type as of 31 December 2016, 2015 and 2014:

BRSA						
As of 31 December						
	2016		2015		2014	
	Value	% of total performing loans	Value	% of total performing loans	Value	% of total performing loans
<i>(TL millions, except percentages)</i>						
Crop Production Loans.....	13,851	34	11,433	35	9,655	39
Animal Husbandry Loans.....	12,618	31	10,352	32	8,386	34
Agricultural Mechanisation Loans	7,353	18	5,728	18	4,155	17
Fishing Loans	296	1	250	1	210	1
Loans to Agriculture Credit Cooperative	—	—	—	—	—	—
Non-specialised Loans.....	6,562	16	4,819	15	2,318	9
Total:	40,680	100	32,582	100	24,724	100

The Bank's specialised lending increased by 22.7% to TL 34.1 billion as of 31 December 2016, from TL 27.8 billion as of 31 December 2015 and increased by 24.1% to TL 27.8 billion as of 31 December 2015, from TL 22.4 billion as of 31 December 2014.

SME Banking

Overview

The Bank has been increasing its focus on the SME sector of the Turkish market, as senior management believes this sector can provide better yield opportunities. The Bank's SME business model is not a retail-oriented approach to provide services to small and medium size retail enterprises, but to focus mainly on midcap SMEs. The Bank's senior management believes that the SME sector accounts for the largest single segment of the Turkish GDP and, despite significant growth in recent years that it is still underserved and underpenetrated in terms of financial services products. The Bank's principal products and services provided to SME customers include deposits, investment and working capital loans, non-cash loans (*i.e.* guarantees and letters of credit), treasury products and cash management services. As of 31 December 2016, the Bank had approximately 3.9 million SME sector customers (defined by the Bank as businesses with annual turnover of TL 100 million or less) which it served through its 79 SME branches and 76 Dynamic SME branches out of 1,786 domestic branches, of which 155 are SME-specific branches. The Bank intends to maintain its focus on growing its SME banking business by further expanding its brand network, increasing its marketing efforts and offering new tailor-made products, with an increased focus on cross-selling efforts, to increase revenues and maintain sustainable growth in the number of SME banking customers.

As of 31 December 2016 and on an unconsolidated BRSA basis, the total amount of the Bank's lending to SME customers comprised 35.7% of its total loans and advances. According to data published by the BRSA, as of 31 December 2016 the Bank's market share in Turkey in terms of loans to SME sector customers was 18.2%.

Customer Segmentation

The Bank defines SMEs as businesses with annual turnover of TL 100 million or less. In order to differentiate its products and services according to the specific needs of its customers, the Bank divides its SME customers into segments based upon annual turnover, credit limit and banking volume. The Bank further divides its SME customers by industry segments such as manufacturing, tourism, agriculture, construction and trade, as each has different needs that require tailored banking products.

Products and Services

The Bank offers a wide range of over 70 products and services to its SME customers. Key products and services offered to its SME customers include:

Deposit Accounts. The Bank offers savings accounts, commercial accounts and foreign currency accounts to its SME customers.

Cash loans and non-cash loans. Loans to SME customers consist of short-term working capital and long-term investment loans such as revolving loans, overdraft loans, discount loans, foreign currency-indexed loans, foreign currency denominated loans, spot loans, investment loans and cash loans with monthly instalment repayments. Non-cash loans mainly comprise letters of guarantee. The Bank has started to cooperate with international financial institutions ("**IFIs**") such as the World Bank and the European Investment Bank ("**EIB**"), which provide the Bank with access to long-term funding opportunities to address the investment and working capital needs of its SME customers. Maturities of these facilities range from five years to thirty years. As of 31 December 2016, 2015 and 2014, loans to SMEs amounted to TL 76.7 million, TL 62.8 million and TL 48.6 million (including agricultural SME loans and excluding accruals).

Trade Finance. The Bank offers trade finance facilities to its SME customers, including short-term (up to 24 months) and long-term (from two years up to 10 years) financing as well as various import and export related services, such as letters of credit confirmations, letters of credit and promissory note discounts, letters of guarantee issues, export credit agency covered financing, collections and remittances.

Corporate Banking

Overview

The Bank's principal products and services provided to its corporate customers include cash and non-cash loans, financial services related to import and export transactions, trade finance, project finance, treasury management services, international banking services, financial intermediation services (provided through the Bank's subsidiaries, affiliates and joint ventures) and asset management.

As of 31 December 2016, the Bank had over 14,000 corporate customers which it served through 20 corporate dedicated branches. The Bank's corporate customers are also served by branches in locations where there are no corporate branches.

As of 31 December 2016 and on an unconsolidated BRSA basis, the total amount of the Bank's lending to corporate customers amounted to TL 85.7 billion, which comprised 39.9% of the Bank's total loans and advances. As of 31 December 2015 and on an unconsolidated BRSA basis, the total amount of the Bank's lending to corporate customers amounted to TL 68.3 billion, which comprised 39.5% of the Bank's total loans and advances. As of 31 December 2014 and on an unconsolidated BRSA basis, the total amount of the Bank's lending to corporate customers (as classified by the Bank as of 31 December 2014 under "*Customer Segmentation*" below) amounted to TL 46.7 billion, which comprised 35.5% of the Bank's total loans and advances. The Bank's 20 largest corporate borrowers in terms of nominal cash loan values accounted for 11.5% of the Bank's total loans and advances as of 31 December 2016. As of 31 December 2016, deposits from corporate customers comprised, on an unconsolidated BRSA basis, 22.2% of the Bank's total deposits from customers.

The Bank aims to increase its market share of the corporate and commercial banking market, expand its existing corporate and commercial customer portfolio and diversify risk within its portfolio. The Bank's senior management believes that the strength of the Turkish corporate and commercial banking market will permit the Bank to continue to cross-sell various banking and financial services to Turkish businesses.

Customer Segmentation

As of 31 December 2016, the Bank had over 14,000 corporate customers, which as of 31 December 2016 the Bank classified as businesses with annual turnover of TL100 million or more.

Products and Services

Corporate Loans. Loans to corporate customers consist of short-term and long-term loans with maturities generally ranging from one month to ten years. Major sectors of corporate lending are manufacturing, construction and commerce. As of 31 December 2016, the NPL ratio for its corporate loan portfolio was 1.4% (compared to 1.2% and 1.5%, as of 31 December 2015 and 2014, respectively). The Bank offers cash

management loans, working capital loans, medium and long-term loans for general purposes and loans for new premises.

Trade Finance. The Bank offers trade finance facilities including short-term (up to 24 months) and long-term (from two years up to 10 years) financing as well as various import and export-related services, such as letters of credit confirmations, letters of credit and promissory note discounts, letters of guarantee issues, export credit agency covered financing, collections and remittances.

Structured and Project Finance. The Bank is an active provider of financing for its corporate customers for project finance, acquisition/privatisation finance and structured finance products. The Bank intends to increase its market share in project financing. The total amount of the Bank's project finance loan book was US\$ 10.48 billion as of 31 December 2016 and US\$ 10.4 billion as of 31 December 2015. The Bank intends to increase its participation in the syndicated loan market for the leading corporations of Turkey. Additionally, TL and foreign currency denominated pre-export loans are extended by the Bank in order to support the export-oriented industries, to increase their competitive strength in international markets and to provide financing at export preparation stage.

Corporate Card Services. Corporate cards are issued to corporate and commercial customers for payment of general and administrative expenses. At the customer's option, various limits and restrictions on the use of the corporate card account can be set for security purposes. Customised payment cards are also available to corporate and commercial customers.

Retail Banking

Overview

The Bank offers a broad range of retail banking and financial services to its retail customers including, but not limited to, retail loans (including housing and vehicle loans), deposit banking, debit card and credit card services, payroll accounts, investment accounts and utility and other payment systems.

As of 31 December 2016, the Bank had approximately 26 million retail customers which it served through 1,611 of its 1,786 domestic branches.

As of 31 December 2016, the total amount of the Bank's loans and advances to retail borrowers represented 24.4% of its total loans and advances. According to data published by the BRSA, the Bank's market share in Turkey in terms of loans to retail customers was 15.0% as of 31 December 2016.

The Bank's senior management believes that the ongoing economic development of Turkey will continue to present significant opportunities for growth and profitability for leading Turkish financial institutions within the retail banking sector, which will also be influenced by the relatively low household debt to GDP. Senior management believes that the customer-oriented business model adopted by the Bank also provides an opportunity to create tailor-made products and services for customers through a specific focus on cross-selling, which will deepen and further diversify the product range offered in the market. Senior management believes that the relatively young Turkish population, with increasing standards of living, should enable the Bank to capitalise on its retail banking capabilities.

In addition to its comprehensive range of banking products and extensive local franchise the Bank has a strong position in retail banking as it manages 5.8 million pay-roll accounts, which provides the Bank with a solid customer base.

Customer Segmentation

As of 31 December 2016, the Bank had approximately 26 million retail customers (of the Bank's approximately 30 million customers). The Bank uses its extensive branch network and alternative distribution channels for co-branding and co-marketing to attract new retail customers. It also targets owners and employees of businesses that are already the Bank's customers in another capacity. As of 31 December 2016, the Bank had approximately 4.2 million retail borrowers and 2.6 million active credit card customers.

Products and Services

The Bank offers a broad range of retail banking and financial services to its retail customers including retail loans (including housing and vehicle loans), deposit banking, debit card and credit card services, payroll accounts, investment accounts and utility and other payment systems.

Deposit accounts. In terms of total deposits, according to financial statements of Turkish banks, the Bank ranks first in the Turkish banking sector, and had total deposits of TL 223.0 billion as of 31 December 2016. Deposit collection from retail customers is a principal focus for the Bank and this retail deposit base provides relatively low-cost and long-term funds which can be invested in loans and other assets. The Bank has been increasing its domestic branch network for many years, which has supported the growth of its retail customer base.

The Bank offers TL and foreign currency demand and time deposits to its retail customers. As of 31 December 2016, the Bank's savings deposits (which largely represents deposits from retail customers) totalled TL 90.6 billion, representing 40.6% of its total deposits. The Bank's TL demand deposits from retail customers increased by 39.1% to TL 22.0 billion (or 9.9% of the Bank's total deposits) as of 31 December 2016 from TL 15.8 billion (or 8.5% of the Bank's total deposits) as of 31 December 2015, and TL 11.8 billion (or 7.7% of the Bank's total deposits) as of 31 December 2014. The increase was principally due to the Bank's specific focus on retail customers through its extensive branch network to broaden its existing savings deposit base.

Retail loans. Total retail loans, which amounted to TL 62.6 billion as of 31 December 2016, represented 28.4% of the Bank's loans and advances to customers, compared to TL 50.3 billion and 28.2% as of 31 December 2015, and TL 41.1 billion and 30.1% as of 31 December 2014, respectively (excluding accruals and loans of foreign branches, including TL 3.6 billion and TL 3.4 billion of loans originated from funds as of 31 December 2016 and 31 December 2015, respectively).

Set forth in the table below is a breakdown of the Bank's retail loans by type as of the periods indicated:

BRSA						
As of 31 December						
2016 ⁽¹⁾		2015 ⁽¹⁾		2014 ⁽²⁾		
Value	% of total performing loans	Value	% of total performing loans	Value	% of total performing loans	
(TL millions, except percentages)						
General purpose consumer	26,028	41.6	23,881	47.4	23,729	57.7
Mortgage	32,389	51.7	22,631	45.0	13,937	33.9
Automobile	188	0.3	190	0.4	196	0.5
Personnel	189	0.3	174	0.4	173	0.4
Overdraft current account	890	1.4	803	1.6	590	1.4
Credit card	2,944	4.7	2,657	5.3	2,499	6.1
Total retail loans	62,628	100.0	50,336	100.00	41,124	100.00

(1) Excluding accruals and loans of foreign branches including TL 3.6 billion and TL 3.4 billion of loans originated from funds as of 31 December 2016 and 31 December 2015, respectively.

(2) Excluding accruals, loans of foreign branches and loans originated from funds.

The majority of the Bank's retail loans are general purpose consumer loans and housing loans, as described further below:

- *General Purpose Consumer Loans.* General purpose consumer loans represented 41.6% of the Bank's total retail loans as of 31 December 2016. The Bank's general purpose consumer loans largely consist of wage or salary backed loans that are available only to employees of companies which have a payroll agreement with the Bank or to pension recipients of social security agencies who have their pension payments deposited directly into an account with the Bank.
- *Housing Loans.* The Bank's housing loan portfolio increased by 43.1% to TL 32.4 million as of 31 December 2016 and increased by 62.4% to TL 22,631 million as of 31 December 2015 from TL 13,937 million as of 31 December 2014, and represented 51.7% of the Bank's total retail

loans as of 31 December 2016. The Bank's housing loans are generally focused on high and medium net worth individuals with a strong credit history. The Bank's maximum loan-to-value ratio is 80%, which is in line with the current maximum housing loan-to-value ratio permitted by the Turkish authorities. The maximum term of the Bank's mortgages is ten years, with most loans having an original maturity of between eight and nine years. All housing loans are Turkish Lira denominated and fixed rate loans.

Credit and debit cards. The Bank has agreements with Visa and MasterCard entitling it to issue debit cards, pre-paid cards, credit cards, co-branded prepaid cards, e-wallet prepaid cards and co-branded credit cards. The Bankkart cards (the name of the Bank's debit cards) can be used to withdraw cash and make transfers not only from the Bank's own ATMs, but also from approximately 49,000 different locations across Turkey through the ATM networks of other banks. The Bank also has an exclusive agreement with T. İş Bankası A.Ş. (İşbank) to enable its credit card customers to benefit from the advantages of İşbank's Maximum programme as well as to register members for the programme. This agreement was entered into in 2007 and is now renewable annually. As of 31 December 2016, the Bank had approximately 3.9 million credit card customers (with approximately 4.1 million cards and 1.1 million new cards issued during 2016), 23.3 million debit card customers (with approximately 25 million cards and 6 million new cards issued during 2016 and 108,990 point-of-sale ("POS") terminals. The Bank also has 58,133 new generation payment devices, which are used at entities that do not have to arrange invoices but retail receipts for their sales. The transition is expected to be completed by January 2018 and the Bank expects that there will be a decreasing trend in the number of POS terminals.

Utility Payments. The Bank's regular payments system enables customers who have a retail loan and/or a deposit account with the Bank to pay their utility bills and credit card debts by direct debit. The Bank's senior management believes that some of these utility payment users could be potential customers for new products and aims to cross-sell to these users. In 2016, there were approximately 6.6 million automatic payment orders (and a monthly average of approximately 200,000 new orders, representing a 25% increase from 2015).

Insurance and mutual funds. The Bank offers through its branch network a variety of life and non-life insurance and mutual fund products. For more information, see "*—Subsidiaries and Affiliated Companies*" below.

Treasury-Investment Banking

The Bank's Treasury-Investment Banking division's key role is to manage the Bank's assets and liabilities, funding, liquidity risk and trade finance transactions. The Treasury-Investment Banking division, including its branches and subsidiaries both local and abroad, centralises the Bank's asset and liability management operations, trading (both customer driven and proprietary) and fixed income portfolio management.

The Treasury-Investment Banking division principally consists of the Asset and Liability Management and Economic Research ("ALMER") Department, the Financial Markets Department, the Financial Institutions Department and the Investor Relations Department. The ALMER department monitors the Bank's asset and liability composition and liquidity position and utilises a Fund Transfer Pricing System within the scope of balance sheet management. The Financial Markets Department is organised as a trading unit, which coordinates the Bank's trading functions and manages the risks inherent therein. Within the Financial Markets department, there are a number of different units, including the Treasury Marketing units, which provides the Bank's retail and corporate customers with access to financial markets; the Investment Portfolio Management unit, which manages the Bank's securities portfolio and the Derivative Transactions Unit, which manages the derivative products needed to effectively manage the Bank's balance sheet for medium- to long-term cash flow purposes. In addition, the Money Markets unit centrally manages the Bank's short to medium-term liquidity and cash position through money market and repo operations. International Funding unit manages the loan agreements with supranational and international counterparties. Financial Institutions Department is responsible for the relations with correspondent banks and international borrowings (bilateral loans, postfinancing etc.). Investor Relations Department manages the relationship with investor base and manages the issuances under the Programme.

Although the Bank's treasury management activities are primarily focused on asset and liability management, the Financial Markets Department also generates profits through proprietary trading in foreign exchange and

fixed income securities markets. The Bank is also one of the 13 primary dealers (market makers) of Turkish Government bonds and bills. Investment banking operations and asset management of mutual and pension funds are conducted by Ziraat Portfoy Yonetimi A.Ş. According to the CMB data, as of 31 December 2016, Ziraat Portfoy Yonetimi A.Ş. had approximately 8.2% of the market share among asset management companies in Turkey. The Bank also manages assets representing approximately 11.0% of Turkish Government Turkish Lira-denominated treasury bills and bonds as of 31 December 2016 (nominal value) and about 8.7% of Turkish sovereign international Eurobonds. The Bank also has an active role in repo - reverse repo market transactions at Borsa İstanbul A.S., which in Turkey had a total value of approximately TL 4.1 trillion at the end of 2016.

Founded in 2002, Ziraat Portfoy Yonetimi A.S. is an asset management company that manages its clients' investment portfolios of capital market instruments. Ziraat Portfoy Yonetimi A.S. manages thirty-two mutual funds owned by the Ziraat Portfoy and owned by Ziraat Pension as of 24 February 2016. The total volume of assets managed by the company was about 10 billion at 31 December 2016. The Bank has access to a diverse range of funding options and engages in foreign exchange and money market transactions in both organised markets and over-the-counter market. In this context, the Bank makes active use of Central Bank repo tenders, Central Bank interbank money markets, Borsa İstanbul A.S. repo markets, Takasbank money markets, Turkish Lira / foreign exchange swap markets, and interbank Turkish Lira foreign exchange repo markets.

The Bank engages in forward, option, swap and other derivative transactions for the purposes of hedging, tenor and interest risk management, and liquidity management. Currency swap transactions are carried out for liquidity management purposes with different tenors.

The Bank uses cross currency interest rate swaps for the purpose of tenor and interest risk management. The goal of these transactions is to decrease or eliminate the negative balance sheet impact of longer tenor loans (especially housing loans). The volume of these transactions was US\$ 300 million for the year ended 31 December 2016.

International Banking

The Bank manages its correspondent banking relationships, its international fund raising activities and its overseas banking activities through its International Banking division. The Bank's International Banking operations are run through its 28 foreign branches, one representative office and nine subsidiaries abroad, and have 99 service points in total. The 28 branches and sub-branches operated by the Bank are located in the United States, the United Kingdom, Georgia, Iraq, Greece, Saudi Arabia, Bulgaria, Kosovo, Bahrain and the Turkish Republic of Northern Cyprus. The Bank also has a representative office in Tehran, Iran which does not conduct, and is not authorised to conduct, any lending or deposit taking activities or money transfer activities and has been dormant as a matter of the Bank policy since the implementation of stricter sanctions by the United States on Iran in 2008. The Bank also serves its international customers through its subsidiaries in Germany, Russia, Bosnia and Herzegovina, Montenegro, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan.

With its extensive global network of branches and correspondent banks (over 1,800 connections with bank head offices and their foreign branches globally), the Bank is capable of handling a variety of international trade transactions and offering a wide range of products and services to its customers.

Between 2012 and 2016, the Bank increased its total export and import trade finance volume from US\$ 11.1 billion in 2012 to US\$ 36.6 billion in 2016, increasing its market share from 2.85% in 2012 to 10.73% in 2016 according to Turkstat and the Bank's own data. The Bank's senior management expects that the Bank will further increase its market share in the future through cross-selling opportunities. Through its collaborations with SACE, HERMES, SERV, and other well-known export credit agencies as well as Eximbanks like Korea Exim, Taiwan Exim, the Bank's senior management believes the Bank is well-positioned to meet its customers' medium to long-term import financing needs.

The Bank has further expanded its relations with international banks within the framework of structured financing operations over the past several years, as a result of which it received offers from correspondent banks to arrange and participate in syndicated loans. In April 2016, the Bank successfully closed a US\$ 1.100 million one-year term loan with a syndicate of 42 international lenders.

Distribution Network

The Bank offers its banking services through an extensive distribution network which includes branches as well as alternative distribution channels such as ATMs, Internet, mobile banking and telephone banking.

Branches

As of 31 December 2016, the Bank had a network of 1,786 domestic branches (2015: 1,786; 2014: 1,682), which comprised the largest branch network in Turkey according to the Banks Association of Turkey. The Bank is the sole bank providing services to customers in more than 400 sub-provinces. The Bank has a very strong presence in these underbanked regions of Turkey. The Bank opened 53 new branches in 2014, 112 new branches in 2015 and 15 new branches in 2016 and plans to continue to open new branches where potentially profitable, and close unprofitable branches. In 2016, the Bank opened 3 additional branches in İstanbul and 1 additional Branch in Ankara. The Bank aims to improve its coverage, especially in the major industrialised cities in order to have more access to corporates and SMEs in line with its strategy of migrating from securities to loans. This network is managed through 5 regional coordination directorates and 40 regional directorates. In addition, the Bank has at least one branch in every province of Turkey.

Approximately 29.8% of the Bank's branch network is located in İstanbul, Ankara and İzmir, whereas the remaining approximately 70.2% is located outside of those three cities. The Bank employed approximately 13.8 people on average per branch as of 31 December 2016.

The Bank has four types of branches, all aimed at serving distinct customer groups as set forth in the table below:

Corporate	SME	Dynamic SME	Retail
Serving corporates with annual turnover of more than TL 100 million	Serving corporates with annual turnover between TL 15 million – TL 100 million	Serving micro and small SMEs with annual turnover between TL 5 million – TL 50 million	Serving retail customers and mass marketing
20 corporate branches	79 SME branches	76 Dynamic SME branches	1,611 ⁽¹⁾ branches

(1) Includes five mobile branches.

