



TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

Issue of U.S.\$600,000,000 5.125 per cent. Notes due 2022 under its U.S.\$4,000,000,000 Global Medium Term Note Programme Issue price: 99.457 per cent.

The U.S.\$600,000,000 5.125 per cent. Notes due 2022 (the "**Notes**") are being issued by 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**") under its U.S.\$4,000,000,000 Global Medium Term Note Programme (the "**Programme**").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any U.S. State securities laws and are being offered: (a) for sale to qualified institutional buyers only (each a "**QIB**") as defined in, and in reliance upon, Rule 144A under the Securities Act ("**Rule 144A**") and (b) for sale to non-U.S. persons outside the United States in reliance upon Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "*Subscription and Sale and Selling Restrictions*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below) and "*Plan of Distribution*" and "*Transfer Restrictions*" below.

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

The Notes will bear interest from (and including) 3 May 2017 (the "**Issue Date**") to (but excluding) 3 May 2022 (the "**Maturity Date**") at a fixed rate of 5.125 per cent. per annum. Interest will be payable in arrear on the 3rd day of each May and November in each year (each an "**Interest Payment Date**") up to (and including) the Maturity Date; provided that if any such date is not a Payment Day (as defined in Condition 6.6) then such payment will be made on the next Payment Day. Principal of the Notes is scheduled to be paid on 3 May 2022, but may be paid earlier under certain circumstances described herein. The Notes initially will be sold to investors at a price equal to 99.457 per cent. of the principal amount thereof. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein.

This Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the 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 and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its official list (the "**Official List**") and trading on the Main Securities Market. References in this Prospectus to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities 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 the Notes by the Bank outside of Turkey. The Notes cannot be sold before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) in respect of the Notes are obtained from the CMB. The CMB approved the issuance certificate (*ihraç belgesi*) based upon which the offering of the Notes will be conducted was obtained on 31 January 2017 and numbered 29833736-105.03.01-E205 (the "**CMB Approval**"), and the written approval of the CMB bearing the approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before 3 May 2017.

The Notes are expected to be rated at issuance BB+ by Fitch Ratings Ltd. ("**Fitch**") and Ba1 by Moody's Investors Service Limited ("**Moody's**" and, together with Fitch, the "**Rating Agencies**"). The Bank has also been rated by Fitch and Moody's, as set out on page 143 of the Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EU) 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. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered under Rule 144A and Regulation S by each of Citigroup Global Markets Limited, J.P. Morgan Securities plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Emirates NBD PJSC and Erste Group Bank AG (each a "**Manager**" and, collectively, the "**Managers**"), subject to their acceptance and right to reject orders in whole or in part. The Notes will initially be represented by global notes in registered form (the "**Global Notes**"), one of which will be issued in respect of the Notes ("**Rule 144A Notes**") offered and sold in reliance on Rule 144A (the "**Rule 144A Global Note**") and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), and the other of which will be issued in respect of the Notes ("**Regulation S Notes**") offered and sold in reliance on Regulation S (the "**Regulation S Global Note**") and will be registered in the name of a nominee for a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). It is expected that (a) delivery of the Rule 144A Global Note will be made in book-entry form on a free of payment basis on 3 May 2017 (i.e. the fifth Business Day following the date of pricing of the Notes (such date being referred to herein as the "**Issue Date**" and such settlement cycle being referred to as "**T+5**")), and (b) delivery of the Regulation S Global Note will be made in book-entry form against payment therefor in immediately available funds on the Issue Date.

Joint Lead Managers

BofA Merrill Lynch

Citigroup

J.P. Morgan

Emirates NBD Capital

Erste Group

The date of this Prospectus is 27 April 2017.

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

This 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 Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Prospectus.

The Issuer, having made all reasonable enquiries, confirms that: (a) this Prospectus (including the information incorporated herein by reference) contains all information that in its view is material in the context of the issuance and offering of the Notes (or beneficial interests therein), (b) the information contained or incorporated by reference in this Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Prospectus (or any of the documents incorporated herein by reference) on the part of the Issuer are honestly held or made by the Issuer and are not misleading in any material respects, and there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect, and (d) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. All sources have been cited where used.

The Issuer accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, none of the Managers accepts any responsibility for the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by a Manager or on its behalf in connection with the Notes. Each Manager 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 Prospectus or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Managers.

Neither this Prospectus nor any other information supplied in connection with the 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 Managers that any recipient of this Prospectus or any other information supplied in connection with the 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 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 Prospectus nor any other information supplied in connection with the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the 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 Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers

expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Managers do not represent that this Prospectus may be lawfully distributed, or that the 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 the Notes or distribution of this 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 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 Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and the Republic of Turkey, see "*Subscription and Sale and Selling Restrictions*" in the Base Prospectus.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission 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 Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the Managers 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 Prospectus;
- (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 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) the Notes are legal investments for it, (2) the 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 the Notes under any applicable risk-based capital or similar rules.

GENERAL INFORMATION

The Notes have not been and will not be registered under the Securities Act or under the securities or "blue sky" laws of any state of the United States or any other U.S. jurisdiction. Each investor, by purchasing a Note (or a beneficial interest therein), agrees that the Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions from the registration requirements thereof described under "*Transfer Restrictions*" below. Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, of the Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the CMB Approval and the Banking Regulation and Supervision Agency approval (the "**BRSA Approval**" and, together with the CMB Approval, the "**Approvals**") (dated 29 December 2016 and numbered 43890421-101.02.01[18.2]-E.21535) required for the issuance of the Notes. Pursuant to the Approvals, the offer, sale and issue of Notes 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 (the "**Banking Law**") and its related legislation, the Capital Markets Law and Communiqué VII-128.8 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 the sale and issuance of the Notes to obtain the CMB's approval in respect of the issue of the Notes. However, since the electronic application platform is yet to be established by the CMB as of the date of this Prospectus, a written approval in respect of the issue of the Notes shall be obtained by the Issuer on or before the Issue Date.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Approvals. 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 while purchasing the 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*" in the Base Prospectus. Monies paid for purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the "**SDIF**").

The Regulation S Global Note will be deposited on or about the Issue Date with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect accountholders in Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note will be deposited on or about the Issue Date with The Bank of New York Mellon, New York Branch, in its capacity as custodian (the "**Custodian**") and will be registered in the name of Cede &

Co. as nominee for DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC.

In connection with the issue of the Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation 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 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 and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws 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.

NON-GAAP MEASURES OF FINANCIAL PERFORMANCE

To supplement the Unconsolidated Annual Financial Statements (as defined in the Base Prospectus) presented in accordance with BRSA Principles, (as defined in the Base Prospectus) except for the free provisions recognised by the Bank, the Bank uses certain ratios and measures included (including through incorporation by reference) in this Prospectus that would be considered non-GAAP financial measures in the United States. A body of generally accepted accounting principles such as IFRS or BRSA Principles is commonly referred to as "GAAP". A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but that excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility. Non-GAAP financial measures are largely equivalent to Alternative Performance Measures or APMs, as regulated by the ESMA Guidelines (each as defined in the Base Prospectus).

For the Bank, these non-GAAP measures may 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 the Base Prospectus of the Bank dated 13 March 2017 relating to the Programme (the "**Base Prospectus**"), as incorporated by reference into this Prospectus for further information on certain such calculations.