The Bank's International Banking operations are performed through its 28 foreign branches (2015: 27), one representative office and nine subsidiaries abroad, and 99 service points in total. The 28 branches and sub-branches operated by the Bank are located in the United States, the United Kingdom, Georgia, Iraq, Greece, Saudi Arabia, Bulgaria, Kosovo, Bahrain and the Turkish Republic of Northern Cyprus. The Bank also has a representative office in Tehran, Iran which does not conduct, and is not authorised to conduct, any lending or deposit taking activities or money transfer activities, and has been dormant as a matter of the Bank's policy since the implementation of stricter sanctions by the United States on Iran in 2008. The Bank also serves its international customers through its subsidiaries, affiliates and joint ventures in Germany, Russia, Bosnia and Herzegovina, Montenegro, Kazakhstan, Azerbaijan, Turkmenistan and Uzbekistan.

Alternative Distribution Network

Since 2005 the Bank has also been investing heavily in its alternative distribution network (such as ATMs, VTMs, Internet banking, 24-hour telephone banking and kiosks) to serve its customers with increasing service quality and customer satisfaction while reducing its transaction costs. During the year ended 31 December 2016, approximately 85% of all customer transactions processed by the Bank were through its alternative distribution network.

ATM Network

As of 31 December 2016, the Bank had 6,869 ATMs, representing 14.2% of total ATMs in Turkey according to Interbank Card Centre (*Bankalararası Kart Merkezi*). Of these 6,869 ATMs, 3,562 were located in branches. In addition, the Bank's customers can use the ATMs of other Turkish banks. Customers can withdraw and deposit cash, pay credit card bills and utility bills, transfer money and purchase mutual funds and Turkish Government bonds and treasury bills using the Bank's ATMs.

POS Network

As of 31 December 2016, the Bank operated 6.2% of all POS terminals in Turkey according to Interbank Card Centre. The Bank's POS network had approximately 108,990 terminals as of 31 December 2016. As of 31 December 2016, the Bank also had 58,133 new generation payment devices, which were used by its corporate customers that do not have to arrange invoices but retail receipts for their sales. The transition to use new operation payment devices is expected to be completed by January 2018 and the Bank expects that there will be a decreasing trend in the number of POS terminals.

Other Alternative Distribution Channels

Apart from its branch, ATM and POS networks, the Bank utilises alternative distribution channels such as:

Internet	<ul style="list-style-type: none">• Available to retail, SME and corporate customers.• Supporting most financial and non-financial transactions such as:<ul style="list-style-type: none">– Integrated CRM and campaign management applications;– Single customer view;– Banking products/transactions offered through the Bank's internet banking application;– Account and credit card servicing, bill payment, investment brokerage and related services.
Call Centre	<ul style="list-style-type: none">• Most banking transactions can be executed through the call centre free of charge.
Mobile	<ul style="list-style-type: none">• The Bank's mobile banking platform can be accessed from internet browsers or mobile applications developed for Apple® and Android® users. The mobile platform provides customers with banking services and a range of information such as ATM/branch addresses, market prices, promotion details, and exchange rates.
SMS	<ul style="list-style-type: none">• Information regarding bank statements, credit rates, values of funds, repo rates and exchange rates are delivered to customers by SMS.• Campaigns for new products and services are also delivered by SMS.
e-Commerce	<ul style="list-style-type: none">• The Bank's virtual POS system offers solutions for e-Commerce firms for online credit card processing needs. As of 31 December 2016, the Bank had 6,522 virtual POS.

The Bank's customers actively use internet banking and the Bank's call centre. The Bank has 3.1 million active customers who utilise internet banking at least once a year and 2.9 million active customers who utilise mobile banking at least once a year to execute approximately more than 100 million financial transactions per year. The Bank's call centre receives approximately 5.2 million inbound calls from customers and 1.6 million customers are called per month.

The Bank encourages its customers to use its alternative distribution channels for their banking needs and aims to increase transaction volumes through its alternative distribution channels due to the significantly lower costs per transaction associated with these channels (compared to branch-facilitated transactions).

Marketing and Sales

Since 2011 the Bank has implemented comprehensive measures to transform the Bank from an operational banking perspective to a marketing- and customer-oriented banking perspective. In order to further enhance its marketing capabilities the Bank has differentiated and separated its banking divisions and marketing

operations. Customer relationships are initiated and progressed at branch level while technical and marketing support, expertise and strategy are provided by the head office, regional management offices and regional coordination directorates. As of 31 December 2016, the Bank had 5 regional coordination directorates to provide faster and more effective marketing support to SME branches.

The Bank undertakes its marketing and sales operations through four main marketing departments:

The SME Marketing Group focuses on introducing tailor-made marketing strategies for SME branches and providing sales coordination, product management and performance management to enhance the SME banking operations of the Bank. Among other things, the department (i) introduces and implements marketing strategies; (ii) develops and improves new and existing products for targeted sectors and projects, analyses competition and conducts market and customer research; and (iii) establishes and monitors targets for a variety of projects and provides reporting and operational support services.

The Corporate Marketing Group focuses on the Bank's existing and potential corporate customers to introduce and monitor effective marketing strategies. Marketing and sales activities include a variety of banking services to the Bank's corporate customers, including product management, cash management, performance management and customer relationship monitoring. The project evaluation and marketing function also assists in monitoring the Bank's internal rating models used in granting loans to the Bank's SME, commercial and corporate customers. For more information on these internal rating models, see "*Risk Management*". The Bank has a separate project finance division to provide tailor-made, specialised long-term financing for its customers.

The Branch Banking Group focuses on the sales activities of the regular branches (branches other than corporate, SME and Dynamic SME branches). The group plans the sales activities along with the Bank's strategies and monitors the sales performance of the branches and regional coordinators. The group also prepares analyses on how to increase customer loyalty and gain new customers.

The Foreign Branches Banking Department focuses on the foreign branch activities. The department monitors the performance of the foreign branches, increases the synergy between the Bank and its foreign branches, and directs the foreign branches to act in line with the strategies and targets of the Ziraat Finance Group.

Competition and Market Trends

Competition

The Bank provides a full range of banking services in a highly competitive banking market in Turkey. As of 31 December 2016, there were 52 banks in Turkey, 34 of which were deposit-taking banks, 13 were investment and development banks and 5 were participation banks, which conduct their business according to Islamic banking principles. 21 of the deposit banks were private foreign banks, 9 were private domestic banks, 3 were Government-owned banks and 1 was under the supervision of the SDIF.

Although the banking industry in Turkey is highly competitive, the Bank's senior management believes that the Bank is strongly positioned to respond to an increasingly competitive environment. Senior management believes that the Bank's capital adequacy ratio of 14.6% as of 31 December 2016 (the Turkish regulatory minimum requirement is 8%), its strong brand name, wide distribution network, large customer base, and extensive know-how and experience in agricultural and corporate and commercial banking, including SME banking, provide it with a strong platform to compete in this market. The Bank has introduced new business models and financial management strategies to confront competition in the market. The Bank recently started leveraging the synergies among its subsidiary network, which includes domestic and international subsidiaries engaged in banking, insurance, leasing, pension, portfolio management, securities brokerage and information technology, to address the various financial needs of its clients. The Bank also obtained approvals to establish a participation bank to further contribute to product offerings for the financial needs of its customers.

As a result of a recent consolidation, according to the Banks Association of Turkey, as of 31 December 2016 there were a total of 47 banks (excluding the Central Bank and five participation banks that principally engage in activities in accordance with Islamic principles) licensed to operate in Turkey, compared to 54 banks as of 31 December 2002. Following the consolidation in the sector, the sector-wide recovery enabled

Turkish banks to grow their asset size, shareholders equity, loans and deposits. According to the BRSA's Monthly Bulletin, the total assets, total shareholders' equity, total loans and total deposits of the banks in Turkey increased to TL 2,598 billion, TL 288.7 billion, TL 1,673.9 billion and TL 1,457.4 billion as of 31 December 2016 from TL 470.6 billion, TL 50.4 billion, TL 202.4 billion and TL 296.5 billion respectively as of 31 December 2006 (excluding participation banks).

A small number of the banks represent a major share of the Turkish banking market and according to the BRSA, as of 31 December 2016, the Turkish banking industry is relatively concentrated with the top ten deposit-taking banks accounting for 80.8% of the total assets of the banking sector. According to the BRSA three of these are state-controlled banks, with the Bank in first place and two other state-controlled banks Vakıfbank and Halkbank in sixth and seventh places, respectively. The top five banks in Turkey held approximately 54.4% of the Turkish banking sector's total cash loan portfolio and approximately 54.1% of the total bank assets in Turkey as of 31 December 2016. The relative concentration suggests that competition is mainly between the top ten banks.

The private commercial banks in Turkey can be divided into four groups: large local banks, medium-sized banks, banks under foreign ownership and smaller local banks.

The following table shows the top ten banks in Turkey, by market share in assets, assets and total shareholders' equity as of 31 December 2016:

	BRSA Unconsolidated		
	Market share in assets	Assets	Shareholders' equity
	<i>(TL millions, except percentages)</i>		
Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ⁽¹⁾	13.1	357,761	38,382
Türkiye İş Bankası A.Ş.	11.4	311,626	35,961
Türkiye Garanti Bankası A.Ş.	10.4	284,155	35,539
Akbank T.A.Ş.	9.9	271,016	30,655
Yapı ve Kredi Bankası A.Ş.	9.3	252,820	26,119
Türkiye Halk Bankası A.Ş. ⁽¹⁾	8.5	231,441	21,317
Türkiye Vakıflar Bankası T.A.O. ⁽¹⁾	7.8	212,540	19,239
Denizbank A.Ş.	3.8	103,159	10,562
Finansbank A.Ş.	3.7	101,503	10,126
Türkiye Ekonomi Bankası A.Ş.	2.9	79,727	7,799

Sources: the BRSA and the Banks Audit Reports.

(1) State-controlled public banks based on BRSA classifications.

The Bank views its main competitors as the other banks ranked in the top five, as these banks typically compete for similar retail, SME and corporate customers.

Market Trends

The Turkish banking sector has recovered since the economic crisis of 2001. The key factors behind this recovery have been the strengthened economic environment and the restructuring of the Turkish banking sector. The sector restructuring included a revised regulatory framework, recapitalisation and the closure of financially weak banks. The Turkish banking sector is now characterised by improved asset quality, stronger capitalisation and improved disclosure standards, contributing to the relative resilience of the leading banks in the Turkish banking sector during the worldwide financial crisis in 2008 and 2009.

In 2011 and 2012 three major changes were made in the Turkish legislation which have had direct implications on the banking sector. The first of these was the introduction of the Turkish Code of Civil Procedures, which came into effect on 1 October 2011. In addition in July 2012 the Turkish Code of Obligations and the TCC came into force, which contributed to ongoing structural reforms.

The Bank's senior management expects growth in the Turkish banking sector to outpace general economic growth over the next couple of years. Based on data published by the BRSA and Turkstat, loans as a percentage of GDP in 2016 is estimated to increase to 81.6% as of 31 December 2016 from 76.4% as of

31 December 2015. Deposits as a percentage of GDP is estimated to increase to 71.8% over the same period from 56.9%. The Bank's senior management believes there is a high growth potential in the retail and SME banking sector. Based on data published by the BRSA, since 2007 the sector has experienced strong retail and SME loan growth, including retail credit card loans, increasing approximately 8.8% in 2016, 12.2% in 2015 and 14.2% in 2014 and 29.6% in 2013. Senior management anticipates continued retail loan growth in the country mainly due to Turkey's young population and increasing real wages. Overall consumer indebtedness is still very low, compared to other European countries, although Turkey has a well-developed credit card market. The Bank's senior management believes there is also significant potential for growth in mortgage lending in Turkey, where total mortgage loans as a percentage of GDP were estimated to be only approximately 7.6% as of 31 December 2016 according to data published by the BRSA.

However, as a result of the expansion of the banking sector in 2011 and 2012 and also in efforts to curb the inflation and achieve macroeconomic stability, the Central Bank and the BRSA have taken regulatory actions designed to limit the growth of loans through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements and higher risk-weighting for general purpose loans. See *"Risk Factors—Risks Related to the Bank—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects"* and *"Risk Factors—Risks Related to Turkey—Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Bank's business"*. Moreover, the Bank and its customers operating in Turkey remain susceptible to other external financial, geopolitical and economic events. Senior management expects that the Bank's performance will continue to be influenced by conditions in the global economy generally and factors affecting emerging markets in particular. See *"Risk Factors—Risks Related to the Bank—Difficult international macroeconomic and financial market conditions and political developments may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects"*.

Subsidiaries and Affiliated Companies

The Bank has an affiliate portfolio comprising 15 companies, through which it offers, among other things, insurance, brokerage and financial and trade services. Through its affiliate portfolio, the Bank aims to create a well-coordinated financial services group that can increase cross-selling opportunities and product diversity and maximise the value of the Bank's services in Turkey and abroad.

The following table sets out the Bank's primary subsidiaries, a business description, the Bank's effective share ownership in each of these primary subsidiaries and the entity's total assets, shareholders' equity and net income as of 31 December 2016:

	Business description	The Bank's risk group share	Total assets	Shareholders' equity	Net income
<i>(TL millions, except percentages)</i>					
Ziraat Bank International AG.....	Banking	100.0%	6,196	738	56
ZiraatBank BH d.d.	Banking	100.0%	1,619	294	0,3
Ziraat Bank Montenegro AD	Banking	100.0%	149	30	(4)
Ziraat Bank (Moscow) JSC	Banking	100.0%	318	134	8
Ziraat Bank Azerbaijan OJSC	Banking	100.0%	260	118	12
Kazakhstan-Ziraat International Bank.....	Banking	99.6%	606	246	25
Turkmen Turkish JSC Bank	Banking	50.0%	981	97	14
UTBANK	Banking	50.0%	261	104	11
Ziraat Sigorta A.S.....	Elementary Insurance	100.0%	838	267	130
	Pension, Life				
Ziraat Hayat ve Emeklilik A.S.	Insurance	100.0%	3,792	400	235
	Financial				
Ziraat Finansal Kiralama A.S.	Leasing	100.0%	2,355	265	28

	Business description	The Bank's risk group share	Total assets	Shareholders' equity	Net income
<i>(TL millions, except percentages)</i>					
Ziraat Katılım Bankası A.Ş.	Participation Banking Capital Markets Brokerage	100.0%	7,960	765	31
Ziraat Yatırım Menkul Değerler A.Ş.	Operations Portfolio	99.6%	136	95	22
Ziraat Portfoy Yönetimi A.Ş.	Management Information	99.8%	30	26	8
Ziraat Teknoloji A.Ş.	Technology Real Estate Investment	100.0%	48	13	3
Ziraat GYO	Trust	100.0%	1,327	1,326	26

The Bank conducts its operations both domestically and internationally, through its branches, subsidiaries and affiliated companies. Set forth below are descriptions of the Bank's principal subsidiaries and affiliates (with ownership percentages expressed in this section reflecting ownership by members of the Group).

Ziraat Bank International AG, established in Germany in 2001 and is 100% controlled by the Bank. It is the Bank's largest international subsidiary in terms of total assets and one of the largest banks backed by Turkish capital operating in the European Union. Active in corporate, commercial, and retail banking, Ziraat Bank International AG's corporate and commercial banking services are mainly comprised of cash and non-cash credit transactions related to financing foreign trade between Turkey, Germany and other EU countries as well as firms operating in Germany and multinational firms. As of 31 December 2016, it had a total of nine branches, in Frankfurt, Hamburg, Cologne, Hannover, Berlin, Duisburg, Stuttgart, Munich and Nurnberg, a representative office in Istanbul and 140 employees.

ZiraatBank BH d.d., established in Bosnia and Herzegovina in 1997 and is 100% controlled by the Bank. ZiraatBank BH d.d. provides a full suite of banking products and services to its corporate, commercial and retail banking customers. As of 31 December 2016, it had 30 branches throughout Bosnia and Herzegovina and 299 employees.

Ziraat Bank Montenegro AD, established in Montenegro in 2015 and is 100% controlled by the Bank. Ziraat Bank Montenegro AD offers corporate, commercial, and retail banking services to its customers. As of 31 December 2016, it had one branch in Podgorica and 30 employees.

Ziraat Bank (Moscow) JSC, established in Russia in 1993 and is 99.9% controlled by the Bank. Ziraat Bank (Moscow) JSC offers banking services to Russian companies, as well as to Turkish companies operating in Russia, in the areas of corporate and commercial banking and non-cash loans. As of 31 December 2015, it had one branch in Moscow and 47 employees.

Ziraat Bank Azerbaijan OJSC, established in Azerbaijan in 2015 and is 100% controlled by the Bank (99.99% controlled directly and 0.01% controlled through Ziraat Sigorta A.Ş. and Ziraat Yatırım Menkul Değerler A.Ş.). Ziraat Bank Azerbaijan OJSC offers banking products and services to its corporate, commercial and retail banking customers. As of 31 December 2016, it had four branches in Baku and 47 employees.

Kazakhstan-Ziraat International Bank, established in Kazakhstan in 1993 and is 99.60% controlled by the Bank. Kazakhstan Ziraat International Bank provides mainly commercial and corporate banking services for the companies doing business in Kazakhstan as well as retail banking. As of 31 December 2016, it had four branches located in Almaty, Astana, Shymkent and Aktau and 178 employees.

Turkmen Turkish JSC Bank, established in Turkmenistan in 1993 and is 50% controlled by the Bank. TTJSC Bank is one of Turkmenistan's most active banks in terms of foreign currency transactions and also provides

cash and non-cash loans for companies doing business in Turkmenistan. As of 31 December 2016, it had the head office, one exchange offices and six offices throughout the country and 334 employees. As of 31 December 2016, 50% of Turkmen Turkish JSC Bank was controlled by Dayhan Bank of Turkmenistan.

UTBANK, established in Uzbekistan in 1993 and is 50% controlled by the Bank (49.98% controlled directly and 0.02% controlled through Ziraat Bank International AG). UTBANK is active in both retail and commercial banking, offering a wide range of services and products to its customers. As of 31 December 2016, it had its head office in Tashkent, two branch offices in Chilanazar and Yunusabad and 112 employees. As of December 2016, Agrobank (Uzbekistan) controlled 50% of UTBANK.

Ziraat Sigorta A.S., established in Turkey in 2009 and is 100% controlled by the Bank. It began its insurance operations in 2010 and generated TL 1,337 million in premiums in the non-life insurance branch in 2016. With this result, the company is ranked 8th in this area out of a total of 62 corporations and increased its market share from 3.4% as of 31 December 2015 to 3.8% as of 31 December 2016.

Ziraat Hayat ve Emeklilik A.S., established in Turkey in 2009 and is 100% controlled by the Bank. It entered into the life insurance and personal accident insurance sectors at the beginning of 2010. According to data of the Association of the Insurance and Reinsurance Companies of Turkey, the company had a 21.3% market share as of 31 December 2016, generating TL 1,071 million in premiums. The company is also involved in the Private Pension System as the representative of the Bank and through the Private Pension System, it services various customers by providing an array of private pension plans.

Ziraat Finansal Kiralama A.S., established in Turkey in 1991 and is 100% controlled by the Bank. It has an asset size of TL 2,357 million as of 31 December 2016. Having played a key role in promoting the use of financial leasing for agricultural machinery, the share of leasing receivables in its total assets was 91% as of 31 December 2016 according to the Association of Financial Institutions.

Ziraat Katılım Bankası A.Ş., established in Turkey in 2015 and is 100% controlled by the Bank. It provides services in participation banking. As of 31 December 2016, it had 44 branches and 807 employees.

Ziraat Yatırım Menkul Değerler A.S., established in Turkey in 1997 and is 100% controlled by the Bank. The company is an active participant in the capital markets with a team of 77 employees. The company provides services through one branch and six investment centres, as well as its internet branch and full-service call centre. All domestic branches of the Bank function as agencies of Ziraat Yatırım Menkul Değerler A.S.

Ziraat Portföy Yönetimi A.S., established in Turkey in 2002 and is 100% controlled by the Bank. Ziraat Portföy Yönetimi A.S. is an asset management company that manages its clients' investment portfolios of capital market instruments. With TL 812.5 million of capital, Ziraat Portföy Yönetimi A.S. manages 21 mutual funds and 11 private pension funds. The company has 110 private and 15 corporate customers. The total volume of assets managed by the company was TL 9.5 billion as of 31 December 2016.

Ziraat Teknoloji A.S., established in Turkey in 2001 and is 100% owned by the Bank. It has been providing IT services to the Bank and its subsidiaries in the fields of infrastructure, integration system management, support operations, application development and technical consultancy. It also developed several applications for the Bank in order to maximise operational efficiency and customer orientation.

Ziraat Gayrimenkul Yatırım Ortaklığı A.S., the newest member of Group, established in Turkey in November 2016 as and is 100% owned by the Bank. The company will diversify its investment portfolio in accordance with the main business activities of the real estate investment partnerships and "Ziraat Kuleleri" Project in Istanbul Finance Center.

Properties

As of 31 December 2016, the total net book value of the Bank's fixed assets (comprising land, land improvements, buildings and computer hardware among other fixed assets) represented TL 5.3 million

(1.5% of the Bank's total assets). The Bank maintains comprehensive insurance coverage on all properties that it owns.

As of 31 December 2016, the Bank owned 820 properties and leased 966 properties for use in its operations. The leased properties, as of 31 December 2016, were leased for an average period of nine years. For the year ended 31 December 2016, the Bank had TL 212.5 million of rental expenses and rental income of TL 12.0 million.