The non-GAAP measures included (including through incorporation by reference) in this Prospectus are not in accordance with or an alternative to measures prepared in accordance with BRSA Principles and may be different from similarly-titled non-GAAP measures 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. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. Non-GAAP financial measures 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 non-GAAP measures, 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 non-GAAP measures to investors, the Bank's senior management believes that the inclusion of non-GAAP measures provides consistency in the Bank's reporting to investors.

PRESENTATION OF INFORMATION

In this 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 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; and
- "**U.S. Dollars**", "**U.S.\$**" and "**\$**" refer to United States dollars.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 13 March 2017 (the "**Deed Poll**") to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents which are incorporated herein by reference and in particular should consider all the risks inherent in making such an investment, including the information under the heading "*Risk Factors*" on pages 11 to 41 (inclusive) of the Base Prospectus (the "**Programme Risk Factors**"), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in the Programme Risk Factors a number of factors which could materially adversely affect its business and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Risk Factors.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the sections of the Base Prospectus entitled as set out in the table below:

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- (b) the convenience translation into English of the 2015 Audited Unconsolidated Financial Statements (as defined in the Base Prospectus) (including a qualified audit report issued by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. ("**PwC Turkey**") in respect thereof) which include comparative numbers as of and for the year ended 31 December 2014;
- (c) the convenience translation into English of the 2015 Audited Consolidated Financial Statements (as defined in the Base Prospectus) (including a qualified audit report issued by PwC Turkey in respect thereof) which include comparative numbers as of and for the year ended 31 December 2014;
- (d) the convenience translation into English of the 2016 Audited Unconsolidated Financial Statements (as defined in the Base Prospectus) (including a qualified audit report issued by PwC Turkey in respect thereof) which include comparative numbers as of and for the year ended 31 December 2015; and
- (e) the convenience translation into English of the 2016 Audited Consolidated Financial Statements (as defined in the Base Prospectus) (including a qualified audit report issued by PwC Turkey in respect thereof) which include comparative numbers as of and for the year ended 31 December 2015.

Copies of the Annual Financial Statements (as defined in the Base Prospectus) incorporated by reference in this Prospectus are available on the Bank'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 Prospectus). A copy of the Base Prospectus is available on the website of the Irish Stock Exchange at http://ise.ie/debt_documents/Base%20Prospectus_d9beb925-bb98-40e7-8296-ae4c1f383903.PDF (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). On issuance of the Notes, a copy of this Prospectus will be published on the website of the Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie) (each of such websites is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus).

Following the publication of this Prospectus, a supplement may be prepared by the Bank 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 Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not material for an investor in the Notes or are covered elsewhere in this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The Annual Financial Statements incorporated by reference into this 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 Bank will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus in accordance with Article 16 of the Prospectus Directive.

OVERVIEW OF THE OFFERING

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

Issue:	U.S.\$600,000,000 5.125 per cent. Notes due 2022 issued under the U.S.\$4,000,000,000 Global Medium Term Note Programme of the Bank.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (i.e. 3 May 2017) at the rate of 5.125 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date (i.e. 3 May and 3 November in each year); <i>provided that</i> , as described in Condition 6.6, if any such date is not a Payment Day, then such payment will be made on the next Payment Day. The first interest payment (representing a full six months of interest) will be made on 3 November 2017.
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their principal amount on 3 May 2022.
Use of Proceeds:	The net proceeds of the offering of the Notes will be applied by the Bank for its general corporate purposes.
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank <i>pari passu</i> , without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge:	Subject to certain exceptions, so long as any of the Notes remains outstanding, the Bank will not create or have outstanding any Security Interest (as defined in Condition 4) 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 in Condition 4), unless the Bank, 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 is provided as is approved by an Extraordinary Resolution of the Noteholders.

See "*Terms and Conditions of the Notes—Condition 4*"

in the Base Prospectus.

Certain Covenants:

The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "*Terms and Conditions of the Notes—Condition 4*" in the Base Prospectus.

Taxation; Payment of Additional Amounts:

All payments of principal and interest in respect of the Notes by or on behalf of the Bank 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 (as defined in Condition 8) unless the withholding or deduction of the Taxes is required by law. In that event, the Bank 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*" in the Base Prospectus.

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 and, in accordance with Condition 8.1, no additional amount will be payable by the Issuer, any Paying Agent or any other person in respect of any such withholding or deduction.

Optional Redemption for Tax Reasons:

The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time at their principal amount (together with interest accrued to but excluding the date of redemption) if:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction 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 27 April 2017, on the next Interest Payment Date, the Bank 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 27

April 2017; and

- (b) such requirement cannot be avoided by the Bank taking reasonable measures available to it.

See "*Terms and Conditions of the Notes—Condition 7*" in the Base Prospectus.

Redemption at the Option of the Noteholders upon a Change of Control:

If, at any time while any of the Notes remains outstanding, a Change of Control (as defined in Condition 7.5) occurs, each Noteholder shall have the option to require the Bank to redeem or, at the option of the Bank, procure the purchase of that Noteholder's Notes at 100 per cent. of their principal amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Change of Control Redemption Date (as defined in Condition 7.5). See "*Terms and Conditions of the Notes – Condition 7*" in the Base Prospectus.

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*" in the Base Prospectus.

Form, Transfer and Denominations:

Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Global Note in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with the Common Depositary and registered in the name of a nominee for the Common Depositary. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Global Note in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Notes.

Interests in the Global Notes will be subject to certain restrictions on transfer. See "*Transfer Restrictions*" below. Interests in the Regulation S Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect participants, as applicable). Interests in the Rule 144A Global Note will be represented in, and transfers thereof will be effected only through, records maintained by DTC (or its direct or indirect participants, as applicable).

Notes will be issued in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 thereafter.

ERISA:	Subject to certain conditions, the Notes may be invested in an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (" ERISA "), a "plan" as defined in and subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the " Code "), or any entity whose underlying assets include "plan assets" of any of the foregoing. See " <i>Certain Considerations for ERISA and other U.S. Employee Benefit Plans</i> " below.
Governing Law:	The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant will be governed by, and construed in accordance with, English law.
Listing:	An application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market; however, no assurance can be given that such application will be accepted.
Turkish Selling Restrictions:	The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See " <i>Subscription and Sale and Selling Restrictions—Turkey</i> " in the Base Prospectus.
Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any state securities laws and beneficial interests therein may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the European Economic Area (including the United Kingdom). See " <i>Subscription and Sale and Selling Restrictions</i> " in the Base Prospectus.
Risk Factors:	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Notes. These are set out under " <i>Risk Factors</i> " in the Base Prospectus and include risks relating 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 the Notes. These are set out under " <i>Risk Factors</i> " in the Base Prospectus and include certain risks relating to the structure of the Notes and certain market risks. See " <i>Risk Factors</i> " herein.

Issue Price:	99.457 per cent. of the principal amount of the Notes.
Yield:	5.250 per cent. per annum.
Regulation S Notes Security Codes:	ISIN: XS1605397394 Common Code: 160539739
Rule 144A Notes Security Codes:	CUSIP: 90015JAA0 ISIN: US90015JAA07 Common Code: 160710985
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	BB+ by Fitch and Ba1 by Moody's.
Fiscal Agent and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar, Transfer Agent and Paying Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
U.S. Paying Agent and Transfer Agent:	The Bank of New York Mellon, New York Branch

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with "Presentation of Information" of the Base Prospectus, and the Unconsolidated Annual Financial Statements (as defined in the Base Prospectus) in each case incorporated by reference herein. The financial information included in this discussion was prepared on an unconsolidated basis in accordance with BRSA Principles, except for the free provisions recognised by the Bank. The income statement, balance sheet and other financial data as of and for the years ended 31 December 2016, 31 December 2015 and 31 December 2014, have been extracted from the Unconsolidated Annual Financial Statements. The Bank also calculates certain ratios in order to measure its performance and to compare its performance to that of its main competitors. See "Presentation of Information—APMs of Financial Performance" and "Summary Financial and Other Information—Key Ratios and Other Information" of the Base Prospectus, incorporated by reference herein.

This discussion is based solely on BRSA Principles, which differ in certain respects from IFRS. For example, the BRSA provisioning for loan losses is different from International Accounting Standard 39 and is based on prescribed minimum provisioning levels (as a percentage of the loan amount) based on the number of days overdue, whereas provisioning for loan losses in accordance with IFRS is based on the present value of future cash flows discounted at original effective interest rates. For a discussion of certain key differences between IFRS and BRSA Principles, see "Appendix A—Overview of Certain Significant Differences Between IFRS and BRSA Principles" of the Base Prospectus, incorporated by reference herein.

The audit reports in relation to the Annual Financial Statements (as defined in the Base Prospectus) are each qualified. The reason for the qualification was that the Annual Financial Statements each include free provisions that are not in accordance with BRSA Principles. See "—Significant Factors Affecting the Bank's Financial Condition and Results of Operations—Provisioning" below and "Independent auditor's report" in the Annual Financial Statements, in each case incorporated by reference herein.

This discussion includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in "Forward-Looking Statements" and "Risk Factors" of the Base Prospectus, incorporated by reference herein.

The Bank's financial condition and results of operations depend significantly upon the macroeconomic conditions prevailing in Turkey and prospective investors should, among other things, consider the risks and uncertainties set out under "Risk Factors—Risks Related to the Bank" and "Risk Factors—Risks Related to Turkey" of the Base Prospectus, incorporated by reference herein.

Overview of Business

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, small and medium-sized enterprise ("SME"), 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. According to data published by the BRSA, as of and for the year ended 31 December 2016 the Bank's market share in Turkey in terms of loans to agricultural sector clients was 60.5% and the Bank's NPL ratio for agricultural loans was 0.9% as compared to 2.7% for the sector.

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, Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan, Montenegro and Russia. The Bank's network includes eight subsidiaries in Turkey focused on insurance, leasing, pension portfolio management, securities brokerage, Islamic banking, information technology and real estate investment to complement its core banking business. The Bank operates through five principal business divisions: SME Banking, Corporate Banking, Retail Banking, Treasury-Investment Banking and International Banking.

As of 31 December 2016 the Bank had approximately 25 million debit cards in issuance and was ranked first in Turkey by number of debit cards in issuance and had a market share of 21% of debit cards in issue in Turkey, according to the Interbank Card Centre of Turkey. As of 31 December 2016 and according to data published by the BRSA, the Bank's share in each of the cash and non-cash loan markets in Turkey was 13.3% and 14.3%, respectively, and its share of housing loans in the Turkish banking market was 17.5%. As of 31 December 2016 and according to data published by the BRSA, the Bank had a 19.6% market share in the Turkish market based on the size of its securities portfolio. As of 31 December 2016 and according to data published by the BRSA, the Bank's market share in Turkey in assets and deposits was 13.1% and 14.5%, respectively. As of 31 December 2016, the Bank operated 6,869 ATMs

For the year ended 31 December 2016, the Bank's profit was TL 6,576 million, an increase of 27.4% compared to TL 5,162 million for the year ended 31 December 2015, and its total assets were TL 357.8 billion as of 31 December 2016, an increase of 18.1% compared to total assets of TL 302.8 billion as of 31 December 2015. For the year ended 31 December 2015, the Bank's profit was TL 5,162 million, an increase of 27.5% compared to TL 4,051 million for the year ended 31 December 2014, and its total assets were TL 302.8 billion as of 31 December 2015, an increase of 22.3% compared to total assets of TL 247.6 billion as of 31 December 2014. In the year ended 31 December 2016, the Bank had the highest profit in the Turkish banking sector.

Unconsolidated Compared to Consolidated Financial Statements

The Bank produces audited unconsolidated and consolidated annual financial statements, and unaudited unconsolidated and consolidated quarterly and semi-annual financial statements in accordance with BRSA Principles. The Annual Financial Statements discussed in this Prospectus are unconsolidated, Bank-only financial statements. As at 31 December 2016, 31 December 2015 and 31 December 2014, the Bank had unconsolidated total assets of TL 357.8 billion, TL 302.8 billion and TL 247.6 billion, respectively, as compared to consolidated total assets of the Group of TL 371.9 billion, TL 310.3 billion and TL 253.0 billion respectively, with unconsolidated total assets representing 96.2%, 97.6% and 97.9% of consolidated total assets, respectively. As of the same dates, the Bank had unconsolidated total liabilities of TL 319.4 billion, TL 271.3 billion, and TL 219.1 billion respectively, as compared to consolidated total liabilities of the Group of TL 333.0 billion, TL 278.5 billion and TL 224.4 billion respectively, with unconsolidated total liabilities representing 96.2%, 97.4% and 97.6% of consolidated total liabilities, respectively. For the same periods, the Bank had unconsolidated net profit/losses from continuing operations of TL 6.6 billion, TL 5.2 billion and TL 4.1 billion respectively as compared to consolidated net profit/losses from continuing operations of the Group of TL 6.9 billion, TL 5.4 billion and TL 4.1 billion respectively, with unconsolidated net profit/losses from continuing operations representing 95.5%, 96.0% and 98.5%, of consolidated net profit/losses from continuing operations, respectively.

Recent Developments

On 16 April 2017 a referendum took place in Turkey on significant proposed amendments to the Turkish constitution as further described in "Risk Factors—Risks Related to Turkey— Increased political risks following the coup attempt of July 2016" of the Base Prospectus incorporated by reference herein. In particular, the referendum question was whether to approve amendments to the Turkish constitution which would result in replacing the existing parliamentary system of government with an executive presidency and a presidential system. The amendments were approved by a majority of 51% of voters, and most of the amendments are expected to be implemented by the end of 2019. Certain major amendments out of eighteen constitutional amendments approved at the referendum envisage that (a) the current parliamentary system will be transformed into a presidential one; (b) the president will be entitled to be the head of a political party

and to appoint the cabinet; (c) the office of the prime minister will be abolished; and (d) the Council of Judges and Prosecutors (currently the High Council of Judges and Prosecutors) will be restructured and the president will have increased powers over the selection of the members of the Council. However, despite the results of the referendum, Turkish politics are expected to remain volatile, and the impact both on domestic conditions in Turkey and the impact on Turkey's international relations, including the EU, remain uncertain.

In April 2017 the state of emergency in Turkey was further extended by additional 90 days, and is currently expected to remain effective until 19 July 2017.