Information Technology

The Bank carries out its development and the position of leading bank in all areas of information technology. In this context, the Bank's data centers have been renewed and activated with the most up-to-date technology available, and as of the beginning of 2017, existing services have started to move seamlessly to new data centers. Data centers are designed and built with high security, high capacity, the bank's needs for many years and data center certifications. Data centers are monitored and managed on a 7x24 basis, and all active systems are constantly monitored in terms of capacity and performance. Every kind of redundancy that technology makes possible in terms of infrastructure is provided. Serious investments have been made within the scope of data center renewal projects.

In all channels such as branches, ATM, mobile banking and internet banking, which are the interfaces of the bank's information technology, high technology is followed closely in the sense of physical security and data security. ATMs are protected by electromechanical systems and biometric access systems are applied to protect against physical attacks. Systems designed to prevent malicious card copying attempts have been deployed in all ATM. Against malicious attacks that may occur over the Internet, the systems being used have been replaced with new generations and high-capacity products, new products have been purchased against the "0 day attacks" and put into practice.

IT Infrastructure

The Bank has a central information system architecture which is mainly based on the Microsoft.NET platform and Oracle 11G R2 RAC Database (DB) and Oracle Exadata X4 with a high total processing capacity. The data is stored centrally and the banking information of customers is kept on a secure database. All of the Bank's branches are connected to the Application Server Platform. Infrastructure for development, testing, training and acceptance environment is similar to that for the production environment. The entire core banking system relies on a single data (customer) model in order to maintain a single and unique entry system for specific data.

Since 2004, the Bank has made significant strides in software development, network infrastructure, storage management, database management and IT security infrastructure and has invested heavily in the IT infrastructure as part of the transformation process to reduce costs and enhance capabilities in alternative distribution channels. Moreover, there has been significant reporting and data analytics activities in the Teradata data warehouse and the Business Objects reporting platform. The Bank plans to make additional investments to improve its IT infrastructure in areas such as business intelligence, software governance and next generation data centres. Through these improvements the Bank expects to achieve more modern and technological flexibility, increase the level of IT security, increase the core banking system's processing performance, reduce its costs in terms of storing cost per critical data unit and provide the Bank with IPVPN connectivity over fibre optic lines with each of its branches nationwide which may reduce its telecommunication costs. Investments related to Next Generation Data Centers have been made and the process of transferring services to Next Generation Data Centers has been started. In the New Generation Data Centers, a network infrastructure with 4x10G capacity has been established with application based and server connections. In addition, all branch connections are provided as IPSECVPN and over fiber optic lines.

The Bank has recently made investment in its IT infrastructure. In the year ended 31 December 2015 approximately TL 106 million was spent on services provided by Ziraat Teknoloji and approximately TL 196 million on IT investment by the Bank as compared to approximately TL 109 million and approximately TL 7.4 million as of 31 December 2015, and approximately TL 78.1 million and TL 70.5 million as of 31 December 2014, respectively.

IT Governance

The Bank's IT governance, risk and compliance policies include:

- IT Governance. IT strategies and tactical plans have been defined in accordance with the Bank's business objectives.
- IT Risk Management. The Bank has established an IT risk management framework in accordance with ISO 27005 and the Risk IT Framework published by the Information Systems Audit and Control Association (ISACA).
- IT Compliance Management. The Bank tracks and manages its IT compliance in accordance with the Control Objectives for Information and related Technology (COBIT) and local regulations.

Data Recovery Systems

The Bank maintains synchronised back-up for all its critical systems.

The Bank's extended remote storage service is located and operated in both the Ankara Data Centre and İstanbul Data Centre. In the event of a system failure in a data centre, the other side can be restored and running according to the determined recovery time objective (RTO). The Bank tests the integrity of this system every year and no significant problems have been observed during these trial runs.

The Bank's central systems have not encountered any system-wide failures that may affect its main banking activities. The systems are able to restart for maintenance when required, particularly at 2:00 am and 3:00 am on Saturday mornings when banking activity is at its minimum.

Outsourcing

The Bank determines which services will be outsourced by conducting a feasibility study and comparing the cost and duration of developing the services in-house versus the services outsourced. Some of the services the Bank currently outsources are as follows:

- Card Payment System development including Debit, Credit and Prepaid services;
- Maintenance of specific small-sized systems and distributed/peripheral systems; and
- Software development in need of urgent implementation and specialty knowledge in niche areas (fraud etc.).

Insurance

The Bank's fixed and liquid assets are covered by general insurance arrangements covering normal risks, the majority of which are provided by the Bank's subsidiary Ziraat Sigorta A.S. Loans which are secured by real estate are also required by the Bank to be insured against normal risks, such as fire, together with value protection. A majority of the Bank's retail loan customers are required to have life insurance. The Bank does not maintain any credit risk insurance in relation to defaults by its customers as this is generally not available in Turkey.

Employees

As of 31 December 2016, the Bank had 25,015 employees, a decrease from 26,697 employees as of 31 December 2015, and an increase from 23,617 employees as of 31 December 2014. As of 31 December 2016, 78.8% of employees were employed in the Bank's branches and 21.2% were employed in the Bank's head office and regional offices (5,042 were located at the Bank's head office and 276 were located in regional offices) as compared to 78.3% and 21.7% as of 31 December 2015 respectively (4,530 were located at the Bank's head office and 281 were located in regional offices).

The following table sets out the number of employees of the Bank, divided into those working in the head and regional offices and those working in the branches, calculated using BRSA standards as of the dates indicated:

	As of 31 December		
	2016	2015	2014
Employees at Head and Regional Offices	5,318	5,567	4,811
Employees at Branches.....	19,697	20,130	18,806
Total.....	25,015	25,697	23,617

As of 31 December 2016, the average age of the Bank's employees was approximately 35 years, while the average number of years employed by the Bank for its professional staff was 11 years. The Bank does not have any temporary employees

The Bank places emphasis on ensuring that its employees have a sufficient level of education and experience of operational efficiency and effectiveness, and has a policy aimed at linking employee compensation to a performance-based approach as well as trying to replace higher cost retiring employees with lower cost new staff. As of 31 December 2016, 78.6% of the total employees had a bachelor's degree (compared to 77.8% in 2015 and 78.1% in 2014), 8.4% of the total employees held masters or doctorate degrees (compared to 8.3% in 2015 and 8.9% in 2014) and 13.0% of the staff had a secondary school education as their highest level of education (as compared to 13.7% in 2015 and 12.7% in 2014).

Wage Determination

The Bank's personnel are divided into four groups: senior manager, manager, deputy manager and assistant. Under these four groups, different levels have been defined in order to determine the title, wage, fringe benefits and bonus schemes of each employee.

Minimum and maximum wages are determined by the Board of Directors. Individual compensation is based on qualification and performance parameters.

As is customary in large Turkish companies, employees receive one extra monthly salary payment four times a year in January, April, July and October.

All employee wages have two components: salary and compensation. Base salary and compensation ceilings are determined at board level. Individual compensations are determined by the Bank's General Manager. Currently, all personnel are subject to a group-based performance award mechanism which focuses on the Bank's branches.

According to the Articles of the Bank, the Bank may distribute a dividend (that is, a bonus payment) to its board members and employees if it is approved by the General Assembly. The dividend to be distributed to each board member/employee shall not exceed three times the gross salary of such board member/employee.

An Ordinary General Assembly meeting was conducted on 30 March 2016. In accordance with the decision taken, of the profit for the year 2015, it was agreed that TL 258,123,510 shall be transferred to legal reserves and TL 24,200,000 shall be transferred to the Bank's second legal reserve, TL 220,000,000 shall be distributed as a dividend to the Board members and employees and TL 231,200,000 in cash shall be distributed to the Undersecretariat of Treasury after deducting withholding tax of 15% (TL 40,800,000). The terms upon which the dividend will be distributed to employees will be determined by the Board.

According to the Unconsolidated Annual Financial Statements, TL 151,605,000 and TL 186,788,000 was paid to the Bank's employees as dividends for the year ended 31 December 2014 and 2015, respectively.

Pensions and Termination Benefits

In accordance with existing legislation in Turkey, the Bank and its subsidiaries in Turkey are required to make lump-sum severance payments to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation, such as end of contract term or misconduct.

Such severance payments are unfunded since there is no funding requirement in Turkey. The cost of providing such severance payments is determined by an actuarial calculation using the projected unit credit method. All actuarial gains and losses are recognised in profit or loss.

In calculating the related liability to be recorded in the financial statements for these severance payments, the Bank uses assumptions and estimates relating to, among other things, the discount rate to be used, expected turnover of employees, and future change in salaries and compensation. These assumptions and estimates are reviewed regularly. The carrying value of employee severance payment provisions was TL 690 million as of 31 December 2016.

In accordance with the relevant legislation in Turkey, pension funds were required to be transferred directly to the SSF within a period of three years starting from 8 May 2008. Certain provisions of the legislation requiring transfer were challenged before the Constitutional Court and, while a previous version of this law was found to be unconstitutional by the Constitutional Court in 2007, on 30 March 2011, the Constitutional Court ruled that this law was constitutional and rejected the claim that it should be cancelled. Pursuant to the Council of Ministers' decision 2014/6042 dated 30 April 2014, the deadline by which to transfer the pension funds to the SSF was extended to 8 May 2015. According to Law No. 6645 amending the 20th provisional article of the Social Security Law and published in the Official Gazette on 23 April 2015, the Council of Ministers is authorised to determine the date of the transfer of pension funds to the SSF.

The excess benefits, which are not subject to transfer to the SSF, are accounted for in the Bank's Unconsolidated Annual Financial Statements in accordance with BRSA Principles. The obligation in respect of this retained portion of the benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, which benefit is discounted to determine its present value by using the projected unit credit method and any unrecognised past service costs, and the fair value of any plan assets are reduced.

The pension and medical benefits transferable to the SSF and the excess benefits are calculated annually by an independent actuary registered with the Undersecretariat of Treasury. As per the latest independent actuary reports dated 31 December 2016, the Bank had no excess obligation that needed to be provided for as of 31 December 2016.

Legal Proceedings

Pursuant to the Competition Board resolution 11-55/1438-M dated 2 November 2011, the Competition Board resolved to initiate an investigation against twelve entities that are active in the banking services industry in Turkey, including the Bank, regarding three banking instruments (*i.e.* deposits, loans and credit card services). The purpose of the investigation was to determine whether the respective entities were involved in actions that restrict competition, or in concerted practices and associations of undertakings as stated under Article 4 of Competition Law No. 4054. Within the scope of this investigation, on 8 March 2013 the Competition Board imposed on the Bank a TL 148.2 million administrative fine in relation to allegations of acting in concert regarding interest rates and fees on deposits, loans and credit cards in breach of competition law (other banks were also fined, ranging from TL 10 to TL 213 million, with fines generally based on net income). On 16 August 2013, the Bank took advantage of an early payment discount scheme and paid 75.0% (TL 111.2 million) of the total fine while initiating a challenge to the Competition Board's decision. As of the date of this Base Prospectus, the Bank's challenge to the Competition's Board has not been completed and the Bank is awaiting a decision from a relevant court; however the Bank's management does not expect to pay any additional amounts towards the fine. It has also taken corrective steps to address the practices for which it was fined. See also "*Risk Factors—Risk Related to the Bank—Customers may Bring Claims (including Class Action) against the Bank Seeking Damages in Relation to Violations of Competition and Antitrust Laws of Turkey*".

Additionally, an administrative fine of TL 110 million was imposed on the Bank by the Ministry of Customs and Trade and on 7 September 2015, the Bank paid TL 83 million in full settlement of the fine using the prepayment discount available for early payments of administrative fines. On 9 September 2015, the Bank initiated a lawsuit seeking cancellation and suspension of the fine issued by the Ministry of Customs and Trade. The motion for suspension of execution of the fine was rejected by the Ankara District Administrative Court and the lawsuit is still pending.

The Bank is a defendant in two lawsuits in the United States brought by claimants seeking damages for property seized from Armenians in Turkey in 1915. While the ultimate outcome of pending or future litigation cannot be known at this time, such claimants have commenced action against various parties and the Bank believes such claims are without merit.

Except as otherwise set forth herein, the Bank is subject to various ongoing legal proceedings but the Bank's senior management does not believe that such proceedings, individually or taken together, are likely to have a material adverse effect on the business of the Bank or on the results of its operations or financial condition.

Anti-Money Laundering Policies

The Bank is committed to the highest standards of anti-money laundering and counterterrorist financing compliance and requires management and employees to adhere to these standards to prevent use of the Bank's products and services for money laundering or terrorist financing purposes.

The Bank, its subsidiaries and foreign branches have adopted policies and procedures designed to comply with applicable AML, counter-terrorist financing ("CTF") and KYC laws in Turkey, particularly Law No. 5549 on Prevention of Laundering Proceeds of Crime dated 18 October 2006, together with the recommendations of the FATF. 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 Turkish Financial Intelligence Unit, Financial Crimes Investigation Board.

To ensure that the Bank is not unknowingly used as an intermediary in money laundering and other similar criminal activities, an AML programme has been implemented and must be followed by all employees. The Bank has established a Compliance Department and designated a Compliance Officer in order to ensure compliance to applicable AML, CTF and KYC laws, rules and regulations. The Bank's branches and subsidiaries, regardless of their geographic location, must adhere to the Bank's policies provided that such policies do not conflict with the applicable AML, CTF or KYC legislation of their host country rules and regulations. The Bank's branches and subsidiaries, regardless of their geographic location, must adhere to the Bank's policies provided that such policies do not conflict with the applicable AML, CTF or KYC legislation of their host country.

The Bank operates in the United States through its branch in New York (the "**NY Branch**"), which is supervised by the Board of Governors of the Federal Reserve System (the "**Board**") and the New York State Department for Financial Services ("**NYSDFS**"). On 25 June 2014, the Bank, the NY Branch, the Board and the NYSDFS signed an agreement (the "**Agreement**") aimed at ensuring the NY Branch's compliance with, among others, US Bank Secrecy Act ("**BSA**") and AML regulations, the adequacy of the NY Branch's systems for reporting suspicious transactions, risk evaluation and management and internal controls, as well as its compliance with relevant corporate governance rules. As required by the Agreement, the Bank and the New York Branch developed a management oversight plan (the "**Plan**"), which was approved by the Board and the NYSDFS in December 2014. The Plan outlines the steps to be taken by the Bank and by the New York Branch to ensure compliance with BSA and AML requirements, measures to further improve management information and audit systems and procedures for reporting suspicious activities involving high risk customers or transactions. The Bank and the NY Branch have completed the upgrading of their systems and are in the process of enhancing their functionalities to ensure full compliance with applicable BSA and AML regulations as contemplated in the Plan. The Bank has not experienced any significant cases of fraud in the past ten years.

The Bank's head office Board of Directors decided to liquidate the NY Branch on 11 October 2016 as a result of decreasing business importance. In accordance with this decision, the NY Branch's number of customers and activities have been decreasing gradually since then. In particular, after correspondent banking activities for head office money market transactions were ceased on 5 December 2016, banking activity significantly declined. The Bank has submitted a liquidation plan to the New York State Federal Reserve Bank and New York State Department of Financial Services on 12 December 2016, which plan contemplates that on or about 31 March 2017 overall operations of the NY Branch will be finalized and most of the outstanding internal risks will be transferred to the other foreign branches of the Bank. Remaining assets and liabilities of the NY Branch will be transferred to the head office of the Bank and the Bank will apply to transfer the remaining capital to the head office of the Bank as well.

Credit Ratings

As of the date of this Base Prospectus, the Bank has been assigned the following ratings by Fitch and Moody's, which are both registered in the EU for purposes of the CRA Regulation.

	Fitch
	<i>(February 2017)</i>
Long-term foreign currency	BB+
Short-term foreign currency	B
Long-term Turkish Lira.....	BBB-
Short-term Turkish Lira.....	F3
Long-term national rating.....	AAA (tur)
Support rating.....	3
Viability rating	bb+
Outlook.....	Stable
	Moody's
	<i>(September 2016)</i>
Long-term bank deposit foreign currency	Ba2
Short-term bank deposit foreign currency	Not-Prime
Long-term bank deposit Turkish Lira.....	Ba1
Short-term bank deposit Turkish Lira	Not-Prime
Baseline Credit Assessment	ba2
Outlook.....	Stable

On 3 June 2014, Moody's downgraded the short-term and long-term Turkish Lira deposit ratings to P-3/Baa3 from P-2/Baa2 while confirming other ratings and revised the outlook for all ratings to negative. On 22 December 2014 and on 25 March 2015, Fitch and Moody's, respectively, updated their credit opinions for the Bank without taking any rating action. On 25 March 2015 the Programme was rated BBB- (long-term senior unsecured) and F3 (short-term senior unsecured) by Fitch and Baa3 (senior unsecured) and P-3 (short-term) by Moody's. On 25 August 2016, Fitch lowered the outlooks of 18 Turkish banks, including the Bank, to negative from stable. On 26 September 2016, Moody's downgraded the long term debt and deposit ratings of 14 Turkish financial institutions, including the Bank. The Bank's long term foreign and local currency debt and local currency deposit ratings were downgraded to Ba1 from Baa3, with stable outlook. The baseline credit assessment was downgraded to ba2 from ba1. The action follows the downgrade of Turkish government's debt rating to Ba1, with a stable outlook, from Baa3, on 23 September 2016. On 2 February 2017, Fitch downgraded the Long-Term Foreign Currency Issuer Default Ratings of 18 Turkish banks, including the Bank, whose rating was downgraded to BB+ from BBB-. The Long-Term Local Currency (LC) IDRs of six banks, including the Bank have been affirmed.

The ratings set forth above are accurate only as of the date of this Base Prospectus and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

RISK MANAGEMENT

General

Assessment and control of risk is critical to the Bank's success. The principal risks inherent in the Bank's business are credit risk, liquidity risk, market risk (including interest rate risk and foreign exchange rate risk) and operational risk. For further information on the risks faced by the Bank, see the notes in Unconsolidated Annual Financial Statements.

Risk Management Organisation

The Bank's current system of risk control and risk management, including its operational risk framework, operational risk policy, application principles and emergency action plans, has been in place since 2001 and is fully integrated into the Bank's internal systems for planning, management and control. In 2012 the Bank implemented a new credit scoring system. The Bank expects to continue to evaluate and develop its risk management system, which has been established both to meet the Bank's ongoing internal risk management needs and to comply with legal and regulatory requirements and other applicable standards, including BRSA regulations and the Basel II and Basel III criteria.

The Board is ultimately responsible for developing and monitoring the Bank's risk management, internal control and internal audit policies and strategies. The Board approves the Bank's general principles of risk control and risk management, its limits for all relevant risks and the procedures that the Bank applies in controlling and managing its risks. ICAAP reports, including stress test results, are submitted to the BRSA annually with the approval of the Board of Directors of the Bank. Reporting on asset and liability management is conducted within the relevant departments and reports are prepared on a daily, weekly, monthly and quarterly basis and presented at the Assets and Liabilities Committee's meetings.

In line with legal and regulatory requirements, the Board has established an Audit Committee whose mandate is to ensure that the Board's monitoring functions are duly carried out. The Audit Committee is composed of two non-executive members of the Board. The Audit Committee reports to the Board on the results of the Bank's risk management, internal control and internal audit activities, as well as its views on any other risk-related issues that it deems important. See "*Management—Board Committees*". The Bank has also established a Risk Management department, an Internal Control department and a Board of Inspectors, all of which report to the Board through the Audit Committee.

Risk Management Department

The Risk Management Department is in charge of identifying, measuring, monitoring and reporting the Bank's credit, liquidity, interest rate risk on balance sheet, market and operational risks, as well as ensuring compliance with the Basel III criteria and carrying out necessary stress tests on a monthly basis. The stress tests apply various sensitivity analyses on interest rates and foreign exchange parameters, as well as on certain credit and macroeconomic parameters. The capital adequacy ratio recommended by the BRSA, as well as the ratio that is required by the BRSA as a condition for banks to open new branches, is 12.0%. The Bank does not set a specific capital adequacy ratio in respect of stress tests. The capital adequacy policy of the Bank is for its capital adequacy ratio to be over 12.0% taking into account its internal growth projections. The mission of the Risk Management department is to ensure, together with senior management, that risks taken by the Bank align with its policies and are compatible with its profitability and credit-rating objectives. As of 31 December 2016, the Risk Management Department is comprised of a team of 15 employees trained in statistics, economics, engineering and management.

Internal Control and Compliance Department

Internal controls are conducted to ensure that the activities of the Bank are in compliance with all applicable laws and regulations, the reliability of the Bank's accounting system and financial statements, operational efficiency and safeguarding of assets. The scope, method and implementation of the controls are revised in accordance with the Bank's policies and strategies. The activities carried out by the Bank's domestic and international branches and head office units are controlled and the results are reported to senior management to determine an appropriate action to be taken. Compliance controls are performed to ensure that the Bank is

in compliance with all applicable laws and regulations, internal policies and guidelines and established banking practices. Internal Control Department is also responsible for reviewing business flows and making recommendations for improving the Bank's overall operational efficiency. The activities of internal control department are reported periodically to Audit Committee. As of 31 December 2016, the Internal Control Department comprised of 93 internal controllers.

Board of Inspectors

The Board of Inspectors is responsible for monitoring the activities of the Bank to ensure that these activities are carried out in compliance with legal and regulatory requirements and other applicable standards, as well as the Bank's own internal strategies, policy guidelines and targets. The Board of Inspectors inspects and audits the entire business, both the domestic units and the units abroad, in an attempt to identify any deficiencies, errors or misconduct and to conserve the Bank's assets and the efficiency of the Bank's operations. In addition, the Board of Inspectors gives advice and makes proposals for the elimination of such deficiencies and for the prevention of the recurrence of such errors or misconduct. Further, the Board of Inspectors assesses the accuracy and reliability of non-financial information and reporting forwarded to the Board and the BRSA. As of 31 December 2016, the Board of Inspectors comprised 151 inspectors.

Management of Specific Risks

The Bank's risk management processes are distinguished by the type of risk, as set out below.