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

Turkish Economy

The Bank operates primarily in Turkey. Accordingly, the Bank's results of operations and financial condition are and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, domestic social and political conditions, the rate of inflation and fluctuations in exchange and interest rates. See "*Risk Factors—Risks Related to Turkey*" of the Base Prospectus, incorporated by reference herein.

The following table sets out key Turkish economic indicators as of and for the years ended 31 December 2016, 2015 and 2014:

	As of and for the year ended 31 December		
	2016	2015	2014
GDP (TL billions)	2,590.5	1,953.6	1,748.2
GDP (U.S.\$ billions)	856.8	720.0	799.4
GDP growth (%).....	2.9	4.0	3.0
GDP per capita (U.S.\$)	—	9,261	10,395
Unemployment rate (%)	10.9	10.8	9.9
Central Bank policy rate (%).....	8.5	7.50	8.25
Benchmark yield (year-end, %).....	10.63	10.78	7.90
Inflation (%)	8.5	8.8	8.2
Exports (U.S.\$ billions).....	142.6	143.9	157.6
Imports (U.S.\$ billions).....	198.6	207.2	242.2
Trade deficit (U.S.\$ billions).....	56	63.3	84.6
Current account deficit (U.S.\$ billions)	32.6	32.2	43.6
Budget surplus/(deficit) (TL billions)	(29.3)	(23.9)	(23.4)

Source: Central Bank, Turkstat and Ministry of Finance.

Since 2013, economic conditions across emerging markets, including Turkey, have been volatile. See "*Global Economic Conditions*" below. In addition, Turkey has been subject to a number of domestic political and social conditions, including elections, widespread protests and an attempted coup in July 2016 that have had a negative effect on economic growth. This has resulted in a volatile exchange rate as well as varying interest rate and central bank policy over the period. Nevertheless, Turkey's economy has remained relatively resilient with positive GDP growth, which has supported growth in the Bank's loan portfolio (although segment concentration has varied from year to year) together with only limited weakening of asset quality to date.

GDP. 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 2.9% in 2016 according to Turkstat. Turkstat completed the revision of its National Accounts in accordance with ESA 2010 (the European System of National and Regional Accounts, being the newest internationally compatible EU accounting framework for a systematic and detailed description of an economy. Quarterly Gross Domestic Product by production, expenditure and income approach calculated in line with ESA 2010 started to be published with third quarter 2016 statistics. Although EU defined Turkish Government debt levels have decreased considerably from 77.9% of GDP in

2001 to 33.5% in 2014 and estimated to decrease to 32.8% in 2016 according to the 2016-2018 medium term economic programme 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 such as 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 "*Economic instability in Turkey may have a material adverse effect on the Bank's business, financial condition, results of operations and prospects*" of the Base Prospectus, incorporate by reference herein). Continuing high levels of unemployment, which reached 12.7% in December 2016 with a 1.9 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. The Turkish Government has sought to improve economic growth and in October 2016, the Turkish Ministry of Development announced the three-year medium-term economic programme for 2017 to 2019. Under the new medium term projected economic programme, the Ministry revised GDP growth targets of 4.5% for 2016 to 3.2% and announced GDP growth target of 4.4% for 2017 and 5.0% for 2018 and 2019, as well as a gradual decrease in the net public debt to GDP.

Central Bank Policy and Loan Growth. In 2013 and the beginning of 2014, the Central Bank was implementing measures targeting financial and price stability, including interest policy, as a response to rising inflation in Turkey which reached 7.4% in December 2013. In particular, on 28 January 2014 the Central Bank substantially increased the overnight borrowing rate and the overnight lending rate from 3.5% to 8.0% and from 7.75% to 12.00%, respectively. On 22 May 2014, the Central Bank reduced its one-week repo rate by 50 basis points to 9.5% and in the following months, it further reduced the one-week repo rate from 9.5% initially on 24 June 2014 to 7.50% on 25 February 2015. The Central Bank also announced, as part of its monetary and exchange rate policy for 2014 that it intended to decrease the funding needs of the financial system via foreign exchange auctions, through changes in the reserve option mechanism and by shortening the maturity of funding.

In addition, on 18 August 2015, the Central Bank announced a roadmap to be implemented before and during the then-expected normalisation of global monetary policies. As a result of the implementation of the macro prudential policies that discouraged retail lending growth, there was relatively more rapid growth in corporate lending and a slower rate of growth in retail lending. In these conditions, the Bank's loan portfolio increased by 31.6% in the year ended 31 December 2015, which was mainly driven by corporate and SME lending and to some extent impacted by the devaluation in Turkish Lira as a result of the Central Bank's macro prudential policies and global economic conditions, respectively.

On 24 November 2016, the Central Bank increased the upper band of the interest rate corridor from 8.25% to 8.5%, the one-week repo rate from 7.5% to 8%, the 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, it aimed to lower inflationary pressures resulting primarily from exchange rate volatility. Additionally, on 24 November 2016, the Central Bank decreased the foreign exchange reserve requirement ratios by a 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%, while, based upon the CPI-based real effective exchange rate, the Turkish Lira depreciated by 5.5% during the same period. Despite these factors, the Bank's loan portfolio increased by a further 24.5%, which was mainly driven by corporate and SME lending in the year ended 31 December 2016

On 24 January 2017, the 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 10.0% to 11.0%. Accordingly, the Bank expects that monetary tightening through further interest rate increases may continue, depending on developments in inflation.

See also "*Interest Rates*" below.

Impact on Asset Quality. NPLs are particularly sensitive to economic conditions and this remains a key area of focus for the Bank given its strong loan growth. 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. As of 31 December 2016, the value of the Bank's NPLs increased by 34.3% as compared to 31 December 2015, while the value of NPLs for the Turkish banking sector increased by 22.1% over the same period.

During these periods, while there were sales of NPLs in the Turkish banking sector, the Bank did not sell any of its NPLs but undertook a detailed review of its entire loan portfolio. As a result of its changing business strategies, the Bank also revised the standardised processes and procedures for assessing loan applications and making lending decisions, in each case with a view to limiting the potentially adverse effects on its loan portfolio of the challenging global economic conditions. The Bank also improved its early warning systems and collection systems to improve the monitoring of its loan portfolio.

See "*Risk Factors—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 could have a material adverse effect on its business, financial conditions, results of operations and prospects*", "*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 operation 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*" of the Base Prospectus, incorporated by reference herein.

Turkish Agricultural Sector

As of 31 December 2016, the Bank's loans to borrowers in the agricultural sector amounted to TL 44.1 billion, which represented 18.9% of its total loans. Consequently, factors that influence the supply and demand for, and therefore the prices of, agricultural products in the Turkish and international markets can affect an agricultural borrower's business and financial condition, and therefore its ability to repay its loan from the Bank. Moreover, the Turkish agricultural sector is still comprised mainly of individual farmers, with some SMEs and a small number of large corporations. There has been some consolidation in the sector, but the pace of this consolidation will depend on a variety of factors, including measures taken by the Turkish Government.

Factors that can impact the Turkish agricultural 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, which could result in crop or other losses for a season, impacting borrowers' liquidity and business prospects. See "*Risk Factors—Risks Related to the Bank—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*" of the Base Prospectus, incorporated by reference herein.