Credit Risk

Credit risk is the risk that counterparties may be unable to meet their obligations in accordance with the terms of their agreements with the Bank. The Bank is subject to credit risk through its lending, trading, hedging and investing activities and in cases where it acts as an intermediary on behalf of third parties. The Bank's primary credit risk exposure relates to its lending activities and is focused in Turkey where its main operations take place.

The Bank manages its exposure to credit risk through involvement with highly credible banks and entities. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. The Bank also attempts to obtain adequate collateral for loans given and other receivables. Such collateral may include guarantees, mortgages on property, government securities, cash blockages and customer or real person cheques.

The Bank rates each of its loans given to its corporate customers, and rates many of its loans to its SME customers, using the internal risk rating methodologies described below in "*—Internal Risk Rating Methodologies for Loans to Companies*". The Bank requires additional guarantees from its customers with high risk ratings, does not provide loans to such customers or applies strategies in order to decrease the level of risk from loans to such customers.

As prescribed in the Regulation on "Determining the Nature of Loan and Other Receivable Provisions Allocated By the Banks and Procedures and Principles of Allocating Provisions", the creditworthiness of the debtors of the loans and other receivables is monitored regularly. Loan limits and guarantee factors are monitored and updated at least once a year and also as deemed necessary and in accordance with changes in economic conditions.

The Risk Management Department monitors the Bank's exposure to credit risk by generating and submitting semi-annual reports on credit risk to the Board. Reports show the development of performing loan portfolios and NPL portfolios, distribution by sector and region of performing cash corporate and entrepreneur loans, concentration of top 10, 20 and 50 corporate customers. Credit risk limits and stress testing results are monitored and vintage analysis is conducted for NPLs on a monthly basis.

As of 31 December 2016, the share of cash loans from the Bank's top 100 cash loan customers was 22.6% of its total cash loans and 8.3% from the Bank's top 10 cash loan customers. As of 31 December 2016, the share of non-cash loans from the Bank's top 100 non-cash loan customers was 24.6% of its total non-cash loans and 0.9% of the Bank's top 10 non-cash loan customers.

Counterparty Credit Risk

Counterparty credit risk is concerned with financial derivatives, repos, securities, long-term swaps and loan exchanges. In the scope of counterparty credit risk management, ISDA and GMRA contracts have been signed with large banks. The Bank's counterparty credit risk is monitored on consolidated and non-consolidated basis monthly and included in credit risk weighted assets in capital adequacy ratio calculations.

Credit-Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit (which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties) carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions) are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

Liquidity Risk

Liquidity risk is the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they fall due without incurring unacceptable costs. It reflects the potential mismatch of payment obligations to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/call risk). Liquidity risk involves the risk of unexpected mismatches in maturities of assets and liabilities and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The Bank's liquidity management policies and methods that are used to monitor their implementation are set out in the "Risk Management, Stress Testing and ICAAP Manual" adopted by the Bank in accordance with the BRSA regulations. Under this regulation, the Bank defines liquidity risk as the combination of liquidity risk related to funding and market. Liquidity risk related to funding is defined as the probability of losing money due to the fact that the Bank might have difficulty in meeting its predictable or unpredictable liquidity need without affecting its daily operations or financial structure. Liquidity risk related to market is defined as the probability of losing money due to the fact that the Bank could not close or balance its positions at market price because of the shallow market or excess floating of the market.

In terms of measuring and monitoring its liquidity risk, the Bank conducts time-to-maturity analysis, liquidity gap analysis, structural liquidity gap analysis and liquidity stress testing.

Within the context of liquidity risk management the following indicators are monitored in terms of both domestic and foreign currency assets and liabilities separately:

- maturity mismatch between assets and liabilities;
- levels of cash and cash-like primary liquid reserves which is crucial for the Bank to maintain its daily banking activities;
- availability of secondary reserves, which have the potential of converting into cash with low price risk according to the central bank liquidity conveniences, and other borrowing facilities from money and financial markets that can be utilized in case of an unexpected liquidity requirement at internal or external based market floating.
- maintaining scenario and sensitivity analyses.

Furthermore within the scope of liquidity studies of Basel III reform proposals, as of 21 March 2014, BRSA has implemented Liquidity Coverage Ratio with its "Regulation on Calculation of the Liquidity Coverage Ratio of Banks". Even though the reporting started from early 2014, the implementation of non-compliance with the legal limits entered in to force in early 2015. The Banks' relevant ratios had been compliant with the limits established by the BRSA's regulations in advance of their full implementation.

The Bank uses domestic and foreign markets for its liquidity needs. The Bank's senior management believes the Bank has relatively low external capital requirements, which historically, it has met by borrowing on local markets. However, the Bank is seeking to expand its wholesale borrowing, particularly to meet its need for longer-term liabilities due to the asset-liability mismatch common to many Turkish banks. Potential cash sources include syndicated loans, money market borrowings from domestic banks and repurchase transactions in international markets, as well as through the issuance of debt instruments into international debt capital markets. In April 2016 the Bank entered into a US\$ 1.100 million syndicated loan facility with 42 international lenders. In addition the Bank cooperates with IFIs such as the World Bank and the EIB, which provide the Bank with access to long-term funding opportunities to address the investment and working capital needs of its SME customers.

Historically, the Bank's primary source of funding has been its deposits from customers. As of 31 December 2016, 2015 and 2014, deposits from customers represented 59.0%, 58.4% and 59.6%, respectively, of the Bank's total liabilities.

The Bank's investment securities portfolio consists mainly of held-to-maturity and available for sale investments. As of 31 December 2016, 84.9% of the Bank's investment securities portfolio was composed of available-for-sale investment securities, whereas the remaining 12.7% was composed of held-to-maturity investment securities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. Furthermore, due to the short-term maturity structure of deposits in Turkey, maturity mismatches are a common problem for Turkish banks. An unmatched position potentially enhances profitability, but also increases the risk of losses. To minimise these risks and losses senior management conducts Time to Maturity, Liquidity Gap, Structural Liquidity Gap and Liquidity Stress Test analyses.

The following tables set out information about the remaining maturities of the Bank's assets and liabilities as of the dates indicated:

As of 31 December 2016	Demand	Up to 1 month	1-3 months	3-12 months	1 year to 5 years	Over 5 years	Undistributed (1)(2)	Total
<i>(TL thousands)</i>								
Assets:								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey	39,167,097	—	—	—	—	—	—	39,167,097
Banks	1,659,140	1,144,317	313,430	784,787	—	—	—	3,901,674
Financial Assets at Fair Value Through Profit and Loss	—	534,968	521,710	564,952	58,728	4,433	—	1,684,791
Money Market Placements	—	—	—	—	—	—	—	—
Financial Assets Available-for-Sale	—	1,623,787	1,748,538	7,630,510	21,025,074	25,960,579	643,465	58,631,953
Loans Given	—	8,685,180	16,150,787	87,914,227	94,336,198	25,305,694	251,449	232,643,535
Investments Held-to-Maturity	—	1,192,908	824,631	60,683	4,988,561	1,682,681	-	8,749,464
Other Assets	2,227,444	-	-	1,121	23,839	-	10,730,447	12,982,851
Total Assets	43,053,681	13,181,160	19,559,096	96,956,280	120,432,400	52,953,387	11,625,361	357,761,365
Liabilities								
Interbank Deposits	1,731,844	6,796,605	1,563,724	1,967,777	—	—	—	12,059,950
Other Deposits	53,136,377	111,750,447	25,137,472	20,353,316	568,506	12,866	—	210,958,984
Funds Provided from Other Financial Instruments	—	1,829,074	2,173,168	11,782,480	4,328,256	2,703,758	—	22,816,736
Money Market Borrowings	—	41,662,750	3,747,109	1,085,940	716,162	—	—	47,211,961
Issued Marketable Securities	—	836,455	1,342,446	255,514	4,398,586	—	—	6,833,001
Sundry Creditors	1,904,409	576,312	—	—	—	—	—	2,480,721
Other Liabilities ⁽³⁾	3,462,868	729,785	732,927	58,919	5,999,588	877,690	43,538,235	55,400,012
Total Liabilities	60,235,498	164,181,428	34,696,846	35,503,946	16,011,098	3,594,314	43,538,235	357,761,365
Liquidity Gap	(17,181,817)	(151,000,268)	(15,137,750)	61,452,334	104,421,302	49,359,073	(31,912,874)	—
Net Off-Balance Sheet Position	—	106,768	(2,364)	503,202	588,299	—	—	1,195,905
Financial Derivative Assets	—	23,473,210	7,443,469	2,592,683	2,630,850	—	—	36,140,212
Financial Derivative Liabilities	—	23,366,442	7,445,833	2,089,481	2,042,551	—	—	34,944,307
Non-cash Loans	37,633,442	1,000,651	4,810,877	18,060,727	14,125,438	3,523,973	—	79,155,108

(1) Assets which are required for banking operations and could not be converted into cash in the short term, such as tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net NPLs as well as securities representing a share in capital, and other liabilities such as provisions which are not considered as payables and equity, are classified as undistributed.

(2) Deferred tax asset is included under the "Undistributed" column.

(3) TL 5,950,057 of the funds balance, whose risk is not borne by the Bank, is included in other liabilities and shown under the "1-5 years" column, the fund balance amounting to TL 70,782 is not granted as a loan and is included under the "Up to 1 month" column.

As of 31 December 2015	Demand	Up to 1 month	1-3 months	3-12 months	1 year to 5 years	Over 5 years	Undistributed (1)(2)	Total
<i>(TL thousands)</i>								
Assets:								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey	36,535,963	—	—	—	—	—	—	36,535,963
Banks	2,122,267	1,440,455	261,811	622,259	—	—	—	4,446,792
Financial Assets at Fair Value Through Profit and Loss	—	126,116	3,991	69,008	687,336	58,448	—	944,899
Money Market Placements	—	—	—	—	—	—	—	—
Financial Assets Available-for-Sale	—	819,061	931,915	3,583,591	26,960,173	20,883,826	603,742	53,782,308
Loans Given	—	7,850,631	13,187,226	71,904,670	75,219,986	17,780,346	869,992	186,812,851
Investments Held-to-Maturity	—	164,301	503,843	2,080,926	4,564,492	2,830,580	—	10,144,142
Other Assets	1,775,252	—	—	901	19,124	—	8,386,094	10,181,371
Total Assets	40,433,482	10,400,564	14,888,786	78,261,355	107,451,111	41,553,200	9,859,828	302,848,326
Liabilities								
Interbank Deposits	336,455	7,360,373	1,894,998	135,475	—	—	—	9,727,301
Other Deposits	40,292,719	95,316,234	23,116,324	17,609,254	407,52	83	—	176,742,134
Funds Provided from Other Financial Instruments	—	1,041,939	3,260,160	9,751,446	3,311,028	2,178,075	—	19,542,648
Money Market Borrowings	—	36,277,186	4,312,765	1,841,293	654,532	—	—	43,085,776
Issued Marketable Securities	—	932,357	1,585,217	486,509	2,283,523	—	—	5,287,606
Sundry Creditors	1,383,021	937,162	—	—	—	—	—	2,320,183
Other Liabilities ⁽³⁾	2,445,735	562,716	412,093	36,844	5,975,198	866,409	35,843,683	46,142,678
Total Liabilities	44,457,930	142,427,967	34,581,557	29,860,821	12,631,801	3,044,567	35,843,683	302,848,326
Liquidity Gap	(4,024,448)	(132,027,403)	(19,692,771)	48,400,534	94,819,310	38,508,633	(25,983,855)	—
Net Off-Balance Sheet								
Position	—	42,330	(1,708)	33,271	513,972	—	—	587,865
Financial Derivative Assets	—	21,189,422	719,944	1,615,895	2,425,788	—	—	25,951,049
Financial Derivative Liabilities	—	21,147,092	721,652	1,582,624	1,911,816	—	—	25,363,184
Non-cash Loans	32,422,339	487,504	2,652,182	13,060,132	9,581,201	2,082,817	—	60,286,175

(1) Assets which are required for banking operations and could not be converted into cash in the short term, such as tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net NPLs as well as securities representing a share in capital, and other liabilities such as provisions which are not considered as payables and equity, are classified as undistributed.

(2) Deferred tax asset is included under the "Undistributed" column.

(3) TL 5,833,179 of the funds balance, whose risk is not borne by the Bank, is included in other liabilities and shown under the "1-5 years" column, the fund balance amounting to TL 97,950 is not granted as a loan and is included under the "Up to 1 month" column.

As of 31 December 2014	Demand	Up to 1 month	1-3 months	3-12 months	1 year to 5 years	Over 5 years	Undistributed (1)(2)	Total
<i>(TL thousands)</i>								
Assets:								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey	30,148,983	—	—	—	—	—	—	30,148,983
Banks	457,593	1,071,486	178,560	483,402	—	—	—	2,191,041
Financial Assets at Fair Value Through Profit and Loss	—	12,060	7,551	40,031	246,364	4,736	—	310,742
Money Market Placements	—	—	—	—	—	—	—	—
Financial Assets Available-for-Sale	—	662,535	1,931,432	4,587,930	23,641,002	22,961,944	446,010	54,230,853
Loans Given	—	6,308,352	9,524,869	52,434,653	59,293,144	13,568,894	784,750	141,914,662
Investments Held-to-Maturity	—	152,705	1,052,685	44,905	6,055,780	2,714,981	—	10,021,056
Other Assets	1,676,727	—	—	656	11,713	—	7,093,878	8,782,974
Total Assets	32,283,303	8,207,138	12,695,097	57,591,577	89,248,003	39,250,555	8,324,638	247,600,311
Liabilities								
Interbank Deposits	174,372	4,740,369	745,131	24,000	—	—	—	5,683,872
Other Deposits	31,628,782	79,597,065	21,277,494	14,715,309	352,637	89	—	147,571,376
Funds Provided from Other Financial Instruments	—	609,952	1,457,018	8,905,786	2,048,385	1,586,566	—	14,607,707
Money Market Borrowings	—	27,998,700	2,599,660	1,182,716	—	—	—	31,781,076
Issued Marketable Securities	—	338,579	1,564,934	501,919	1,813,374	—	—	4,218,806
Sundry Creditors	963,524	782,979	—	—	—	—	—	1,746,503
Other Liabilities ⁽³⁾	2,053,187	691,342	572,034	4,116	5,382,265	816,564	32,471,463	41,990,971
Total Liabilities	34,819,865	114,758,986	28,216,271	25,333,846	9,596,661	2,403,219	32,471,463	247,600,311
Liquidity Gap	(2,536,562)	(106,551,848)	(15,521,174)	32,257,731	79,651,342	36,847,336	(24,146,825)	—

(1) Assets which are required for banking operations and could not be converted into cash in the short term, such as tangible assets, associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net NPLs as well as securities representing a share in capital, and other liabilities such as provisions which are not considered as payables and equity, are classified as undistributed.

(2) Deferred tax asset is included under the "Undistributed" column.

(3) TL 5,326,157 of the funds balance, whose risk is not borne by the Bank, is included in other liabilities and shown under the "1-5 years" column, the fund balance amounting to TL 100,291 is not granted as a loan and is included under the "Up to 1 month" column.

Market Risk

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates and foreign exchange rates) and their levels of volatility. The most important component of market risk that the Bank faces is interest rate risk in trading book.

The Bank seeks to hedge market risk in accordance with the Regulation on "Measurement and Assessment of Capital Adequacy of Banks". The Board sets the limits for the level of market risk that the Bank may be exposed to. Those limits are reviewed and revised periodically in line with market conditions and the strategies of the Bank.

The interest rate and exchange rate risks related to the financial positions taken by the Bank (both on balance sheet and off balance sheet) are measured and monitored by the Risk Management department. In the computation of capital adequacy, the amount subject to Value At Risk ("VAR") is calculated by using the standard method as required by the BRSA. Beside the standard method, VAR is also calculated by using the Bank's internal model. In order to measure the performance of the internal model, retrospective tests of model outputs are performed regularly. In addition, stress tests and scenario analyses are carried out periodically to measure the effects of unexpected events on the Bank's capital adequacy ratios. Internal model VAR is calculated with a confidence interval of 99% and a one day holding period daily by three different methods – historical simulation, parametric and Monte Carlo simulation. Internal reporting is made by using Weighted Historical Simulation Methodology only.

Standard method VaR results are reported to BRSA on consolidated and non-consolidated basis monthly. In addition, daily market risk analysis reports are prepared and presented to relevant personnel, including the heads of the Bank's Treasury Management and Risk Management departments.

The tables below set out the Bank's standard method VAR (calculated using the Bank internal method as required by the BRSA) as of and for the year ended 31 December 2016 and as of and for the years ended 31 December 2015 and 2014.

As of and for year ended 31 December 2016			
	Interest rate VAR⁽¹⁾	Currency VAR⁽¹⁾	Total VAR⁽²⁾
	<i>(TL thousands)</i>		
As of 31 December 2016.....	12,214,288	818,875	14,083,788
Average	9,148,748	5,098,599	15,256,210
Maximum	10,290,225	10,077,425	21,133,950
Minimum	10,474,350	283,938	11,641,038

As of and for year ended 31 December 2015			
	Interest rate VAR⁽¹⁾	Currency VAR⁽¹⁾	Total VAR⁽²⁾
	<i>(TL thousands)</i>		
As of 31 December 2015.....	6,897,675	8,243,163	16,653,125
Average	7,442,314	6,872,132	15,604,269
Maximum	7,264,800	8,966,525	17,495,713
Minimum	7,889,713	5,046,875	14,074,525

As of and for year ended 31 December 2014			
	Interest rate VAR⁽¹⁾	Currency VAR⁽¹⁾	Total VAR⁽²⁾
	<i>(TL thousands)</i>		
As of 31 December 2014.....	7,273,513	5,238,788	13,592,650
Average	6,146,797	4,440,513	11,466,792
Maximum	7,273,513	5,238,788	13,592,650
Minimum	5,920,163	4,011,513	10,716,050

(1) Maximum and minimum rows were designed according to the related total VAR numbers.

(2) Total VaR shows the total of interest rate, currency, equity, and counterparty credit risk VAR numbers.

Currency Risk

Foreign currency risk is the risk of losses due to adverse exchange rate movements in the market. Foreign currency denominated assets and liabilities, together with forward purchase and sale commitments, give rise to foreign currency exposure.

The Bank's foreign currency exposure is limited as a result of its hedging strategy. However, potential currency risks are calculated at monthly periods through the standard method required by the BRSA and daily through the internal VAR models so that the Bank's currency risk can be monitored. The Bank manages foreign currency risk primarily by using natural hedges that arise from offsetting foreign currency

denominated assets and liabilities. When deemed necessary, the Bank enters into foreign currency swap transactions with other banks.