Global Economic Conditions

Turkey's economy may be negatively impacted during 2017 and beyond as a result of a number of factors affecting international economic and political 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 January 20, 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, the effects of which are unpredictable at this time.

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.

Economic conditions have remained volatile in the EU Eurozone, Turkey's principle trading market, 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.

Interest Rates

One of the primary factors influencing the Bank's profitability is the level of short-term interest rates in Turkey, which affects the return on its securities portfolio and its loan and deposit rates. Turkish Lira denominated treasury bills and bonds sold through public auction had average compound interest rates of 9.95%, 9.17% and 9.62% in the years ended 31 December 2016, 2015 and 2014, respectively. There were no local market public auctions of foreign currency denominated Turkish Government securities in 2014, 2015 or 2016. Interest rates earned and paid on the Bank's assets and liabilities reflect, to a certain degree, current inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates.

Because the Bank's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in Turkey are generally reflected in the rates of interest paid by the Bank on its liabilities before such interest rates are reflected in the rates of interest earned by the Bank on its assets. Therefore, when short-term interest rates fall, the Bank is both positively affected (for example, the value of its fixed rate securities portfolio may increase, as was the case especially between May 2014 and November 2016, and its interest margins may improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by relatively low interest rate deposits, including demand deposits). On the other hand, when short-term rates increase, the Bank's interest margin is generally negatively affected (as was the case, for example, in January 2014), as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. In 2015, the increase in benchmark bond yields and the Central Bank's average funding rates had short term effects on the Bank's, and generally on the Turkish banking sector's, funding costs due to the tight monetary policies of the Central Bank and volatility of the market conditions. To keep the margins stable throughout this period, the Bank increased its lending portfolio and the rates on its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Bank's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest. In addition, rising

interest rates initially would likely reduce the value of the Bank's securities investment portfolio, but ultimately would likely result in increased interest income on other assets included in this portfolio.

In the past several years, interest rates have been and are expected to remain volatile as a result of factors generally affecting emerging markets as well as domestic economic and political conditions in Turkey. See "*Turkish Economy*" above and "*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*" of the Base Prospectus, incorporated by reference herein. On 16 May 2013, the Turkish Monetary Policy Committee reduced the one-week policy rate ("repo rate") from 5.0% to 4.5%. On 28 January 2014, the Central Bank increased the repo rate, which is now considered as the policy rate, from 4.5% to 10.0%, the overnight lending rate from 7.75% to 12.00% and the overnight borrowing rate from 3.5% to 8.0%. The interest rate on borrowing facilities provided for primary dealers via repo was increased from 6.75% to 11.5%. Following the increase in January 2014, market interest rates have fallen across all maturities with the recent decline in uncertainties and improvement in the risk premium indicators. As a result, the Central Bank reduced the repo rate from 10.0% to 9.5% on 22 May 2014 and to 8.75% on 25 June 2014. As noted above these increases have had a negative effect on the Bank's net interest margin in the year ended 31 December 2014 due to slower repricing of the Bank's loan portfolio compared to its deposits. The repo rate decreased to 7.5% as of 25 February 2015, following further incremental rate cuts made by the Central Bank, which is expected to have a positive effect on the Bank's net interest margins. On 18 August 2015, the Central Bank announced its roadmap to be implemented during the expected normalisation of global monetary policies led by the US Federal Reserve. The roadmap envisages the simplification of TL liquidity management, FX liquidity and other financial stability measures. In TL liquidity management, the policy actions primarily relate to interest rate corridor, funding and the simplification of collateral conditions. FX liquidity measures include flexible FX selling auctions, reserve options and measures on the foreign exchange deposit market. The Central Bank plans to lengthen the maturity of non-core FX liabilities, support TL core liabilities and remuneration of FX reserves. Any potential increases in the policy interest rate will depend to a significant extent on Turkey's price stability, market conditions and the US Federal Reserve's policy rate increases. After the US Federal Reserve's decision about increasing interest rates in December 2015, the Central Bank continued to announce the tight monetary policy stance to be maintained with a focus on the inflation outlook. Also depending on the decline in volatility observed after the start of the global policy normalization, the monetary policy simplification steps were expected to begin. 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 8.0%, late liquidity window lending rate from 9.75% to 10.0% 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. 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%. The measures implemented by the Central Bank are expected to have positive effects on the Turkish banking sector in general and on the Bank in particular in view of changing global monetary conditions. The Bank's balance sheet structure provides a partial hedge against short- to medium-term interest rate movements. Lower interest rates, together with economic stability, support loan growth and NPL collections. Higher interest rates, on the other hand, have a positive effect on yields on securities, since the majority of the Bank's securities have a variable interest rate, which partly mitigates higher deposit costs and slowing loan growth. Along with the Bank's current long-term strategy supported by recent interest rate increases, the Bank's strategy has been to migrate from investments in its securities portfolio to a loan book and expand its business, particularly in more profitable segments such as retail, corporate and SME banking and to increase its fees and commission income. The Bank's senior management also seeks to proactively change the mix of its variable and fixed rate assets and liabilities, while bearing in mind market trends and the Bank's risk management policies, to minimise risk and maintain a balanced composition of assets and liabilities.

Securities Portfolio

While the Bank has historically generated a considerable portion of interest income from its securities portfolio (including interest earned, trading gains and other income), since 2011 the percentage of the Bank's interest income from its securities portfolio has decreased. Interest income derived from the Bank's securities portfolio for the years ended 31 December 2016, 2015 and 2014, accounted for 20.1%, 23.6% and 29.4% respectively, of its total interest income.

The Bank's investment securities portfolio (which includes securities held as available-for-sale or as held-to-maturity investments) represented 18.8%, 21.1% and 25.9% of the Bank's total assets as of 31 December 2016, 31 December 2015 and 31 December 2014, respectively. This decrease in the share of investment securities in the Bank's total assets reflects the Bank's current strategy to focus on its customers and to expand the share of loans in the Bank's asset portfolio. Accordingly, the Bank does not expect the percentage of its assets invested in securities to increase significantly in the near to medium term and expects it to decrease further. The share of CPI-linked securities in the Bank's total securities portfolio as of 31 December 2016, 31 December 2015 and 31 December 2014 was 16.6%, 15.0% and 14.3%, respectively.

Most Turkish bank's securities portfolios (including that of the Bank) comprise mainly Turkish Government securities. The Bank's total securities portfolio comprises, as of 31 December 2016, 96.2% Turkish Government securities compared to 97.5% as of 31 December 2015. As the Bank's investment securities portfolio comprises largely Turkish Government securities, which are generally expected to be more stable than securities of non-governmental issuers, the Bank recorded mark to market gains on its investment securities portfolio as at 31 December 2016, 31 December 2015, and 31 December 2014. As of 31 December 2016, the Bank's trading portfolio (financial assets held for trading) of 1.0% Turkish Government debt securities, while its available-for-sale investment securities portfolio (financial assets available-for-sale) consisted of 98.6% Turkish Government debt securities as compared to 1.8% of its trading portfolio and 98.7% of its available-for-sale investment securities portfolio (financial assets available-for-sale) as of 31 December 2015. See *"Selected Statistical and Other Information—Securities Portfolio"*. Such portfolios are marked-to-market with the marked-to-market losses or gains being included in income (for the trading portfolio and where there is a permanent impairment of available-for-sale securities) or shareholders' equity (for the available-for-sale portfolio) as appropriate. In case of permanent impairments of held-to-maturity securities, such impairment losses are also recognised in income. See the 2016 Audited Unconsolidated Financial Statements and the Unconsolidated Annual Financial Statements incorporated by reference herein, *"Selected Statistical and Other Information—Securities Portfolio"* and *"—Analysis of the Results of Operations for the Years Ended 31 December 2016, 2015 and 2014 —Interest income from marketable securities"*.

Loan Portfolio Growth

The Bank's main strategy in lending is to continue to grow SME, retail and corporate banking while further increasing its strong presence in the agricultural sector through a customer-focused approach. In order to implement its core strategies, the Bank aims to acquire new customers and re-activate inactive customers through effective marketing practices, increase its cross selling capabilities and improve its overall service quality. In line with its strategy, the Bank has pursued a policy of increasing and diversifying its loan portfolio, with a particular emphasis on the higher-yielding business divisions of retail and mid cap SME customers. Particularly, as GDP growth in Turkey and per capita income among the Bank's targeted customer base has generally increased over recent years, the demand for SME and retail credit has grown. These developments, coupled with the Bank's strategy to diversify its asset base by reducing investments in its securities portfolio and increasing its loan portfolio, led to an increase in the Bank's loans and advances between 2011 and 2016. The Bank's loans and advances totalled TL 232.6 billion as of 31 December 2016, an increase of 24.5% from TL 186.8 billion as of 31 December 2015 and represented an increase of 31.6% in 2015 from TL 141.9 billion as of 31 December 2014. A considerable portion of this growth was from corporate and SME loans growth as well as an increase in loans allocated for large infrastructure projects. In 2016, in line with its main strategies, the Bank focused on lending to the SME and corporate segments, which is also one of the core components of the Central Bank's macro-prudential policies.

Provisioning

The Bank's financial results are significantly affected by the amount of provisions for possible loan losses recorded in any period. The Bank's net allowance for losses on loans and advances was TL 3,966 million in 2016 compared to TL 2,271 million in 2015, which constitutes a 74.7% increase. This increase was mainly due to a change in policy on NPL coverage, with the Bank increasing its provisioning levels, which resulted in an increase in the Bank's coverage ratio to 94.0% of NPLs in 2016, as compared to 72.3% in 2015.

The limited increase in the NPL ratio, however, is closely related to effective NPL collection capabilities through the Bank's new credit evaluation and monitoring system, which allowed the Bank to control its NPL ratio despite a strong growth of the Bank's loan book over recent years.

The Bank's senior management believes that its relatively low NPL levels have been supported by its long-standing experience with its retail and agricultural customers and its prudent credit policies and procedures. Unlike certain other Turkish banking institutions, the Bank has not written-off or sold to third parties any of its NPLs. Senior management believes that the Bank also enjoys strong collection capabilities. The average collection period of NPLs is approximately three years which indicates that the Bank has relatively effective collection procedures. The following table shows the NPL ratios (non-performing loans divided by total loans and receivables plus non-performing loans) of the Bank compared to the sector for the periods specified.

	As of 31 December		
	2016	2015	2014
		(%)	
Bank.....	1.8	1.7	1.9
Sector.....	3.2	3.1	2.9

Source: the Bank. Sector comparison as per BRSA solo data.

As of 31 December 2016, the Bank's NPL ratios for its retail, corporate and SME loan portfolios were 1.4%, 1.2% and 2.1%, respectively. As of 31 December 2016, the NPL ratios in the overall Turkish retail, corporate and SME banking sectors were 4.3%, 2.0% and 4.6%, respectively, according to the data published by the BRSA.

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.

The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2016 both include a free provision amounting to TL 945 million, of which TL 295 million was reversed from the income statement in the current year. The Bank's unconsolidated and consolidated statements of financial position as of 31 December 2015 and 2014 include a free provision amounting to TL 1,240 million and TL 1,320 million, respectively, TL 79.6 million and TL 268 million of which, respectively, was charged to income statements as an expense for the respective years.

The Bank's senior management provided these free provisions considering the circumstances that may arise from any changes in the economy or market conditions. 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 years ended 31 December 2015 and 31 December 2014. Conversely, as the Bank reversed a part of its provisions in the year ended 31 December 2016, then its net income 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.

Exchange Rates

A portion of the Bank's assets and liabilities is denominated in foreign currencies, particularly the U.S. Dollar and the Euro. As of 31 December 2016, 34.1% of the Bank's total assets and 31.6% of the Bank's total liabilities and equity were denominated in foreign currencies as compared to 33.5% of the Bank's total assets and 34.4% of the Bank's total liabilities and equity denominated in foreign currencies as of 31 December 2015 and 30.6% of the Bank's total assets and 32.2% of the Bank's total liabilities and equity were denominated in foreign currencies as of 31 December 2014. The Bank's policy for managing foreign currency risk is designed to ensure that foreign exchange assets are by a large extent matched by foreign exchange liabilities denominated in the same currency after taking into account the effect of derivative instruments to minimise its currency risk and the Bank also engages in foreign currency hedging as needed. The Bank has maintained and may continue to maintain a difference between the balances of such foreign exchange denominated assets and liabilities. This difference was TL 10.1 billion (assets being higher than liabilities) as of 31 December 2016 but due to the effect of derivatives transactions, the net position is insignificant. 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, into Turkish Lira in preparing its financial statements. Nevertheless, the overall effect of exchange rate movements on the Bank's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies, as well as the successful implementation of the Bank's hedging strategies. The Bank recorded a net foreign exchange gain of TL 1,604 million for the year ended 31 December 2016, a net foreign exchange gain of TL 1,004 million for the year ended 31 December 2015 and a gain of TL 1,450 million for the year ended 31 December 2014. See "*—Analysis of the Results of Operations for the Years Ended 31 December 2016, 2015 and 2014—Net Trading Income from securities, Net trading income/(loss) from derivative financial instruments and Foreign exchange losses, net*" for more information on the variations in net foreign exchange losses.

Exchange rate movements can also have an effect on the Turkish Lira equivalent value of the Bank's foreign exchange denominated assets and capital, which can affect capital adequacy either positively (for example, as in the case of other banks, if the Turkish Lira appreciates, then assets in foreign currencies translate into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then foreign currency denominated assets translate into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios). 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*" and "*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*" of the Base Prospectus, incorporated by reference herein.

Critical Accounting Policies

The Bank's accounting policies are integral to understanding its financial condition and results of operations presented in the 2016 Audited Unconsolidated Financial Statements and the Unconsolidated Annual Financial Statements and the notes thereto. The Bank's significant accounting policies are described in the Notes to the 2016 Audited Unconsolidated Financial Statements, incorporated by reference herein, under "*Section Three—Explanations on Accounting Policies*". The preparation of the financial statements in accordance with BRSA Principles requires senior management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement, in the carrying value of assets and liabilities on the balance sheet, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The Bank's senior management believes that the following significant accounting policies require more critical judgments or estimates or involve a greater degree of complexity in the application of accounting policies that affect the Bank's financial condition and results of operations.