The following tables set out the Bank's concentrations of assets, liabilities and off-balance sheet items in various currencies as of the dates indicated:

As of 31 December 2016	EURO	USD	Other Foreign Currency	Total
		<i>(TL thousands)</i>		
Assets:				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	9,065,507	16,078,496	6,481,770	31,625,773
Due from banks	715,769	2,321,265	337,533	3,374,567
Financial assets where fair value change is reflected to income statement	—	4,549	—	4,549
Money market placements	—	—	—	—
Financial assets available for sale	4,004,694	10,709,868	54,331	14,768,893
Loans	20,974,208	44,097,884	64,866	65,136,958
Investment and associates, subsidiaries and joint ventures (business partners)	1,112,624	571,731	—	1,684,355
Investments held to maturity	1,339,247	3,808,631	498	5,148,376
Derivative financial assets held for hedging	—	—	—	—
Property and equipment	5,079	1,403	7,738	14,220
Intangible assets	2,950	1	4,147	7,098
Other assets	843,721	332,341	8,593	1,184,655
Total assets	38,063,799	77,926,169	6,959,476	122,949,444
Liabilities:				
Interbank deposits	4,538,983	4,260,487	54,704	8,854,174
Foreign currency deposits	39,043,962	21,303,688	3,959,657	64,307,307
Money market takings	306,464	11,963,959	—	12,270,423
Funds provided from other financial institutions	6,282,415	14,742,567	2,812	21,027,794
Marketable securities issued	—	4,676,223	—	4,676,223
Miscellaneous payables	1,132,106	79,365	2,356	1,213,827
Derivative financial liabilities held for hedging	—	—	—	—
Other liabilities	296,605	196,986	29,734	523,325
Total liabilities	51,600,535	57,223,275	4,049,263	112,873,073
Net on balance sheet position	(13,536,736)	20,702,894	2,910,213	10,076,371
Net off balance sheet position	14,404,536	(21,814,361)	(2,611,272)	(10,021,097)
Derivative financial assets	16,594,256	7,787,185	2,593,074	26,974,515
Derivative financial liabilities	2,189,720	29,601,546	5,204,346	36,995,612
Non-cash loans	18,783,775	31,762,066	3,845,938	54,391,779
Prior period				
Total assets	25,328,934	69,683,515	7,291,987	102,304,436
Total liabilities	43,677,501	56,883,928	2,567,778	103,129,207
Net on balance sheet position	(18,348,567)	12,799,587	4,724,209	(824,771)
Net off balance sheet position	19,428,812	(12,841,685)	(5,051,656)	1,535,471
Derivative financial assets	21,565,135	5,207,441	1,210,433	27,983,009
Derivative financial liabilities	2,136,323	18,049,126	6,262,089	26,447,538
Non-cash loans	12,805,276	24,756,552	3,017,202	40,579,030

As of 31 December 2015	EURO	USD	Other Foreign Currency	Total
		<i>(TL thousands)</i>		
Assets:				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	5,197,516	20,291,411	6,974,088	32,463,015
Due from banks	427,044	3,117,147	166,602	3,710,793
Financial assets where fair value change is reflected to income statement	—	4,377	—	4,377
Money market placements	—	—	—	—
Financial assets available for sale	3,852,617	7,670,987	51,457	11,575,061
Loans	13,040,372	33,703,199	85,049	46,828,620
Investment and associates, subsidiaries and joint ventures (business partners)	884,574	518,403	—	1,402,977
Investments held to maturity	1,556,861	4,044,176	4,763	5,605,800
Derivative financial assets held for hedging	—	—	—	—
Property and equipment	5,232	1,405	4,209	10,846
Intangible assets	2,961	—	789	3,750
Other assets	361,757	332,410	5,030	699,197
Total assets	25,328,934	69,683,515	7,291,987	102,304,436
Liabilities:				
Interbank deposits	2,761,224	4,181,285	38,456	6,980,965
Foreign currency deposits	33,118,588	23,283,762	2,493,715	58,896,065
Money market takings	1,220,723	13,524,090	—	14,744,813
Funds provided from other financial institutions	5,259,663	12,888,802	1,724	18,150,189
Marketable securities issued	276,860	2,811,413	—	3,088,273
Miscellaneous payables	789,715	50,442	3,020	843,177
Derivative financial liabilities held for hedging	—	—	—	—
Other liabilities	250,728	144,134	30,863	425,725
Total liabilities	43,677,501	56,883,928	2,567,778	103,129,207
Net on balance sheet position	(18,348,567)	12,799,587	4,724,209	(824,771)
Net off balance sheet position	19,428,812	(12,841,685)	(5,051,656)	1,535,471
Derivative financial assets	21,565,135	5,207,441	1,210,433	27,983,009
Derivative financial liabilities	2,136,323	18,049,126	6,262,089	26,447,538
Non-cash loans	12,805,276	24,756,552	3,017,202	40,579,030
Prior period				
Total assets	17,409,849	52,062,881	6,771,344	76,244,074
Total liabilities	33,496,497	41,755,740	2,871,895	78,124,132
Net on balance sheet position	(16,086,648)	10,307,141	3,899,449	(1,880,058)
Net off balance sheet position	18,086,278	(9,832,293)	(5,783,538)	2,470,447
Derivative financial assets	18,550,742	3,333,218	936,041	22,820,001
Derivative financial liabilities	464,464	13,165,511	6,719,579	20,349,554
Non-cash loans	6,219,244	18,945,595	1,974,433	27,139,272

As of 31 December 2014	EURO	USD	Other Foreign Currency	Total
		(TL thousands)		
Assets:				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	3,627,057	17,162,488	6,585,717	27,375,262
Due from banks	466,896	1,110,975	103,006	1,680,877
Financial assets where fair value change is reflected to income statement	—	3,998	—	3,998
Money market placements	—	—	—	—
Financial assets available for sale	3,388,057	5,059,306	16,037	8,463,400
Loans	7,682,585	24,261,441	38,768	31,982,794
Investment and associates, subsidiaries and joint ventures (business partners)	667,141	386,754	—	1,053,895
Investments held to maturity	1,376,755	3,716,588	416	5,093,759
Derivative financial assets held for hedging	—	—	—	—
Property and equipment	3,566	1,292	1,063	5,921
Intangible assets	706	1,839	678	3,223
Other assets	197,086	358,200	25,659	580,945
Total assets	17,409,849	52,062,881	6,771,344	76,244,074
Liabilities:				
Interbank deposits	646,191	1,632,377	32,333	2,310,901
Foreign currency deposits	27,190,696	13,347,024	2,813,541	43,351,261
Money market takings	2,170,053	13,300,247	—	15,470,300
Funds provided from other financial institutions	2,808,472	10,648,748	1,230	13,458,450
Marketable securities issued	—	2,655,704	—	2,655,704
Miscellaneous payables	517,043	14,329	717	532,089
Derivative financial liabilities held for hedging	—	—	—	—
Other liabilities	164,042	157,311	24,074	345,427
Total liabilities	33,496,497	41,755,740	2,871,895	78,124,132
Net on balance sheet position	(16,086,648)	10,307,141	3,899,449	(1,880,058)
Net off balance sheet position	18,086,278	(9,832,293)	(5,783,538)	2,470,447
Derivative financial assets	18,550,742	3,333,218	936,041	22,820,001
Derivative financial liabilities	464,464	13,165,511	6,719,579	20,349,554
Non-cash loans	6,219,244	18,945,595	1,974,433	27,139,272
Prior period				
Total assets	21,793,749	30,897,651	6,089,053	58,780,453
Total liabilities	28,594,129	29,960,839	2,890,852	61,445,820
Net on balance sheet position	(6,800,380)	936,812	3,198,201	(2,665,367)
Net off balance sheet position	8,191,495	(1,164,328)	(4,860,901)	2,166,266
Derivative financial assets	8,374,906	2,238,303	788,716	11,401,925
Derivative financial liabilities	183,411	3,402,631	5,649,617	9,235,659
Non-cash loans	5,329,095	12,786,246	1,264,506	19,379,847

Interest Rate Risk

Interest rate risk is the risk of losses due to adverse interest rate movements in the market. The Bank is exposed to interest rate risk either through market value fluctuations of balance sheet items, for example, price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Therefore, interest rate risk is a key component of the Bank's asset and liability management.

Interest rate risk on banking accounts is defined as the possibility that a Bank might face losses owing to maturity and repricing period mismatches and differences in interest rate structures between its assets and liabilities, off-balance sheet accounts and positions except the items following in the trading accounts and portion of debts similar to primary capital which are taken into account in calculation of principal capital according to the Regulations on equity of Banks. Interest rate risk is measured and monitored by using Interest Rate Duration Analysis, Repricing Gap Analysis, Net Present Value Change of Banking Book Analysis (Economic Value Approach) and Net Interest Income Analysis (Revenues Approach).

The Bank carries a standardised interest rate shock analysis on a monthly basis according to BRSA regulations which limits the ratio between the banking book change after the shock and capital. The Bank's interest rate risk from banking book ratios is compliant with regulatory limitations.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The Bank attempts to minimise the effects of the fluctuations in the market interest rates on the financial position and cash flows of the Bank by revising budget targets.

The following tables set out the Bank's interest rate sensitivity based on re-pricing dates as of the dates indicated:

As of 31 December 2016	Up to 1 month ⁽¹⁾	1-3 months	3-12 months	1-5 years (TL thousands)	5 Years and Over	Non- Interest Bearing ⁽¹⁾⁽³⁾⁽⁵⁾	Total
Assets:							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey.....	26,226,267	—	—	—	—	12,940,830	39,167,097
Banks	1,144,317	313,430	784,787	—	—	1,659,140	3,901,674
Financial Assets at Fair Value Through Profit and Loss	534,967	715,930	377,036	52,425	4,433	—	1,684,791
Money Market Placements	—	—	—	—	—	—	—
Financial Assets Available-for-Sale.....	6,082,221	5,989,035	10,829,270	16,548,932	18,459,714	722,781	58,631,953
Loans Given.....	69,800,889	18,547,083	52,762,832	74,387,619	16,893,663	251,449	232,643,535
Investments Held-to-Maturity	3,616,855	824,631	60,683	2,564,614	1,682,681	—	8,749,464
Other Assets ⁽⁴⁾	—	—	—	—	—	12,982,851	12,982,851
Total Assets.....	107,405,516	26,390,109	64,814,608	93,553,590	37,040,491	28,557,051	357,761,365
Liabilities							
Interbank Deposits	6,796,605	1,563,724	1,967,777	—	—	1,731,844	12,059,950
Other Deposits	111,750,707	25,137,918	20,392,313	541,668	1	53,136,377	210,958,984
Money Market Borrowings.....	41,662,750	3,747,109	1,085,940	716,162	—	—	47,211,961
Sundry Creditors	—	—	—	—	—	2,480,721	2,480,721
Issued Marketable Securities.....	836,455	1,367,032	255,514	4,374,000	—	—	6,833,001
Funds Provided from Other Financial Instruments.....	4,442,774	4,306,983	10,593,970	2,041,048	1,431,961	—	22,816,736
Other Liabilities ⁽²⁾	216,934	325,705	51,950	5,999,588	—	48,805,835	55,400,012
Total Liabilities	165,706,225	36,448,471	34,347,464	13,672,466	1,431,962	106,154,777	357,761,365
Balance Sheet Long Position.....							
Balance Sheet Short Position.....	(58,300,709)	(10,058,362)	—	—	—	(77,597,726)	(145,956,797)
Off Balance Sheet Long Position	808,285	2,189,886	—	—	—	—	2,998,171
Off Balance Sheet Short Position	—	—	(373,698)	(1,428,568)	—	—	(1,802,266)
Total Position.....	(57,492,424)	(7,868,476)	30,093,446	78,452,556	35,608,529	(77,597,726)	1,195,905

(1) Balances without fixed maturity are shown in the "Up to 1 month" and "Non-Interest Bearing" columns.

(2) TL 5,950,057 of fund balance, whose risk does not belong to the Bank, is shown in Other Liabilities under the "1-5 years" column.

TL70,782 of fund balance is not granted as a loan and is shown under the "Non-Interest Bearing" column.

(3) Deferred tax asset is shown under the "Non-Interest Bearing" column.

(4) Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in Other Assets.

(5) Total shareholders' equity is shown under the "Non-Interest Bearing" column.

As of 31 December 2015	Up to 1 month ⁽¹⁾	1-3 months	3-12 months	1-5 years (TL thousands)	5 Years and Over	Non- Interest Bearing ⁽¹⁾⁽³⁾⁽⁵⁾	Total
Assets:							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey.....	68,125	—	—	—	—	36,467,838	36,535,963
Banks	1,440,455	261,811	622,259	—	—	2,122,267	4,446,792
Financial Assets at Fair Value Through Profit and Loss	271,581	178,096	435,552	55,405	4,265	—	944,899
Money Market Placements	—	—	—	—	—	—	—
Financial Assets Available-for-Sale	5,500,374	6,886,623	10,873,456	15,334,272	14,583,841	603,742	53,782,308
Loans Given	59,537,587	17,681,107	45,334,801	53,769,634	9,619,730	869,992	186,812,851
Investments Held-to-Maturity	3,408,301	1,648,784	935,985	2,757,201	1,393,871	—	10,144,142
Other Assets ⁽⁴⁾	—	—	—	—	—	10,181,371	10,181,371
Total Assets.....	70,226,423	26,656,421	58,202,053	71,916,512	25,601,707	50,245,210	302,848,326
Liabilities							
Interbank Deposits	7,360,373	1,894,998	135,475	—	—	336,455	9,727,301
Other Deposits	95,316,420	23,117,617	17,613,731	401,647	—	40,292,719	176,742,134
Money Market Borrowings.....	36,277,186	4,312,765	1,841,293	654,532	—	-	43,085,776
Sundry Creditors	—	—	—	—	—	2,320,183	2,320,183
Issued Marketable Securities.....	932,357	1,605,472	486,509	2,263,268	—	—	5,287,606
Funds Provided from Other Financial Instruments.....	2,636,989	4,182,857	10,332,714	1,518,502	871,586	—	19,542,648
Other Liabilities ⁽²⁾	101,62	101,76	36,844	5,885,912	—	40,016,542	46,142,678
Total Liabilities	142,624,945	35,215,469	30,446,566	10,723,861	871,586	82,965,899	302,848,326
Balance Sheet Long							
Position.....	—	—	27,755,487	61,192,651	24,730,121	—	113,678,259
Balance Sheet Short							
Position.....	(72,398,522)	(8,559,048)	—	—	—	(32,720,689)	(113,678,259)
Off Balance Sheet Long Position	621,061	1,300,401	—	—	—	—	1,921,462
Off Balance Sheet Short Position	—	—	(111,409)	(1,222,188)	—	—	(1,333,597)
Total Position.....	(71,777,461)	(7,258,647)	27,644,078	59,970,463	24,730,121	(32,720,689)	587,865

(1) Balances without fixed maturity are shown in the "Up to 1 month" and "Non-Interest Bearing" columns.

(2) TL 5,833,179 of fund balance, whose risk does not belong to the Bank, is shown in Other Liabilities under the "1-5 years" column.

TL 97,950 of fund balance is not granted as a loan and is shown under the "Non-Interest Bearing" column.

(3) Deferred tax asset is shown under the "Non-Interest Bearing" column.

(4) Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in Other Assets.

(5) Total shareholders' equity is shown under the "Non-Interest Bearing" column.

As of 31 December 2014	Up to 1 month ⁽¹⁾	1-3 months	3-12 months	1-5 years (TL thousands)	5 Years and Over	Non- Interest Bearing ⁽¹⁾⁽³⁾⁽⁵⁾	Total
Assets:							
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank the Republic of Turkey.....	47,903	—	—	—	—	30,101,080	30,148,983
Banks	1,071,486	178,560	483,402	—	—	457,593	2,191,041
Financial Assets at Fair Value Through Profit and Loss	484	142	3,626	5,178	4,736	296,576	310,742
Money Market Placements	—	—	—	—	—	—	—
Financial Assets Available-for-Sale	5,323,667	7,364,979	13,049,735	12,480,888	15,553,149	458,435	54,230,853
Loans Given	49,466,545	16,057,347	32,744,670	37,095,207	5,766,143	784,750	141,914,662
Investments Held-to-Maturity	3,293,568	2,197,294	44,905	3,102,464	1,382,825	—	10,021,056
Other Assets ⁽⁴⁾	—	—	—	—	—	8,782,974	8,782,974
Total Assets.....	59,203,653	25,798,322	46,326,338	52,683,737	22,706,853	40,881,408	247,600,311
Liabilities							
Interbank Deposits	4,740,369	745,131	24,000	—	—	174,372	5,683,872
Other Deposits	79,597,243	21,278,758	14,719,298	347,295	—	31,628,782	147,571,376
Money Market Borrowings.....	27,998,700	2,599,660	1,182,716	—	—	—	31,781,076
Sundry Creditors	—	—	—	—	—	1,746,503	1,746,503
Issued Marketable Securities.....	338,579	1,564,934	501,919	1,813,374	—	—	4,218,806
Funds Provided from Other Financial Instruments.....	1,561,935	3,253,912	8,117,946	1,072,157	601,757	—	14,607,707
Other Liabilities ⁽²⁾	295,771	40,978	4,116	5,382,265	—	36,267,841	41,990,971
Total Liabilities	114,532,597	29,483,373	24,549,995	8,615,091	601,757	69,817,498	247,600,311
Balance Sheet Long							
Position.....	—	—	21,776,343	44,068,646	22,105,096	—	87,950,085
Balance Sheet Short							
Position.....	(55,328,944)	(3,685,051)	—	—	—	(28,936,090)	(87,950,085)
Off Balance Sheet Long Position	—	1,271,454	—	—	—	—	1,271,454
Off Balance Sheet Short Position	(72,969)	—	(423,387)	(871,883)	—	—	(1,368,239)
Total Position.....	(55,401,913)	(2,413,597)	21,352,956	43,196,763	22,105,096	(28,936,090)	(96,785)

(1) Balances without fixed maturity are shown in the "Up to 1 month" and "Non-Interest Bearing" columns.

(2) TL 5,326,157 of fund balance, whose risk does not belong to the Bank, is shown in Other Liabilities under the "1-5 years" column.

TL 100,291 of fund balance is not granted as a loan and is shown under the "Non-Interest Bearing" column.

(3) Deferred tax asset is shown under the "Non-Interest Bearing" column.

(4) Net balance of loans under follow-up is shown under the "Non-Interest Bearing" column in Other Assets.

(5) Total shareholders' equity is shown under the "Non-Interest Bearing" column.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events.

The Bank has been collecting historical loss data according to Basel II requirements since 2010 in order to analyse, assess and minimise operational losses. Historical losses from operational risks are examined and ranked according to their frequency and severity. The threshold for operational risk is determined as TL 20,403,440 in 2016. The following table sets out the Bank's total loss data for the periods indicated:

Year	Total Loss Data	Frequency
	(TL)	
2016.....	20,371,649	367
2015.....	125,203,636	418
2014.....	26,627,420	92

Loss data is also classified according to event type and business line under the framework of Basel II. As of 31 December 2016, the capital requirement of the Bank regarding operational risks was TL 1,519 million (TL 1,642 million for the Bank on a consolidated basis) by using the Basic Indicator Approach under Basel II.

In order to further measure the capital requirements with respect to operational risk, the Bank regularly implements studies using the Advanced Measurement Approach in terms of yearly frequency and severity based on historical loss data. The following table sets out the Bank's VAR analysis for operational risk as of 31 December 2016:

As of 31 December 2016	Employment practices and workplace safety	Internal fraud	Damage to physical assets	External fraud	Business disruption and system failures	Execution, delivery and process managemen t	Clients, products and business practices	Total
					(TL)			
	1,267,014	11,180,958	90,093	2,252,001	143,067	3,740,884	1,697,632	20,371,649

Operational Risk limits are determined in accordance with the level of risk that the Bank can take, its activities, the size and complexity of its products and services. Limits are regularly reviewed and revised periodically, if necessary, in line with market conditions, Bank strategy and risk appetite. In the context of operational risk management, limit results are taken into account in the formulation of risk management policies.

The Bank has designed business continuity plans including disaster recovery plans to deal with the possibility of an earthquake, fire or act of terrorism.

Derivatives

The Bank's derivative transactions mainly comprise customer-driven forward transactions, currency swaps, gold swaps and cross currency interest rate swaps. The Bank's policy is to use currency swaps for liquidity management and reserve requirement purposes. Through gold swaps the Bank borrows gold against cash in order to fulfil the Bank's reserve requirement, as the Central Bank accepts gold for required reserves that the Bank has to keep against Turkish Lira liabilities, to reduce related costs and to manage liquidity. The Bank uses cross currency interest rate swaps to create long-term Turkish Lira funding against US Dollars, and also to hedge against interest rate risk created by the Bank's long-term loan book. All derivative transactions undertaken by the Bank are subject to credit risk limits set by the Board of Directors for treasury transactions.

The Bank marks to market all of its derivative transactions on a daily basis. When the Bank executes a derivative transaction with a counterparty under ISDA agreement, the transaction is subject to daily margining. The Bank pays the margin when the net mark-to-market value is in favour of the counterparty, and receives the margin when the value is in its favour.

Collateral and Loan Approval Limits

Authority for extending new loans is delegated across different hierarchical levels within the Bank, and depends on the amount and maturity of the loan and the type of collateral available. Collateral is divided into two categories: first-group collateral and other collateral. First-group collateral includes, among other things, cash and cash equivalents, Turkish Government bonds and Treasury bills, and liens on deposits and gold, whereas other collateral includes, among other things, suretyships, assignment of claims and pledges on automobiles, real estate, equities and commercial undertakings. First-group collateral is expected to have 100% liquidity value, whereas other collateral is expected to be within the scope of margin rates defined for collateral type.

The creditworthiness of corporations and other entities is assessed using modules included in the Firm Assessment System, and the resultant risk grade in connection with the approval limits of the branch defines the maturity and necessary collateral in connection with a loan. The loan approval limits of authorised employees of the Bank are shown in the table below. Delegation to the Head Office Credit Allocation and Execution Departments is made by Deputy General Manager of Credit Allocation and Execution; lending limits and conditions of the branches is determined by Deputy General Managers of Credit Policies, Credit Allocation and Credit Execution and Marketing. Exceptions to these limits may only be granted by the Board.

Approved by:	Maximum Without Collateral and Personal/ Tangible Other Collateral	Maximum with First Group Collateral
	(TL millions)	
Board of Directors	>40 ⁽¹⁾	
Credit Committee	40	>100 ⁽¹⁾
General Manager	10	100
Deputy General Manager of Credit Allocation and Execution.....	9	100

(1) The maximum limits defined by Banking Law are applied.

Credit limits

Maximum extendible loan levels with respect to individual private sector companies, individual public sector companies and individual natural persons are provided for under Banking Law. The Bank uses the criteria established under Banking Law, as well as additional quantitative and qualitative criteria established by the Bank's senior management, in setting maximum extendible loan levels for individual exposures in its loan portfolio.

Internal Risk Rating Methodologies for Loans to Companies

The Bank aims to ensure that all credits extended by the Bank to companies are liquid, collateralised with liquid instruments and profitable. The Bank uses four main internal risk-rating methodologies for lending: FAR (Credit Assessment Report), KAR (Entrepreneurial Clients Assessment Report) and PAR (Project Assessment Report) and GAR (Group Assessment Report).

- The FAR methodology, which the Bank has utilised since December 2012 (and which is under continuous improvement and review), is used for short- and medium-term loans to corporate and commercial customers and to SMEs (loans above TL 4,000,000). This methodology evaluates certain qualitative criteria such as the values and payment habits of the prospective borrower's shareholders and business cycle and competition within its sector on a ten-grade scale ranging between AAA and D. According to the Bank's credit policies, unsecured lending may be considered only at the head office;
- The KAR methodology, which the Bank has utilised since August 2012 (and which is under continuous improvement and review), is used for SME customers (loans below TL 4,000,000). This methodology consists of a scorecard mechanism where applicants are classified into ten

risk groups and has a ranking scale from one to ten, one (which is AAA) being the best and ten (which is D) being the worst. The requirements for the collateral to loan ratios depend on the risk group of the applicant;

- The PAR methodology is used for medium- and long-term project finance. Using this methodology applicants' investment projects are assessed against qualitative and quantitative criteria. This model projects the expected funding generation of the company during the lifetime of the loan and analyses whether the project can generate sufficient cash flow to meet the interest payments and repay the principal; and
- The GAR methodology, which the Bank has utilised since the last quarter of 2012, is used for the assessment of group firms. Based on consolidated group data, the aim is to broadly assess a group's financial structure and its business as a whole.

The rating levels determine the type and size of collateral required. Standard discount rates are applied to collaterals on branch level and exceptions to the collateral margins must be authorised by Head Office Credit Allocation and Execution Departments.

In line with the credit policies and procedures of the Bank, the Bank's entire corporate, commercial and SME loan portfolio will be evaluated during the credit approval process by using the FAR, KAR, PAR and GAR rating models. The Başak Model was designed to assess individual agricultural clients whose credit application is less than a specified amount, and was implemented on 9 September 2013 as part of the KDM system. The Small Business Model (KİM) has been implemented since 30 September 2014 as part of the KDM system and is designed to assess firms whose taxation method is "the Simple Procedure Basis (Basit Usül)" or "the Operating Account Method (İşletme Hesabı Esası)" under Real Basis (Gerçek Usül), and companies with turnover not exceeding the specified amount. Since the implementation dates of the mentioned evaluation rating models, the existing portfolio and the new customers have been evaluated through these models. The table below sets forth the distribution of the Bank's loans (including cash and non-cash loans) as of 31 December 2016 across various risk rating groups, as prepared in accordance with the internal grading results of the Bank:

	Internal/ External Valuation Grade	BRSA	Loans to micro and SME customers	Internal/ External Valuation Grade	BRSA
		As of 31 December 2016 Total ⁽¹⁾ (TL thousands)			As of 31 December 2016 Total ⁽¹⁾ (TL thousands)
Corporate Loans					
Risk rating group 1.....	AAA	1,196,384	Risk rating group 1.....	AAA	288,632
Risk rating group 2.....	AA	5,744,301	Risk rating group 2.....	AA	2,470,699
Risk rating group 3.....	A	10,802,627	Risk rating group 3.....	A	3,017,108
Risk rating group 4.....	BBB	8,591,127	Risk rating group 4.....	BBB	4,802,969
Risk rating group 5.....	BB	14,644,839	Risk rating group 5.....	BB	5,782,346
Risk rating group 6.....	B	15,569,068	Risk rating group 6.....	B	5,606,457
Risk rating group 7.....	CCC	15,198,357	Risk rating group 7.....	CCC	3,673,081
Risk rating group 8.....	CC	4,188,937	Risk rating group 8.....	CC	690,390
Risk rating group 9.....	C	499,884	Risk rating group 9.....	C	40,013
Risk rating group 10.....	D	14,432	Risk rating group 10.....	D	1,797
Total		76,449,956	Total		26,373,493

(1) The information included shows cash credit balances assessed and authorised under the Firm Assessment Module (the "FDM") and the SME Assessment Module (the "KDM").

The FDM methodology, which the Bank has utilised since December 2012, is used to assess the credibility of corporate and commercial customers. The customers are evaluated by using models comprising credibility criteria and questionnaires differentiated according to their sector and business types. At the end of the assessment the risk rating of the customer and FAR report are produced.

The KDM methodology, which the Bank has utilised since August 2012, is used to assess the credibility of SME customers. The customers are also evaluated by using models comprising credibility criteria and questionnaires differentiated according to their sector and business types. At the end of the assessment, the risk rating of the customer and KAR report are produced.

The table below sets forth the definitions of the various risk grades and risk groups:

Risk Grade (1-4)	Risk Group	Definition of risk group
1.00 – 1.40	AAA	The firm is an extremely positive firm according to the assessment criteria and its capacity to fulfil its financial commitments is quite high
1.41 – 1.80	AA	The firm is a positive firm according to the assessment criteria and its capacity to fulfil its financial commitments is high
1.81 – 2.00	A	The firm has performed its optimisation according to the assessment criteria and has high capacity to fulfil its financial commitments in the short term. In the medium and long term, it is not anticipated that the firm will be negatively affected by the uncertainty of economic conditions
2.01 – 2.20	BBB	The firm has performed its optimisation according to the assessment criteria and has capacity to fulfil its financial commitments. In the medium and long term, it is anticipated that the risk of the firm being affected negatively by the uncertainty of economic conditions is low
2.21 – 2.40	BB	The firm cannot fully retain optimisation according to the assessment criteria but has enough capacity to fulfil its financial commitments in the short term. In the medium and long term, it carries the risk of being negatively affected by the uncertainty of economic conditions
2.41 – 2.60	B	Some of the firm's assessment criteria are negative. Its capacity to fulfil its financial commitments is at a reasonable level. It is sensitive to economic and sectoral developments
2.61 – 2.80	CCC	Some of the firm's assessment criteria are negative and for the time being it has the capacity to fulfil its financial commitments provided that economic and sectoral conditions remain positive
2.81 – 3.20	CC	According to assessment criteria it is assessed as a low-risk firm and its capacity to fulfil its financial commitments is limited
3.21 – 3.60	C	A large part of the firm's assessment criteria are negative and it runs the risk of not being able to fulfil its financial commitments
3.61 – 4.00	D	The firm has no credibility under any conditions. It has a high risk of not being able to fulfil its financial commitments

The table below sets forth the distribution of the Bank's loans (including cash and non-cash loans) as of 31 December 2016 across various risk rating groups, as prepared in accordance with the Bank's Başak Model:

The Başak Model and KIM Model	Internal/ External Valuation Grade	BRSA
		As of 31 December 2016 Total
		<i>(TL thousands)</i>
Risk rating group 1.....	A+	1,585,412
Risk rating group 2.....	A	8,901,701
Risk rating group 3.....	B	10,152,291
Risk rating group 4.....	C	7,090,009
Risk rating group 5.....	D	71,035
Total		27,800,449

Retail Loan Approval

The following chart shows the Bank's retail loan approval limits according to authorised units within the Bank. These limits can be increased so long as they remain within legal requirements, by way of delegation by the Board of Directors to the General Manager, and by the General Manager to other units.

Authorised Unit	Maximum Limit	
	With/without collateral	Cash secured
Board of Directors	>TL 40,000,000 ⁽¹⁾	>TL 100,000,000 ⁽¹⁾
Credit Committee	TL 40,000,000	>TL 100,000,000 ⁽¹⁾
General Manager	TL 10,000,000	TL 100,000,000
Deputy General Manager	TL 5,000,000	TL 10,000,000
Director.....	TL 1,000,000	TL 5,000,000

(1) The maximum limits defined by Banking Law are applied.

Branch ⁽¹⁾	With/without collateral					Cash secured						
	Consumer	Consumer secured by property	Over-draft	Car	Housing	Credit card	Consumer	Overdraft	Car	Housing	Credit card	Deposit advance
	50,000	100,000	5,000	75,000	150,000-400,000	15,000	250,000	50,000	150,000	500,000	50,000	750,000

(1) Represents the maximum limit that can be authorised by a branch for a customer, in addition to the individual limits within a particular branch and the individual limits of particular product groups.

The retail loan approval process begins with a customer's application to a branch. The branch conducts diligence regarding the customer's income and credibility, and the information gathered is entered into the Retail Loan Module. The Retail Loan Module evaluates the customer through a set of rules and performs an automatic scoring of the customer based upon the information received from the branch, the Credit Registry Bureau and the Central Bank, and produces an approval/rejection outcome.

The application is evaluated by the Branch Credit Committee in light of applicable lending laws and regulations, and after entering the necessary information the Retail Loan Module produces the outcome and the loan is accepted, rejected or will be further evaluated by the Retail Loan department.

Branches are precluded from approving loans that exceed the limits of their authority or that receive a rejection from the Retail Loan Module. Applications for loans that receive such a rejection may be submitted by branches to the Retail Loan department for re-consideration, but only if that department approves re-evaluation.

Applications that are sent to the Retail Loan department are re-evaluated in detail by this department. The Bank has utilised this methodology for retail loan approvals since May 2012 (and it continues to review and refine this process).

A significant portion of retail loans are secured by an asset, such as housing and car loans, or by a lien on salary or pension payments. The average loan size in the housing loan portfolio is approximately TL 113,000 and the maximum ratio of at-risk credit to collateral is 80%.

Risk Settlement

The Bank's Risk Settlement division seeks to ensure that receivables which are referred to legal proceedings are collected efficiently and to accelerate the recruiting of expert bankers and lawyers to pursue and settle collections. The Bank has 8 collection centres across Turkey and utilises a network of approximately 916 on contract and 83 permanent lawyers to help with its collection process. Depending on the circumstances, receivables referred to legal proceedings can be restructured either through redemption plans with specific protocols or through alternative and constructive approaches effected by the Bank. The Bank's senior management believes that the Bank has one of the best organisations in the Turkish banking sector in the management of receivables. The Bank has not written-off or sold any of its NPLs to third parties. The average collection period of NPLs is approximately three years, which indicates that the Bank has relatively effective collection procedures.

MANAGEMENT

Board of Directors

Pursuant to the Articles, the Board is responsible for the Bank's management. Under Banking Law, the boards of Turkish banks must consist of at least five members, including the General Manager. Pursuant to the Articles, the Board consists of nine members. All Directors are appointed by the General Assembly for a maximum of three years. As per the Articles, the Board shall appoint one of the Directors as the General Manager who shall meet the criteria for such role as set out in Banking Law, however the Chairman cannot be appointed as the General Manager of the Bank.

Members of the Board

The following table sets out the Members of the Board as of the date of this Base Prospectus, the date of their appointment to the Board, the expiration date of their current term and their committee memberships.

Name:	Position	Date first appointed	Date current term expires⁽¹⁾	Committee memberships
Muharrem Karşlı	Chairman	May 2010	March 2019	Audit Committee – Chairman Corporate Governance Committee
Hüseyin Aydın.....	General Manager and Member	July 2011	March 2019	Credit Committee – Chairman
Yusuf Dağcan	Vice Chairman and Member	April 2012	March 2019	Credit Committee
Feyzi Çatur	Member	April 2012	March 2019	Audit Committee Remuneration Committee Credit Committee
Metin Özdemir	Member	April 2012	March 2019	Remuneration Committee Credit Committee
Mustafa Çetin	Member	July 2011	March 2019	Corporate Governance Committee
Mehmet Hamdi Yıldırım	Member	April 2016	March 2019	
Salim Alkan.....	Member	April 2012	March 2019	Credit Committee
Cemalettin Başlı	Member	June 2014	March 2019	

(1) The members of the Board were elected for a period of 3 years at the General Assembly meeting on 30 March 2016.

Muharrem Karşlı, Chairman

Born in 1938, Muharrem Karşlı graduated from İstanbul University (Faculty of Economics, Department of Business Administration and Finance), and later completed a master's degree in money and banking at that institution. He worked as an Assistant Inspector and Inspector at İşbank from 1965 until 1974, and helped İşbank introduce ATM devices to Turkey for the first time in 1972. In 1974, he set up the Securities Department at İşbank, and lead this process until 1985. In 1985, he assumed the duty of establishing the İstanbul Stock Exchange and served as its Chairman for five years. He subsequently established his own brokerage firm. In 2002, he was elected as a Member of Parliament representing İstanbul during the twenty-second government of the Republic. During his term of office as a Member of Parliament, for two and a half years he served as a Member of the Turkey-EU Joint Parliamentary Commission and of the NATO Parliamentary Assembly. Mr. Karşlı has been Chairman of the Bank since May 2010 and is also a Member of the Bank's Audit Committee.

Hüseyin Aydın, General Manager and Member of the Board

Born in 1959, Hüseyin Aydın graduated from the Ankara Academy of Economics and Commercial Sciences (Faculty of Economics). He began his career as an Assistant Inspector at the Bank and served in various departments at the Bank until 2003. After working as an Executive Board Member at Halkbank, as a Board

Member at Pamukbank and as Deputy Chairman at the Bank, Mr. Aydın worked as the General Manager and Board Member at Halkbank from 2005 to 2011. Mr. Aydın joined the Bank as the General Manager and a Member of the Board of Directors in July 2011 and is also a Chairman of the Bank's Credit Committee. Mr. Aydın also serves as the Chairman of the Banks Association of Turkey.

Yusuf Dağcan, Vice Chairman and Member of the Board

Born in 1951, Yusuf Dağcan graduated from the Eskişehir Academy of Economics and Commercial Sciences. He began working as an Assistant Inspector at Vakıflar Bank in 1977, and then worked as an Inspector in 1979 and as Branch Manager in Kırşehir between 1982 and 1984, in Kayseri between 1984 and 1992, in Konya between 1992 and 1996 and in the Meşrutiyet / Ankara branch between 1996 and 1999. Mr. Dağcan served as the President of the Board of Directors of Halk Finansal Kiralama A.Ş., and as a Member of the Board of Auditors of Türkiye Halk Bankası A.Ş., between March 2003 and April 2012. He was a Member of the Board of Directors of Halk Bank A.D. in Skopje and was also a Member of the Board of Directors and the Board of Auditors of TAIB Yatırım Bank A.Ş. between September 2007 and June 2008, and he has served as the Vice Chairman of the Board of Directors of Arab-Türk Bank. Mr. Dağcan has been the Vice Chairman of the Bank's Board of Directors since April 2012. In addition Mr. Dağcan is a Member of the Bank's Credit Committee.

Feyzi Çutur, Member of the Board

Born in 1959, Feyzi Çutur graduated from the Gazi University Faculty of Economics and Administrative Sciences (Department of Banking) in 1983. Mr. Çutur worked at several different companies as an Accounting and Financing Manager between 1977 and 1990, and at Bayındır Menkul Kıymetler A.Ş. as the General Accounting Manager between 1990 and 1998. Mr. Çutur then worked as the Financial Affairs and Operations Manager at Eti Yatırım A.Ş. between 1998 and 2001, as the Assistant General Manager and the Acting General Manager between 2001 and 2005 and as the General Manager between 2005 and 2010. In addition Mr. Çutur was a Member and the President of the Fund Board in various investment funds belonging to Eti Yatırım and Etibank, and was also a Member of the Board of Directors of İktisat Yatırım A.Ş., in 2006. Between 2011 and 2012 Mr. Çutur was a Member of the Board of Directors of A&T Finansal Kiralama A.Ş. During this time he was also a Member of the Audit Committee, the Organisational Management Committee and the Charging Committee of Arap Türk Bankası A.Ş. Mr. Çutur has served as a Member of the Board of the Bank since April 2012, and is also a Member of the Bank's Audit and Remuneration Committees and a Reserve Member of the Credit Committee. In addition Mr. Çutur has been a member of the Ankara Chamber of Private-Free Accountants and Financial Consultants since 1994.

Metin Özdemir, Member of the Board

Born in 1968, Metin Özdemir graduated from the Istanbul University Faculty of Business Administration in 1990. He is currently carrying out his post graduate education in the Marmara University Middle East Research Institute (Department of Finance). Mr. Metin Özdemir worked at Kuwait-Türk Finans Kurumu A.Ş. in 1992, at the Istanbul Greater Municipality between 1994 and 1995 and he then worked as a Manager in the retail market from 1996 onwards. He is currently a Member of the Assembly of the Istanbul Greater Municipality. Mr. Özdemir has been a Member of the Board of the Bank since April 2012 and is also a Member of the Bank's Remuneration Committee and a Member of the Credit Committee.

Mustafa Çetin, Member of the Board

Born in 1952, Mustafa Çetin graduated from Ankara University (Faculty of Law). He served as a Governor and Mayor in the Hadım, Akçakale and Pasinler districts between 1979 and 1985. He then went on to work as a Chief Civil Inspector, Vice Chairman of the Board of Inspectors, Minister's Advisor and General Secretary at the Ministry of Internal Affairs between 1985 and 1996. He worked as the Governor of Gümüşhane between 1996 and 1999, as a Chairman of the Committee of Research, Planning and Coordination at the Ministry of Internal Affairs from 1999 to 2000, a Central Governor from 2000 to 2002, and Prime Ministry Deputy Undersecretary from 2002 to 2007. While he was serving as the Prime Ministry Deputy Undersecretary, he was a Member of the General Assembly of the Press and Publication Agency and a Member of the Board of Anadolu Agency. He also served as a Member of Parliament representing the

province of Uşak between 2007 and 2011. Mr. Mustafa Çetin has been a Member of the Board of the Bank since July 2011 and is also a Member of the Bank's Corporate Governance Committee.

Salim Alkan, Member of the Board

Born in 1948, Salim Alkan graduated from the Ankara University Faculty of Political Sciences (Department of Business Administration). Mr. Alkan has worked in various banks since 1971 as an Assistant Inspector, as a Branch and Section Manager and as an Assistant General Manager. Between 2005 and 2010 Mr. Alkan held the posts of General Manager, Assistant President of the Savings Account Insurance Fund, Consultant for the Presidency, Member of the Board of Directors and President of the Board of Directors in the banks that constitute the Savings Account Insurance Fund. He was then a Member of the Board of Directors of T. Halk Bankası A.Ş. between 2010 and 2012 and during this period he was also a Member of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. and Halk Yatırım Menkul Değerler A.Ş. Mr. Alkan joined the Bank as a Member of the Board in April 2012 and is also serving as a Member of the Bank's Credit Committee.

Mehmet Hamdi Yıldırım, Member of the Board

Mehmet Hamdi Yıldırım graduated from the Middle East Technical University, Faculty of Economic and Administrative Sciences, Department of Political Science and Public Administration in 1990. He held office from 1991 to 1993 at National Productivity Center (NPC) Türk Şeker A.Ş. Reorganization Project Commission Membership Group Department and at the same time General Directorate of Türkiye Şeker Fabrikaları, Department of Import-Export. He served as Research Assistant at various Universities from 1993 to 1996. He worked from 1996 to 1997 as the Chief Advisor for the Ministry of State in charge of the Mining. Within the same years he carried out the tasks of the Membership of the Board of Directors and Deputy Director General of Eti Holding (Mining). He served as the Grand National Assembly Deputy Advisory from 1998 to 1999. He assumed the task of the Chairman of the Board of Yapı Group Madencilik İnşaat Toprak Sanayi ve Ticaret A.Ş. between 2002 and 2003. He served between 2003 and 2005 as the Director General of Eti Maden İşletmeleri, Deputy Director General of Eti Zeolit Kimya Sanayi A.Ş. Within the same years additionally he served as the Deputy Chairman of the Board of Directors of Çayeli Bakır İşletmeleri A.Ş. (Canada). He worked as the Advisory of Minister of the Ministry of Energy from 2003 to 2008. In the course of his office he carried out his duty as the Member of the Board of Directors of ETİMİNE SA (Luxemburg) and of TMSF Toprak Holding Toprak İnşaat. He worked as the Director General of Mining Affairs from 2008 to 2014. He was appointed in 2014 as the Deputy Undersecretary for the Ministry of Transport, Maritime Affairs and Communications. He has carried out his duty of Undersecretariat by proxy in 2015 to 2016. He is appointed in 2016 for the task of Deputy Undersecretary of the Prime Ministry and he has been still performing this duty. Mr. Yıldırım, who worked as the Deputy Chairman of Avea Board of Directors, Member of the Board of Hamitabat Elektrik Üretim Ticaret A.Ş. and Türksat, has been serving as a Member of the Board of our Bank since April 2016.

Cemalettin Başlı - Member of the Board

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority. Başlı who worked as Assistant to Financial analyst at Vakıfbank between 1984 - 1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985 - 1991, as Branch Manager at Albaraka Türk Inc. between 1991 - 1998, as Credits and Central Branch Manager at Faisal / Family Finance Inc. between 1998 - 2002, as Deputy General Manager at Haliç Financial Leasing Inc. between 2004 - 2006, as Deputy General Manager at Ziraat Bank - Moscow between 2009 - 2012, as Member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012 - 2014 serves as a Member of the Board of our Bank since June 2014.

Senior Management

Hüseyin Aydın, General Manager and Member of the Board

See "Management—Members of the Board" above.

Peyami Ömer Özdilek, Assistant General Manager for Financial Coordination

Born in 1972, Peyami Ömer Özdilek graduated from Middle East Technical University (Department of Political Science and Public Administration). He joined the Bank in 1996 as an Assistant Inspector and worked in a number of posts in the Board of Inspectors. He has served as London and Gayrettepe Branch Manager, Senior Vice President of the Human Resources Department and Assistant General Manager for Human Resources. Mr Özdilek has been serving as Assistant General Manager for Financial Coordination since July 2015.

Bülent Suer, Assistant General Manager for Operational Transactions

Born in 1968, Bülent Suer graduated from Ankara University (Department of Labor Economics, Faculty of Political Sciences). He joined the Bank in 1991 as an Assistant Inspector and served in a number of posts, including as Inspector, Branch Manager, Departmental Manager and Regional Head Manager. Since September 2013, Mr. Suer has served as an Assistant General Manager for operational transactions at the Bank.

Alpaslan Çakar, Assistant General Manager for Distribution Channels

Born in 1973, Alpaslan Çakar graduated from Ankara University (Department of Public Management, Faculty of Economics and Administrative Sciences). He joined the Bank in 1996 as an Assistant Inspector and later served as an Inspector and Branch Manager. Mr. Çakar was appointed as the Regional Head Manager in 2005. He was promoted to Departmental Manager in August 2007 and to Assistant General Manager in July 2010. Mr. Çakar was previously an Assistant General Manager for operational transactions and Assistant General Manager for retail banking at the Bank. Since February 2016, he serves as the Assistant General Manager for Distribution Channels Management.

Bilgehan Kuru, Assistant General Manager for Treasury Management and International Banking

Born in 1961, Bilgehan Kuru graduated from Middle East Technical University (Department of Mining Engineering). He studied for a master's degree in finance at the Institute of Physical Sciences of the same university. He began his career as a Foreign Exchange Clerk at Halkbank, where he worked from 1986 to 1988. He joined Pamukbank in 1988 as an Assistant Specialist before serving as a Service Director and Manager of the Treasury department at the same bank. He was appointed as the Head of the Department of Foreign Exchange and Money Markets at Halkbank in November 2004. After serving as an Assistant General Manager responsible for retail banking at Halkbank from June 2007 to July 2011, he joined the Bank as an Assistant General Manager responsible for treasury and strategy management. Since August 2014, he serves as the Assistant General Manager for Treasury Management and International Banking.