Classification of financial assets

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with a counterparty, or capital instrument transactions with a counterparty. They have the ability to affect and diminish the liquidity, credit and interest rate risks in the Bank's financial statements. Financial assets are classified as: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading, and are either acquired to generate profit from short-term fluctuations in their price or dealers margin, or are financial assets included in a portfolio that has been created to realise short-term profit regardless of the purpose of their acquisition. These trading securities are carried at fair value in the Bank's financial statements.

Any gains or losses resulting from such valuation are recorded in the Bank's profit and loss accounts. A positive difference between the cost and fair value of a financial asset held-for-trading is recognised under the "Other Interest and Income Accrual" account, while a negative difference is recognised under the "Impairment Loss for Marketable Securities" account. Where there is a positive difference between the cost and amortised cost this is recognised under the "Interest Income" account. A negative difference is recognised under the "Impairment Loss for Marketable Securities" account. A positive difference between the fair value and amortised cost is recognised under the "Profit from Capital Market Operations" account, while a negative difference is recognised under the "Loss from Capital Market Operations" account.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets for which there is an intention of holding until maturity and where the conditions for fulfilment of such intention exist, including funding ability and fixed or determinable payments with fixed maturity. Held-to-maturity assets are initially recognised at fair value and subsequently valued at amortised cost by using the internal rate of return method less provision for any impairment. Interest received from held-to-maturity financial assets is recognised in the income statement as an interest income.

Loans and receivables

Loans and receivables are financial assets other than those held-for-trading or held-for-sale and are generated by providing cash, assets or services to the debtor. Loans and receivables are initially recognised at cost and are subsequently valued at amortised cost by using the internal rate of return method. Short-term and long-term loans are open or guaranteed, while foreign currency loans are recognised at a fixed price and revalued at period-ends using the counter foreign exchange buying rate of the Bank.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables. Available-for-sale financial assets are initially recognised at fair value and are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available-for-sale financial assets is accounted for as "Other Interest Income Accrual". Furthermore, amortised cost using the effective interest method and cost are compared and the difference is accounted for as interest income or impairment expense. Fair value and amortised cost of these assets are compared and the difference is recognised in shareholders' equity as the "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired, the respective fair value differences accumulated in shareholders' equity are transferred to the income statement.

When fair value calculations based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at amortised cost using the effective interest method or appropriate valuation methods.

Impairment of financial assets

A financial asset or group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more event(s) subsequent to the initial recognition of the asset or group of assets has had an effect on the reliable estimate of the expected future cash flows of that asset or group of assets.

If on revaluation financial assets at fair value through profit or loss are worth less than their previous value, records will initially be adjusted to reflect the change. If the impairment loss is more than a prior value increase, the difference is recognised under "Impairment Expense for Marketable Securities". If there is a subsequent increase in value, the initially recognised impairment loss will be reversed.

If assets held-to-maturity, subsidiaries, associates or entities under common control are subject to permanent impairment, the amount is charged to "Impairment Expenses for Subsidiaries, Associates, Assets Held to Maturity".

Loans and other receivables are classified by the Bank in accordance with the Communiqué on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions" published in the Official Gazette No. 26333 and dated 1 November 2006 ("**Communiqué No. 26333**").

If available-for-sale financial assets are subject to permanent impairment, the relevant amount is charged to the "Impairment Expense for Marketable Securities" account in accordance with the related Turkish Accounting Standards ("**TAS**").

Fair Value of Securities

The Bank's securities are classified as either financial assets at fair value through profit or loss (i.e. trading securities) or investment securities (which include both available-for-sale financial assets and held-to-maturity financial assets). The Bank initially recognises both trading securities and investment securities at cost and the cost of the securities are regarded as fair value. Investment securities classified as held-to-maturity are subsequently measured at amortised cost using the effective interest rate method. Investment securities classified as available-for-sale, by contrast, are subsequently measured at fair value, as are trading securities. Unrealised gains and losses on both securities classified as held-to-maturity and trading securities are recognised in each period as profit or loss in the income statement. Unrealised gains and losses on securities classified as available-for-sale accumulate under shareholders' equity until they are sold or the Bank recognises a permanent impairment, when the accumulated profit or loss recognised under shareholders' equity flows through to the income statement.

Trading securities and securities classified as available-for-sale collectively represented 87.3% and 84.4% of the Bank's total securities portfolio as of 31 December 2016 and 31 December 2015, respectively. Nearly all of these securities were recorded at fair value. Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable unrelated party, without any deduction for transaction costs. The Bank estimates fair value using quoted market prices when available. When quoted market prices are not available, the Bank uses a variety of models that include dealer quotes, pricing models and quoted prices from instruments with similar characteristics or discounted cash flows. The determination of fair value when quoted market prices are not available involves judgment by the Bank's senior management. There is often limited market data to rely upon when estimating the impact of holding a large or aged position. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors may affect the amount of revenue or loss recorded for a specific asset or liability.

Besides the trading securities and available-for-sale financial assets, the Bank also monitors the fair value of its held-to-maturity financial assets to determine whether a decline in their fair value reflects that a write-down would be appropriate. Although held-to-maturity financial assets are kept at their amortised costs on the balance sheet and the marked-to-market differences on available-for-sale financial assets are recorded under equity instead of the income statement, if senior management determines such to be the case, then such securities would be written down and be reflected as net impairment losses on financial assets under operating expense in the income statement. Factors that are used by the Bank's senior management in determining whether a decline is "other-than-temporary", and represents a loss event that has an effect on senior management's ability to reliably estimate the expected future cash flows of the related asset, include the credit quality of the issuer, the conditions of the issuer's operations and business segments, the observed period of the loss, the degree of the loss and senior management's expectations.

Defined Benefit Plan

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 Group 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 690.2 million as of 31 December 2016 and TL 683.3 million as of 31 December 2015.

Some of the Bank's personnel are members of the Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and Türkiye Halk Bankası A.Ş. Employees' Pension Fund (the "**Fund**") which was established by the 20th provisional article of the Social Security Law Act No. 506. The Social Security Law Act No. 506 was abolished by the Social Security Law No. 5510 (the "**Social Security Law**"), with the exception of the 20th provisional article. As of 31 December 2015, the number of personnel who benefit from the Fund, excluding dependents, was 21,347 (compared with 18,220 in 2014). 17,644 of these members were active, while 3,703 were passive (compared with 14,572 active and 3,648 passive members in 2014). As of 31 December 2016, the number of personnel who benefit from the Fund, excluding dependents, was 22,221. 18,450 of these members were active, while 3,771 were passive.

The Bank's technical balance sheet report as of 31 December 2016, which is prepared in accordance with the Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations No. 5754 and the determined rate of 9.8%, concluded that no technical deficit arises in the Fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from the Fund or reductions in future contributions to the Fund, no asset related to the Fund is recognised in the Bank's financial statements.

In accordance with the relevant legislation in Turkey, pension funds were required to be transferred directly to the Social Security Fund ("**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 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 is then 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 semi-annually by an independent actuary registered with the Undersecretariat of Treasury. As per the latest independent actuary reports dated 31 December 2016, the Group had no excess obligation that needed to be provided for as of 31 December 2016.