Mehmet Cengiz Gögebakan, Assistant General Manager for Credit Policies

Born in 1965, Mehmet Cengiz Gögebakan graduated from Ankara University (Department of Economics, Faculty of Political Sciences). He began his career at Pamukbank as an Assistant Inspector in 1987. He served at the same bank between 1994 and 2004 as a Manager of the Firm Evaluation department, Credit Monitoring department, Credit Allocation department, Administrative Follow-up department and Credit Policies department. He joined Halkbank in 2004 where he worked as an Executive responsible for retail loans; and became the Assistant General Manager responsible for risk liquidation in 2005. He served as an Assistant General Manager for credit policies from 2007 to 2010. He worked at Anadolubank as an Assistant General Manager responsible for loans from May 2010 to October 2011. Mr. Gögebakan has been with the Bank as an Assistant General Manager responsible for credit policies since November 2011.

Musa Arda, Assistant General Manager for Credit Allocation and Management

Born in 1969, Musa Arda graduated from Çukurova University (Faculty of Economics and Administrative Sciences). He began his career at Pamukbank in 1994 as an Assistant Financial Analyst. He worked at the same bank as an Analyst, a Service Manager in various units at the bank's headquarters and as a Marketing Director at Güneşli Corporate Branch between 1994 and 2004. He joined Halkbank in 2005 as a Division Manager in the Commercial Marketing department before working as the Head of the Financial Analysis department, the Head of the Credit Policies and Project Evaluation department, the Head of the Commercial

Loans department and, most recently, as the coordinator responsible for the Istanbul 2nd Region. He has been with the Bank as an Assistant General Manager responsible for credit allocation and management since November 2011.

Yüksel Cesur, Assistance General Manager for Internal Systems

Born in 1972; Yüksel Cesur graduated from Boğaziçi (Bosphorus) University, Faculty of Economics & Administrative Sciences. He joined the Bank in 1996 as an Assistant Inspector. He was appointed as the Head of Department of Training in 2005. Mr. Cesur who was appointed to the Department of Treasury Operations in 2007 has served thereafter as the Head of Agricultural Marketing Group and then Head of the Board of Inspectors. He has been serving as the Assistant General Manager for Internal Systems since April 2014.

Board of Auditors

Pursuant to the Articles, the General Assembly may appoint two auditors who must be persons with university degrees who have had experience in the areas of banking, economics, law, accounting, auditing or finance for a minimum period of ten years and who shall be appointed for a maximum term of three years. There are currently two members of the Board of Auditors appointed by the General Assembly.

Davut Karataş, Member of the Board of Auditors

Born in 1970, Davut Karataş graduated from Istanbul University's Faculty of Political Sciences (Department of Public Administration). He served as Assistant Auditor and Auditor at the Turkish Court of Accounts between 1992 and 1997. He was appointed to the General Directorate of Laws and Decisions of the Turkish Prime Ministry in 1997, where he worked as Head of Department, Assistant General Manager and Deputy General Manager. Currently Mr. Karataş is serving as General Manager of the General Directorate of Laws and Decisions of the Turkish Prime Ministry. Mr. Karataş has been a Member of the Audit Committee of the Bank since March 2013.

Deniz Yılmaz, Member of the Board of Auditors

He has been graduated from Ankara University (Faculty of Political Sciences, Department of Public Administration) in 2001. Mr. Yılmaz, who was the Treasury Controller at the Prime Ministry Undersecretariat of Treasury from 2002 to 2007, Internal Auditor of the Undersecretariat of Treasury from 2008 to 2014, Member of the Board of Directors of the Vakıf GYO from 2015 to 2016, has been doing his task as the Head of Department of Directorate General of State Owned Enterprises since 2015. Mr. Yılmaz, who received his Master's Degree in Economics at North Carolina State University in the USA from 2010 to 2012 and who has been still working on his doctorate studies on the field of Finance, has been working as the Member of the Audit Board since April 2016.

Board Committees

The Bank has four committees comprising various members including Members of the Board of the Bank. These committees have been given primary responsibility for certain matters relating to the operation of the Bank. These committees include the Audit Committee, Credit Committee, Corporate Governance Committee and Remuneration Committee. Certain information relating to these committees is set out below.

Audit Committee

The Audit Committee was established in 2007, and is responsible for the effective conduct of functions related to the Bank's internal audit, risk management, and internal control activities. The Audit Committee consists of a minimum of two Members of the Board who must be appointed from among the Members of the Board who do not have executive duties.

The Audit Committee is performing the duties determined under the Banking Law and relevant regulations of the BRSA, which, *inter alia*, include:

- Supervising the efficiency and adequacy of the internal control system;

- Monitoring and assessing the Bank's internal audit system;
- Ensuring that the internal audit functions of subsidiaries that are subject to consolidation are being performed in line with the related regulations;
- Monitoring regularly the activities of independent audit firms selected by the Board;
- Gathering reports from the relevant units of the Bank and independent auditors regarding the execution of their tasks and notifying the Board in relation to violations of the applicable legislation and factors that could hinder the Bank's activities; and
- Reporting to the Board on the results of its activities and the measures deemed necessary to be taken in order for the Bank to operate in a manner compliant with the relevant regulations and policies.

As of the date of this Base Prospectus, the members of the Audit Committee were Muharrem Karşlı and Feyzi Çutur.

Credit Committee

The Credit Committee is composed of the General Manager of the Bank and at least two Members of the Board who must be appointed from among the Members of the Board who do not have executive duties. The Credit Committee performs the credit-related duties assigned to it by the Board. The Credit Committee makes decisions on issues of restructuring such as new allocation, extension of validity period, increment, alterations in conditions and interest cuts in connection with the credits falling within the scope of the authorisations granted by the Board. The Credit Committee sets forth terms and conditions of the credits which must be observed.

Resolutions of the Credit Committee that have unanimous backing are executed directly while resolutions made on a majority basis are executed following the approval of the Board.

As of the date of this Base Prospectus, the members of the Credit Committee were Yusuf Dağcan, Hüseyin Aydın, Salim Alkan, Feyzi Çutur and Metin Özdemir.

Corporate Governance Committee

The duties of the Corporate Governance Committee consist of monitoring the Bank's compliance with corporate governance principles in accordance with the provisions of the Regulation on the "Bank's Corporate Governance Principles" published by the BRSA, as well as undertaking improvement efforts and making recommendations to the Board of Directors on these matters.

As of the date of this Base Prospectus, the members of the Corporate Governance Committee were Muharrem Karşlı, Mustafa Çetin and Head of Investor Relations Department and Investor Relations Manager.

Remuneration Committee

The Remuneration Committee is responsible for monitoring and supervising the Bank's remuneration practices. Further, the Remuneration Committee is responsible for duties specified under the Regulation on the "Bank's Corporate Governance Principles" published by the BRSA.

As of the date of this Base Prospectus, the members of the Remuneration Committee were Feyzi Çutur and Metin Özdemir.

Service Contracts

The Bank does not have any service contracts providing benefits to the Members of the Board upon termination of employment. Pursuant to the Articles the level of compensation of the Members of the Board shall be determined by the General Assembly of the Bank.

Compensation

According to article 22 of the Articles, the Bank's Members of the Board are paid monthly salaries or fees in amounts determined by the General Assembly. Currently, the Bank pays monthly salaries to its Members of the Board.

The total compensation paid to the Members of the Board and senior management (including deferred or contingent compensation accrued for the year) during 2016 amounted to TL 29.2 million (including salary, dividend (or bonus) payments and related compensation). There were no outstanding loans to the Directors or senior executives of the Bank as of 31 December 2016.

Share Ownership

As of the date of this Base Prospectus, none of the Members of the Board or senior management beneficially owns any of the Bank's share capital.

Conflicts of Interest

None of the Directors or senior management has any existing or potential conflicts of interests with respect to their duties to the Bank and their private interests or other duties.

Address

The business address of the Bank's Board and senior management is Anafartalar Mahallesi Atatürk Bulvarı No:8 Altındağ, Ankara, Turkey.

TURKISH BANKING SYSTEM

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations has accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to 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 government actions. In order to enhance disclosure and require management to maintain adequate capital, the BRSA required banks to undergo a three-part audit during the end of 2001 and the first half of 2002. Following the audit, all private commercial banks were either found to be in compliance with the 8% minimum capital requirement imposed by the BRSA in mid-2002, were transferred to the Savings Deposit Insurance Fund (the SDIF) or were asked to increase their capital level. For further information, see "*Turkish Regulatory Environment*".

According to official SDIF data, since 1994, a total of 25 private banks were transferred to the SDIF due to, among other things, weakened financial stability and liquidity. The transparency of the system has improved with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the private banking sector and resulted in a level playing field among banks. Unfair competition was diminished while the efficiency of the system increased in general as a result of consolidation. Efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

The restructuring of the Turkish financial sector has been significantly aided by the three-stage audit process referred to above. Pursuant to Provisional Article 11 of the Banking Law, Provisional Article 4 added to the Banks Act through Act No. 4743 will remain in force until the collection of receivables and finalisation of procedures against the banks taken over by the SDIF. Under Provisional Article 4, privately-owned deposit banks within the scope of the programme have been subject to the three-stage audit process. Each bank appointed its own independent auditor to carry out the first audit. To ensure that the first audit was properly undertaken in accordance with the agreed principles, a different independent auditor appointed by the BRSA carried out the second audit. The Sworn Bank Auditors of the BRSA conducted the third and final audit. This multi-phase auditing procedure was applied so as to minimise conflicts and increase reliability in the Turkish banking system. The audit and assessment phase of the programme was successfully completed through close cooperation with banks and independent audit institutions. The audit and assessment not only increased the chances of success of the programme, but also brought positive long-term benefits to the Turkish banking system. First, the transparency of the banking sector increased. Announcements made by the BRSA regarding aggregate figures and bank-specific information to be provided by banks after their general assemblies provided a platform for sharing reliable information, including group risks, open positions and in-kind credit risks. As a result, the true financial health of Turkish banks has become more transparent. Second, the success of the audit and assessment phase has strengthened the ability of the Turkish public authorities to design and apply sound policies towards the establishment of a healthy and efficient banking sector.

TURKISH REGULATORY ENVIRONMENT

Turkish banks are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Banks Act established the BRSA, which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy. Pursuant to the Decree No. 649 on Amendments to Certain Laws and Decrees, together with the Decree on Organisation and Duties of European Union Department, published in the Official Gazette on 17 August 2011 and numbered 28028, among others, the BRSA's acts and transactions are under the supervision (*denetleme*) of the relevant ministry. The BRSA has responsibility for all banks operating in Turkey, including 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, with 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. Historically, its head office has been in Ankara; *however*, as of 13 February 2011 and pursuant to Law No. 6111, the head office was relocated to Istanbul with the migration of functions from Ankara to Istanbul to be completed within two years of such date. Pursuant to Law No. 6111, the Council of Ministers of Turkey has been authorised to extend the migration deadline as necessary. Although the two year period has expired, the migration has not yet been completed and neither the Council of Ministers nor the BRSA has made any announcements in this respect.

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, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the government on financial matters. 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 has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. 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 auditor's 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.

Official certified bank auditors, who are responsible for the on-site examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyse the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to a regulation regarding the Internal Systems and Assessment Process for the Adequacy of the Internal Capital of banks issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the regulation. Pursuant to such regulation, the internal audit and risk management systems are to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department will 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 Banks Association of Turkey acts as a limited organisation of supervision and coordination. All banks in Turkey are obliged to become members of this association (except five participation banks which principally engage in activities in accordance with Islamic principles and are obliged to become members of the Participation Banks Association of Turkey). 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.

Shareholding

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 Banking Regulation and Supervisory Board (the "**BRSB**") in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee, or the issuance of new shares with such privileges, is also subject to the authorisation of the BRSB. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares (but not of the right to collect dividends declared on such shares).

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSB. If the BRSB determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of the applicable bank to cancel any applicable general assembly resolutions. 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 BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSB, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended 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 and shareholding interests.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a director or general manager as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital subject to the BRSB's discretion to increase such lending limits up to 25% or to lower it to 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.

- The total of loans made available 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.

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:

- transactions against cash, cash-like assets and accounts and precious metals,
- transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatisation Administration and the Mass Housing Administration, as well as transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions,
- transactions carried out in the Central Bank markets or other legally organised money markets,
- any increase in credits resulting from an increase in the value of the respective currency and interest accrued, profit shares and other charges on overdue credits provided that subsequently allocated credits in a foreign currency are to be taken into consideration at the exchange rate applied on the date of utilisation thereof for calculation of lines of credit in the event a new credit is allocated to the same person or risk group,
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow,
- interbank operations within the framework of the principles set out by the BRSA,
- shares acquired within the framework of underwriting commitments in public offering activities, provided that such shares are disposed of in the time and manner determined by the BRSA,
- transactions considered as "deductibles" in the shareholders' equity account, and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

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. According to this article, 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 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 the loans, follow-up procedures and the repayment overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables published in Official Gazette No. 26333 dated 1 November 2006 and most recently amended on 14 December 2016, banks are required to classify their loans and receivables into one of the following groups:

- I. *Standard Loans and Other Receivables*: This group involves loans and other receivables:
 - (1) that have been disbursed to natural persons and legal entities with financial creditworthiness,
 - (2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

- (3) 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
- (4) for which no weakening of the creditworthiness of the 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.

II. *Closely Monitored Loans and Other Receivables*: This group involves loans and other receivables:

- (1) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan,
- (2) 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,
- (3) that are very likely to be repaid but where the collection of principal and interest has not been made for justifiable reasons and is delayed for more than 30 days; *however*, which cannot be considered as loans or other receivables with limited recovery as grouped in Group III below, or
- (4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a bank has made several loans to a customer and any of these loans is included in this Group II and other as classified in Group I, then all of the bank's loans to such customer will be classified in this Group II even though some of the bank's loans to such customer would otherwise have been included in Group I above. 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.

III. *Loans and Other Receivables with Limited Recovery*: This group involves loans and other receivables:

- (1) 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 where if the problems observed are not eliminated, they are likely to give rise to loss,
- (2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,
- (3) 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
- (4) in connection with which the bank is of the opinion that collection 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.

IV. *Loans and Other Receivables with Suspicious Recovery*: This group involves loans and other receivables:

- (1) that seem unlikely to be repaid or liquidated under existing conditions,
- (2) 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,
- (3) 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
- (4) 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.

V. *Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:

- (1) that are deemed to be uncollectible,
- (2) collection of whose principal or interest or both has been delayed by one year or more from the due date, or
- (3) for which, although carrying 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 his 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 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. A bank 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, 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 currently required to set aside these required reserves until the end of the month during the course of which the receivables cannot be collected.

In addition to the reserves required for standard and closely monitored loans to the extent they are modified (as discussed under paragraphs I and II above), the Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve for standard loans calculated at 1% of the cash loan portfolio plus 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements), except for: (a) commercial cash loans defined in group I above, 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 above, 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 and 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%; and a general reserve for closely-monitored loans calculated at 2% of the cash loan portfolio plus 0.4% of the non-cash loan portfolio, except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, 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) above 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. In addition, with respect to payment obligations of banks under the Cheque Law No. 5941 (as amended), 25% of such rates will be applied for each cheque that remains uncollected for a period of five years after issuance.

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 the Regulation on Equities of Banks published in the Official Gazette No. 28756 dated 5 September 2013 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 dated 1 November 2006) by applying the general provision rate applicable for cash loans.

In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V described above in the amounts of 20%, 50% and 100%, respectively. An amount equal

to 25% less special provisions is 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, then it does not need to set aside specific provisions for check slip that were delivered by such banks 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 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 "illiquid claims". If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as an illiquid claim, then all outstanding risks of such loan customer are classified in the same group as the illiquid claim even if such loans would not otherwise fall under the same group as such illiquid claim. If an illiquid claim 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 illiquid claim.

Pursuant to the amendment dated 21 September 2012 made to the Regulation on Provision and Classification of Loans and Receivables, BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: Cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds, lease certificates under the Law numbered 4749 and the Law regarding Public Finance and Debt Management published in the Official Gazette dated 9 April 2002 and numbered 24721 and similar securities issued directly or guaranteed by the Central Bank, the Turkish Treasury, the Mass Housing Administration 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; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the OECD and securities issued directly or guaranteed by the European Central Bank; transactions made with the Turkish Treasury, the Central Bank, the Mass Housing Administration or the Privatisation Administration or transactions that are guaranteed by securities issued directly or guaranteed by such institutions; guarantees issued by banks operating in OECD member countries; sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits; and bonds, debentures and covered bonds issued by banks operating in Turkey or lease certificates with the underlying assets originated by banks operating in Turkey.

Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient; export documents appurtenant to bill of lading or carrier's receipt and negotiable instruments obtained from real or legal persons based upon actual commercial relationships; commercial receivable insurance policies; and Credit Guarantee Fund sureties which do not have Treasury Undersecretary's support.

Category III Collateral: Commercial enterprise pledges, export documents, vehicle pledges, mortgages on aircraft or ships, suretyships of creditworthy natural persons or legal entities and other client promissory notes of natural persons and legal entities.

Category IV Collateral: Any other security not otherwise included in categories 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.

While calculating the special provision requirements for non-performing loans, the value of collateral received from the borrower will be deducted from the illiquid claims in Groups III, IV and V above in the following proportions in order to determine the amount that will be subject to special provisioning:

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 non-performing loan, the above mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the non-performing loan.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether III, IV or V) for at least the following six-month period and within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After this six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables may be reclassified as "Refinanced/Restructured Loans and Receivables". The bank may refinance the borrower for a second time at most if the borrower fails to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables are collected on a yearly basis.

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 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), which 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 Program, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks to adopt IFRS 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.

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 within the state of emergency. The Provisional Article 12 states that (among other things) the loans and other receivables classified as non-performing loans by the banks may be restructured up to two times until December 31 2017. Such restructured loans may be classified under Group II if: (a) in case of 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 timely 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 timely and in full. Loans and other receivables classified under Group II after the restructuring are monitored under "Renewed/Restructured Loans Account." Information regarding renewed/restructured loans and other receivables shall be disclosed in the financial reports that are made publicly available at the end of each year and in the interim periods. Furthermore, the Provisional Article 13 (entered into force retroactively as of 21 July 2016) states that (among other things) the delay periods of payments stipulated for the loans defined in Group II, III, IV and V may be counted as of 21 January 2017 for 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 Having the Force of Law enforced within the scope of the state of emergency declared across the country by the Decree of the Council of Ministers dated 20 July 2016 and the public officials discharged within the scope of the state of emergency and the assets of such real persons and legal entities that are subject to injunctions.

Capital Adequacy

Article 45 of the Banking Law defines "capital adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%.

The BRSA is authorised to increase the minimum capital adequacy ratio, to set different ratios for each bank and to revise the 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. The required target capital adequacy ratio for the Bank set by the BRSA is currently 12%. However, the 12% total capital adequacy ratio is a condition that banks must satisfy in order to open new branches, and therefore the Bank effectively views this recommended ratio as a required ratio.

The Capital Adequacy Regulation published by the BRSA allows the Bank to use ratings of eligible external credit assessment institutions (namely the Rating Agencies, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency ("**IIRA**")) while calculating the risk-weighted assets for capital adequacy purposes. The Bank has not made any decision whether to use the IIRA rating for calculating its capital adequacy ratio.

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 Turkish law, the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e., Tier 1 capital), which is composed of core 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 2012 Capital Adequacy Regulation (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5% and (ii) both the minimum Tier 1 capital adequacy ratio and the minimum consolidated Tier 1 capital ratio are 6.0%.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599) in accordance with the Basel Committee's RCAP, which is conducted by the Bank for International Settlements ("**BIS**") and reviews Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, include revisions to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation.

The 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 in replacement of the 2012 Capital Adequacy Regulation, sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. According to such regulation, only Turkish Lira-denominated claims against the Central Bank continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency denominated claims against the Central Bank in the form of required reserves were increased from 0% to 50%. These changes had (as of 31 March 2016) a negative impact on the Bank's capital adequacy ratio.

On the other hand, the 2015 Capital Adequacy Regulation lowered the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35% and (b) the risk weights of consumer loans qualifying as retail loans (*perakende alacaklar*) (excluding residential mortgage loans and credit cards) and instalment payments of credit cards from a range of 100% to 250% (depending on their outstanding tenor) to 75% (irrespective of their tenor); provided that such receivables are not reclassified as non-performing loans (*donuk alacaklar*). These changes had (as of 31 March 2016) a positive impact on the Bank's capital adequacy ratio.

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Group does not have any additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (*among others*): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2

Conditions (*i.e.*, the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of the bank's management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier 2 calculations after being reduced by 20% for the period between 1 January 2014 and 31 December 2014 and by 10% for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions. As a result of the Issuer having outstanding Tier 2 debt falling within these categories, these changes had (as of 31 March 2016) a negative impact on the Issuer's capital adequacy ratio.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and bank-only 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 conservation buffer ratio and bank-specific countercyclical buffer ratio. In this context, the BRSA published: (a) its decision dated 18 December 2015 No. 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 No. 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% 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. While deciding on the countercyclical capital buffer, the BRSA will rely upon the credit-to-GDP gap as a common reference point in line with the guidance of the BIS. 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, and seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. Lastly, 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 non-consolidated liquidity and 80% in respect of total consolidated and non-consolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, for a period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40%, respectively, and for a period starting from 1 January 2016 and ending on 31 December 2016, such ratios are to be applied as 70% and 50%, respectively. Furthermore, pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be (and have been) applied in increments of ten percentage points for each year from 1 January 2017 and ending on 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes noncompliance that has already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including non-compliance that has already been remedied. The Regulation on Liquidity Coverage Ratios entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 5 January 2015 pursuant to the BRSA Decision on Liquidity Ratios).

Under the 2013 Equity Regulation, debt instruments and their issuance premia could be included either in additional Tier 1 capital or in Tier 2 capital subject to certain conditions; *however*, as of 31 March 2016, such amount is required to be reduced (for purposes of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

In accordance with Basel III rules, each bank is required to prepare an ICAAP Report representing its own assessment of its capital requirements. See also a discussion of the implementation of Basel III in "*—Basel Committee—Basel III*" below.

According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank became subject to a 0% risk weight. The Bank's management expects that such amendment may partially offset the declining effect on capital adequacy ratio of the banking sector that the management estimates may be caused by the recent Turkey's downgrades to sub-investment grade. See also *"Risk Factors—Risks Related to the Bank—A significant portion of the Bank's total assets comprises securities issued by the Turkish Government, and thus, in the event of a Turkish Government downgrade or default, there would be a direct negative impact on the Bank in addition to a severe impact on the Turkish economy"*.

Tier 2 Rules under Turkish Law

Previous Tier 2 Rules. Secondary subordinated debts were, through 31 December 2013, regulated under the 2006 Equity Regulation. This section thus describes the rules previously applicable to the Bank's secondary subordinated debts that were issued before 1 January 2014, which rules continue to apply to such subordinated debts notwithstanding the 2013 Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.*, the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.*, "Tier 2" capital); *however*, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such "secondary subordinated loans." Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of "Tier 1" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of "Tier 1" capital is not taken into consideration in the calculation of "Tier 2" capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the "Tier 2" capital would be reduced by 20% per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of "Tier 2" capital. Any cash credits extended by the bank to the provider(s) of the "secondary subordinated loans" (if debt instruments, to the investor(s) holding 10% or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier 2 capital. A secondary subordinated debt is taken into account in the calculation of "Tier 2" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated loan." In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarized copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarized copy to the BRSA within five business days of the signing of such agreement). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

- (a) the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period,
- (b) there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined,
- (c) the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts,
- (d) it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank,
- (e) it must be utilized as one single drawdown if utilized in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument, and

- (f) payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of "Tier 2" capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilization), they would be required to apply for the BRSA's permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank's credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.*, not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Group does not have any such additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (*among others*): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2 Conditions (*i.e.*, the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of the bank's management to the SDIF pursuant to Article 71 of the Banking Law)) will be included in Tier 2 calculations after being reduced by 20% for the period between 1 January 2014 and 31 December 2014 and by 10% for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions. As a result of the Issuer having outstanding Tier 2 debt falling within these categories, these changes had (as of 31 March 2016) a negative impact on the Issuer's capital adequacy ratio.

New Tier 2 Rules. According to the 2013 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 "**New 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 incentivize 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 assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

- (f) the debt instrument shall not provide investors with the right to demand early amortization 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 the transfer of the 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.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier 2 Conditions (except for the condition indicated in sub-clause (a) of the New Tier 2 Conditions) 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 2013 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: (a) the portion of general provisions that exceeds 1.25% of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds 6 parts per 1,000 of the receivables to which they relate is not taken into consideration in calculating the Tier 2 capital.

Furthermore, in addition to the New 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 by the original copy or a notarized 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 notarized copy to the BRSA within five business days following the signing date of such agreement). The amendments to the 2013 Equity Regulation, which entered into force on 31 March 2016, provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier 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 authorize 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 Base Prospectus) results in a 50% 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 all 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, only Turkish Lira-denominated claims on the Central Bank continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves have been increased from 0% to 50%. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the 2013 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, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to 2012 Capital Adequacy Regulation, which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (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 categorized under "other assets." The 2013 Equity Regulation has 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 also amended some of its other regulations and communiques as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599, which amendments also entered into force on 31 March 2016. For the amendments related to the leverage ratios and capital adequacy ratio of banks, see "*Capital Adequacy*" above.

The BIS reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's 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 could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In February 2016, the BRSA published the D-SIBs Regulation and introduced additional capital requirements for D-SIBs in line with the requirements of Basel III. The BRSA defines D-SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are to be classified under four categories based upon a score set by the BRSA and will be required to keep additional core Tier 1 capital buffers up to a further 3% buffer for Group 4 banks, 2% for Group 3, 1.5% for Group 2 and 1% for Group 1. In 2016, capital buffer requirements for D-SIBs will be introduced at one-fourth of the full requirements (*i.e.*, 0.75% for Group 4; 0.5% for Group 3, 0.375% for Group 2 and 0.25% for Group 1). In 2017, these ratios are to be applied as 1.5% for Group 4; 1% for Group 3, 0.75% for Group 2 and 0.5% for Group 1 and in 2018, these ratios are to be applied as 1.5% for Group 4; 1% for Group 3, 0.75% for Group 2 and 0.5% for Group 1.

The buffers are to be fully implemented by 2019. 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.

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, which entered into force on 17 January 2014 numbered 2013/15 and published in the Official Gazette dated 25 December 2013 and numbered 28862 ("**Communiqué Regarding Reserve Requirements**"), the reserve requirements for foreign currency liabilities vary by category and tenor, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits.....	12%
Up to 1-month, 3-month, 6-month and 1-year maturities.....	12%
With maturities of 1 year and longer.....	8%
2) Borrowers' deposit accounts held at development and investment banks*	12%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1-year maturity (including 1 year).....	24%
Up to 2-year maturity (including 2 year).....	19%
Up to 3-year maturity (including 3 year).....	14%
Up to 5-year maturity (including 5 years).....	6%
Longer than 5-year maturity.....	4%

** Due to Turkish laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.*

Notwithstanding the above, the reserve requirements for foreign current liabilities other than deposits and participation accounts that existed on 28 August 2015 vary by tenor until their maturity, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Other liabilities up to 1-year maturity (including 1-year)	19%
Other liabilities up to 2-year maturity (including 2-year)	13%
Other liabilities up to 3-year maturity (including 3-year)	7%
Other liabilities up to 5-year maturity (including 5-year)	6%
Other liabilities longer than 5-year maturity	5%

Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 7 September 2016 and numbered 29824, the reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below starting from 9 September 2016:

<i>Category of Turkish Lira Liabilities</i>	<i>Required Reserve Ratio</i>
Demand deposits, notice deposits, private current accounts and deposits/participation accounts with up to (and including) 1-month and 3-month maturities	10.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	10.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	10.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	7.5%
Deposits/participation accounts up to 1-year maturity	5.5%
Deposits/participation accounts 1-year and longer maturity and cumulative deposits/participation accounts	4%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	10.5%
Other Turkish Lira liabilities up to 3-year maturity (including 3-year)	7%
Other Turkish Lira liabilities longer than 3-year maturity	4%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements will also apply to gold deposit accounts. Furthermore, pursuant to the Communiqué Regarding Reserve Requirements issued by the Central Bank, banks are permitted to maintain (i) up to a maximum of 60% of the Turkish Lira reserve requirements in US Dollars (first 30% at 1.0 times, second 5% at 1.4 times, third 5% at 1.7 times, fourth 5% at 2.1 times, fifth 5% at 2.5 times, sixth 5% at 2.9 times, seventh 5% at 3.7 times, eighth 5% at 3.9 times, ninth 5% at 4.1 times, tenth 5% at 4.3 times and eleventh 5% at 4.5 times) and (ii) up to a maximum of 30% of the Turkish Lira reserve requirements in standard gold (first 15% at 1.6 times, second 5% at 1.7 times, third 5% at 2.1 times and fourth 5% at 2.5 times the reserve requirement) and (b) up to the total amount of the reserve requirements that should be maintained for precious metal deposit accounts in standard gold and in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements, banks are required to maintain their required reserves against their US Dollar denominated liabilities in US Dollars only.

Furthermore, pursuant to an amendment to the Communiqué Regarding Reserve Requirements entered into force on 17 January 2014, 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 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008) 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.

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain 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. 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 shall be (and have been) 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

Pursuant to a regulation on foreign exchange net position/capital base issued by BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, 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, banks' boards of directors are required to establish audit committees for the execution of audit and monitoring functions. 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 Regarding the Authorisation and Activities of Incorporations that will Perform Independent Audit at Banks, published in the Official Gazette on 2 April 2015 and numbered 29314 of the BRSA related to the authorisation and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. 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 Internal Systems Regulation determined standards for principles of internal control, internal audit and risk management systems, and internal capital adequacy assessment process in order to bring them into compliance with Basel II requirements.

On 23 October 2015 and 20 January 2016, the BRSA issued certain amendments to the Internal Systems Regulation 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 required to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo an annual audit 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, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The results of such audits are reported to the Ministry of Finance, which has broad remedial powers. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the Internal Systems 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 SDIF

Article 111 of the Banking Law relates to the SDIF. The SDIF was 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. 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, except for the commercial deposits, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, 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 consultation with the Turkish Treasury, the BRSB and the Central Bank. 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 BRSB.

(b) *Borrowings of the SDIF*

The SDIF: (1) may incur indebtedness with authorisation from the Undersecretariat of the Treasury or (2) 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 Turkish Treasury, are to be determined together by the Turkish Treasury and the SDIF.

(c) *Power to require Advances from Banks*

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required 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.

(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 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, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by 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 Act, 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 first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since 15 February 2013, up to TL 100,000 of the amounts of deposit accounts opened by natural persons in domestic branches benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119 are as follows:

- (a) ensuring the enforcement of the SDIF board's decisions,

- (b) establishing the human resources policies of the SDIF,
- (c) 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,
- (d) insuring the savings deposit and participation funds in the credit institutions,
- (e) determining the scope and amount of the savings deposit and participation funds that are subject to insurance with the opinion of the Central Bank, BRSA and Treasury Undersecretaries, and the risk-based insurance premium timetable, collection time and form and other related issues in cooperation with the BRSA,
- (f) paying (directly or through another bank) the insured deposits and participation funds from its sources in the credit institutions whose operating permission has been revoked,
- (g) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except 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,
- (h) taking management and control of the banks whose operating permission has been revoked and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,
- (i) 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,
- (j) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and
- (k) fulfilling the other duties that the SDIF law and other related legislation assign to it.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,
- the bank is not complying with liquidity requirements,
- the bank's profitability is such as to make it unable to conduct its business in a secure manner,
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient,
- the assets of such bank have been impaired in a manner weakening its financial structure,
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems, or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure,

then the BRSA may require such bank:

- to increase its equity capital,
- not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

- to increase its loan provisions,
- to stop extension of loans to its shareholders,
- to dispose of its assets in order to strengthen its liquidity,
- to limit or stop its new investments,
- to limit its salary and other payments,
- to cease its long-term investments,
- to comply with the relevant banking legislation,
- to cease its risky transactions, and/or
- to take all actions to decrease any 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 to take any other action that the BRSA may deem necessary.

In the event the aforementioned actions are not taken (in whole or in part) by the applicable bank or its financial structure cannot be strengthened despite its having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSB may require such bank:

- to strengthen its financial structure, increase its liquidity and/or capital adequacy,
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,
- to decrease its operational and management costs,
- to postpone its payments, excluding the regular payments to be made to its members,
- not to make available any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors,
- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the 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,
- to 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
- to take any other action that the BRSB may deem necessary.

In the event the aforementioned actions are not (in whole or in part) taken by the applicable bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSB may require such bank:

- to 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,
- to apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,
- to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,
- to make available long-term loans provided that these will not exceed the amount of deposit or participation accounts subject to insurance, and that will be secured by the shares or other assets of the controlling shareholders,

- to limit or cease its non-performing operations and to dispose of its non-performing assets,
- to merge with one or more other banks,
- to provide new shareholders in order to increase its equity capital, and/or
- to cover its losses with its equity capital.

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 fund 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 licence 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 licence 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 licence is published in the Official Gazette. From the date of revocation of such bank's licence, 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. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence 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. 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.

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, in the case of publicly-traded companies, the Communiqué II-17.1 on Corporate Governance. These reports include the following information: management and organisation structures, human resources, activities, financial situations, 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.

When the BRSA requests a bank's financial reports, 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 declaring that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports by the Banks, published in the Official Gazette No. 26333 dated 1 November 2006, regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. 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. Each bank must submit an electronic copy of its annual report to the BRSA within seven days following the publication of the report. Each bank must also keep a copy of such report in its headquarters and an electronic copy of the annual report should be available at the bank's branches in order to be printed and submitted to the shareholders on request. In addition, they must publish it on its website by the end of May following the end of the relevant fiscal year.

The BRSA published amendments (entered into force on 31 March 2016) to the Regulation on the Preparation and Publication of Annual Reports by the Banks, which amendments require 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 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the 2013 Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier 1 capital) and supplementary capital (i.e., Tier 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 (entering 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 securitization, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control process

Financial Services Fee

Pursuant to Heading XI of Tariff 8 of 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.

Anti-Money Laundering

Turkey is a member country of the Financial Action Task Force and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime (the "**Law on the Prevention of Laundering Proceeds of Crime**").

Minimum standards and duties under the Law on the Prevention of Laundering Proceeds of Crime and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and 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 introduced new regulations that aim to limit the expansion of individual loans, 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. Before increasing the limit of a credit card, a bank should monitor the income level of the consumer and (d) increase the minimum monthly payment required to be made by cardholders. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer's monthly income. In addition minimum payment ratios for credit card limits up to TL 20,000 will be incrementally increased to ratios between 30% and 40% until 1 January 2015. These new regulations might result in slowing the growth and/or reducing the profitability of the Bank's credit card business. 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.

The New Consumer Protection Law, published in the Official Gazette No. 28835 dated 28 November 2013 entered into force in May 2014 six months after its publication date, imposes 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).

In 2013, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments reduced the general reserve requirements for cash and non-cash loans relating to transit trade, export sales, deliveries and services and activities resulting in gains of foreign currency. On 27 September 2016, the BRSA published further amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments removed the requirements for the consumer loan provisions calculated according to the ratio of consumer loans to total loans and the ratio of non-performing consumer loans to total consumer loans. On 14 December 2016, the BRSA further amended the Regulation on Provisions and Classification of Loans and Receivables, and pursuant to a provisional article which is valid until 31 December 2017, loan provisions were further reduced. In 2013, housing loans were loans excluded in the calculation of consumer loans by this regulation and on 27 September 2016, the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) were reduced from 4% and 8% to 1% and 2%, respectively.

The Regulation Amending 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. 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. The 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 replacing the 2012 Capital Adequacy Regulation, lowered the risk weight for installment payments of credit cards to 75%, irrespective of their tenor, which was in a range of 100% to 250%, depending upon their outstanding tenor according to the former regulation.

The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and 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 shopping, 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 the length of the period of instalment payments on 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 of 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.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans and, on 25 November 2015, 27 September 2016 and 14 December 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 and for financial lease transactions is 80%. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions, 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, the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement and other loans for the purpose of purchasing real estate 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).

TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, 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 by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10% withholding tax for notes with an original maturity of less than one year,

- 7% withholding tax for notes with an original maturity of at least one year and less than three years,
- 3% withholding tax for notes with an original maturity of at least three years and less than five years, and
- 0% withholding tax for notes with an original maturity of five years and more.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 30,000 for 2017 together with the gains from other marketable securities and income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish Income Tax Law, as amended by Laws No. 6111 and 6655, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realized by a resident corporation or individual on the sale or redemption of the Notes (or beneficial interests therein) are subject to income tax or corporate tax declaration. The current rate for corporate tax is 20% and the current rate for individuals ranges from 15% to 35% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge, so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10% and 0% in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Bond issuances and interest payments on the bonds are exempt from the Value Added Tax ("VAT") pursuant to Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended pursuant to the Turkish Tax

Bill Regarding Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

U.S. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes is, however, expected to be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 13 March 2017, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Dealers may be required to make because of those liabilities.

The Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer. In addition, certain of the Dealers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby from time to time.

The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme. Pursuant to the CMB Approval and the BRSA Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and its related legislation, the Capital Markets Law and its related legislation. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets, provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under the BRSA regulations.

A written approval from the CMB in respect of each Tranche of Notes shall be obtained by the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain all authorisations and approvals of the CMB as necessary for the offer, sale and issue of Notes under the Programme.

Monies paid for purchases of Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from 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.

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

The applicable Final Terms will identify whether TEFRA C or TEFRA D rules apply or whether such rules are not applicable.

In connection with any Regulation S Notes, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Regulation S Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor to which it sells any Regulation S Notes during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, 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 of any Series of Notes, an offer or sale of such Notes within the United States by any distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

- (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (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.

People's Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding Hong Kong Special Administrative Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment and the update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 19 December 2013, 16 December 2014, 10 December 2015 and 14 December 2016.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available in physical form for inspection from the registered office of the Issuer 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 Annual Financial Statements;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis and unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis;
- (d) the Agency Agreement, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of the Annual Financial Statements incorporated by reference herein are available on the Issuer's website at:

<http://www.ziraat.com.tr/en/InvestorRelations/Financials/Pages/AuditReportAndFinancialStatements.aspx>

(such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). Each Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market will also be available on the website of the Irish Stock Exchange and of the Central Bank of Ireland.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book entry form by DTC. The CUSIP number for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Consolidated Group and no material adverse change in the financial position or prospects of either the Bank or the Consolidated Group since 31 December 2016.

Litigation

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Independent Accountants

The Annual Financial Statements incorporated by reference herein have been audited by PwC Turkey in accordance with the Regulation on Independent Audit of Banks published by the BRSA in the Official Gazette numbered 29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the POA. The audit reports in relation to the Annual Financial Statements are each qualified with respect to free provisions recognised by the Bank that are not in accordance with BRSA Principles. The Bank may have similar qualifications in the future. See *"Risk Factors—Risks Related to the Bank—The audit reports in relation to the Annual Financial Statements are each qualified"*. PwC Turkey is located at BJK Plaza, Süleyman Seba Caddesi No. 48, B Blok, Kat 9 Akaretler Beşiktaş, 34357, İstanbul, Turkey. PwC Turkey is an independent certified public accountant in Turkey and authorised by the BRSA to conduct independent audits of banks in Turkey. PwC is a member of the Union of Certified Public Accountants and Sworn-In Certified Public Accountants in Turkey.

Dealers transacting with the Issuer

Certain of the Dealers, the Arranger and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arranger, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arranger, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Arranger, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Foreign Text

The language of this Base Prospectus is English. Certain legislative references and technical terms may be cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

APPENDIX 1

OVERVIEW OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING AND PRESENTATION PRINCIPLES

The financial statements and financial information included in this Base Prospectus have been prepared in accordance with BRSA Principles. The BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances which might be material to the financial information herein. Such differences primarily relate to presentation of financial statements, disclosure requirements and accounting policies. The following paragraphs summarise major areas in which the BRSA Principles and IFRS differ from each other.

Basis for Consolidation

Consolidation principles under the BRSA Principles and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Under the BRSA Principles (unlike under IFRS), only subsidiaries and associates operating in the financial services sector can be consolidated with a bank; the non-financial subsidiaries are measured according to IAS 39 rules. IFRS 10 does not make a principal business activity distinction in basis for consolidation.

Allowance for Loan Losses

Under the BRSA Principles, specific and general reserves for impaired loans are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA (unlike impairment and measurement rules under IAS 39). Such BRSA rules for impairment only apply to loans and receivables, while other classes of financial assets (available for sale financial assets) are subject to IAS 39 rules. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral obtained (specific provision) and a separate rate for groups comprising performing loans (general provision – the general provision rate is minimum specified by the BRSA and applied across the Turkish banking sector).

Under IFRS, for loans that have been identified as impaired on the basis of objective evidence of impairment, 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 Income Tax

In accordance with IFRS, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. On the other hand, under the BRSA Principles, it is not permitted to recognise deferred tax on a general provision allocated based upon BRSA rules described above, although it constitutes a temporary difference based upon IAS 12 Income Taxes.

Presentation of Financial Statements

There are also differences in presentation of financial statements other than measurement differences described above. These differences can be briefly explained by mandatory financial statement line items in accordance with IAS 1, disclosure requirements of IFRS 7 or, where applicable, the disclosure requirements of other standards. BRSA financial statements and related notes are presented under a special format determined by the BRSA. Similarly, balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented using this specified format. The BRSA also requires a statement for off balance sheet items. These presentation differences may vary based upon the sector that the related consolidated subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the Undersecretariat of Treasury policies/requirements, and factoring or leasing services, which are subject to specific BRSA policies/requirements.

ISSUER

Türkiye Cumhuriyeti Ziraat Bankası A.Ş.

Anafartalar Mahallesi
Atatürk Bulvarı No: 8
Altındağ, Ankara
Turkey

ARRANGER

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

DEALERS

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstrasse 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Emirates NBD PJSC

c/o Emirates NBD Capital Limited
The Gate Building, West Wing, 12th Floor
DIFC, P.O. Box 506710
Dubai, United Arab Emirates

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Mizuho International plc

Mizuho House
30 Old Bailey
London EC4M 7AU
United Kingdom

Société Générale

29, boulevard Haussmann
75009 Paris
France

Standard Chartered Bank

One Basinghall Avenue
London EC2V 5DD
United Kingdom

FISCAL AGENT AND EXCHANGE AGENT

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building – Polaris
2-4 rue Eugene Ruppert
2453 Luxembourg

U.S. PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, New York Branch

101 Barclay Street
New York, New York 10286
USA

LEGAL ADVISERS

To the Issuer as to English and United States law

DLA Piper UK LLP

3 Noble Street
London EC2V 7EE
United Kingdom

To the Issuer as to Turkish law

Paksoy Ortak Avukat Bürosu

Orjin Maslak
Eski Büyükdere Caddesi No:27, K:11
Maslak, 34398 İstanbul
Turkey

To the Dealers as to English and United States law

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

To the Dealers as to Turkish law

Gedik Eraksoy

Avukatlık Ortaklığı
River Plaza, Kat: 17; Büyükdere Cad.
Bahar Sok. No. 13, Levent, TR-34394 İstanbul
Turkey

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

INDEPENDENT ACCOUNTANTS OF THE BANK

PwC Bağımsız Denetim ve Serbest Muhasebeci

Mali

Müşavirlik A.Ş.

BJK Plaza, Süleyman Seba Caddesi No. 48
B Blok, Kat 9 Akaretler Beşiktaş, 34357, İstanbul
Turkey