Taxation

Income tax is calculated on the basis of taxable income as calculated by applicable tax laws and regulations. The Bank's effective tax rate was 23.3% for the year ended 31 December 2016, 21.4% for the year ended 31 December 2015, and 21.8% for the year ended 31 December 2014. In preparing its financial statements, the Bank is required to estimate taxes on income, which involves an estimation of current tax expenses together with an assessment of temporary differences resulting from differences between carrying amounts of assets and liabilities for financial reporting purposes and the corresponding bases used in the calculation of taxable profit. Although the Bank generally recognises deferred tax liabilities on all taxable temporary differences, it will only recognise a deferred tax liability if and to the extent it believes that future taxable profits will be available to cover the deferred tax liability being recognised. This necessarily entails senior management estimates of future taxable profit, as well as calculations based on tax rates that are expected to be applied at some point in the future. If these estimates and related assumptions prove to be incorrect, then the Bank may be required to record valuation allowances against its deferred tax assets resulting in additional tax expense in its income. The Bank evaluates the recoverability of deferred tax assets on a daily basis.

Analysis of the Results of Operations as of and for the Years Ended 31 December 2016, 2015 and 2014

The following summary of financial and operating data as of and for the years ended 31 December 2016, 2015, and 2014 has been extracted without material adjustment from the Bank's Unconsolidated Annual Financial Statements and the notes thereto incorporated by reference herein.

	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 incomes/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

BRSA			
Year ended 31 December			
	2016	2015	2014
<i>(TL thousands)</i>			
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

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—APMs of Financial Performance*", "*Non-GAAP Measures of Financial Performance*" and "*Summary Financial and Other Information—Key Ratios and Other Information*" of the Base Prospectus, incorporated by reference herein. The following table sets out certain key performance indicators for the Bank for the periods indicated:

BRSA			
Year ended 31 December			
	2016	2015	2014
<i>(%, except as indicated)</i>			
Yield ⁽¹⁾	9.9	9.7	9.7
Net interest margin ⁽²⁾	5.1	4.6	4.6
Net interest spread ⁽³⁾	5.1	4.7	4.7
Cost to income ratio ⁽⁴⁾	31.3	40.1	38.9
Operating expenses to total average assets ratio ⁽⁵⁾	1.6	1.9	1.8
Return on average total assets ⁽⁶⁾	2.0	1.9	1.8
Return on average shareholders' equity ⁽⁷⁾	18.8	17.2	17.3
Earnings per share ⁽⁸⁾	1.3	1.0	0.9
Operating income before provisions (excluding dividend income) ⁽⁹⁾ <i>(TL thousands)</i>	16,957,820	12,983,363	10,525,051

- (1) Yield represents interest income as a percentage of average interest earning assets.
- (2) Net interest margin represents net interest income before provisions for loan losses as a percentage of average interest earning assets.
- (3) 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.
- (4) 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).
- (5) 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).
- (6) 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).
- (7) 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).
- (8) Earnings per share represents profit for the period divided by number of shares.
- (9) Expressed in TL thousands. 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).

Interest income

Interest income and expenses are recognised on an accrual basis using the internal rate of return method in conformity with TAS 39 "Financial Instruments: Recognition and Measurement". In accordance with the Communiqué No. 26333, no interest accrual is calculated for NPLs. Interest income related to NPLs is

recognised as such only when they are collected, while interest accruals calculated for NPLs that are not collected are reversed.

The Bank's interest income consists of interest income from (i) loans, (ii) reserve deposits, (iii) banks, (iv) money market placements and (v) marketable securities, as well as other interest income. Interest income is a function of both the volume of interest-earning assets and the yield that the Bank earns on these assets.

The Bank's loans and receivables represented the largest portion of the Bank's total assets, with 65.0%, 61.7% and 57.3% of the Bank's total assets as of 31 December 2016, 2015 and 2014, respectively. As of the same dates, the Bank's securities portfolio comprised 19.3%, 21.4% and 26.1% of the Bank's total assets, respectively. In line with its strategy of diversifying its asset base and by reducing investments in its securities portfolio to a loan book, the Bank has been gradually decreasing its securities portfolio. As a result, the interest income the Bank generates on its loans and receivables typically has the largest impact on the Bank's profitability. See "*Significant Factors Affecting the Bank's Financial Condition and Results of Operations—Interest Rates*". For information on the average interest rates earned by the Bank on its interest-earning assets, see "*Selected Statistical and Other Information—Average Balances*".

The Bank's interest income increased by 23.8% to TL 27.3 billion in the year ended 31 December 2016 from TL 22.1 billion in the year ended 31 December 2015 and by 21.4% in the year ended 31 December 2015 from TL 18.2 billion in the year ended 31 December 2014. For each of these periods, the Bank experienced an increase in the interest income generated from its loans, mainly due to growth in its loan portfolio and, in certain cases, interest charged, partially offset by a consistent decrease in interest from marketable securities. As the Bank expects to continue to gradually increase the share of loans, while decreasing the share of securities in its portfolio, it expects this shift to benefit its interest income and overall profitability.

The following tables set out the components of the Bank's total interest income for the periods indicated:

	BRSA			Change	
	Year ended 31 December				
	2016	2015	2014	2016/15	2015/14
	(TL thousands)			(%)	
Interest income from loans	21,512,183	16,676,949	12,754,847	29.0	30.7
Interest income from reserve deposits	184,904	59,963	4,531	208.4	1223.4
Interest income from banks	86,129	66,961	58,405	28.6	14.6
Interest income from money market placements	222	8	8	2675.0	—
Interest income from marketable securities	5,487,868	5,197,221	5,333,024	5.6	(2.5)
Other interest income	19,383	49,393	14,192	(60.8)	248
Total interest income	27,290,689	22,050,495	18,165,007	23.8	21.4

Interest income from loans

Interest income from loans increased by 29.0% to TL 21.5 billion in the year ended 31 December 2016 from TL 16.7 billion in the year ended 31 December 2015, primarily due to the Bank's increasing loan portfolio and to a lesser extent due to increasing foreign exchange loan yields due to the impact of Turkish Lira depreciation.

Average interest rates on Turkish Lira denominated loans increased to 12.1% in the year ended 31 December 2016 from 11.6% in the year ended 31 December 2015 due to upward loan repricing in line with market interest rates. Average interest rates on foreign currency denominated loans decreased to 5.2% in the year ended 31 December 2016 from 5.3% in the year ended 31 December 2015, principally driven by market conditions.

Average balances of the Bank's Turkish Lira denominated loan portfolio increased by 23.3% to TL 155.0 billion in the year ended 31 December 2016 from TL 125.7 billion in the year ended 31 December 2015. Average balances of the Bank's foreign currency denominated loan portfolio increased by 41.5% to TL 54.7

billion in the year ended 31 December 2016 from TL 38.7 billion in the year ended 31 December 2015 as a result of the growth in the Bank's foreign currency denominated corporate loan portfolio and, as the Bank's foreign currency loan portfolio is U.S. Dollar denominated, depreciation of the Turkish Lira against the U.S. Dollar.

Interest income from loans increased by 30.7% to TL 16.7 billion in 2015 from TL 12.8 billion in 2014. The increases in 2014 and 2015 were primarily due to the Bank's increasing loan portfolio and in 2015 were also to a lesser extent due to increasing FX loan yields due to currency depreciation impact. See *"Selected Statistical and Other Information—Analysis of Changes in Net Interest Income and Interest Expense by Volume and Rate"*.

Average interest rates on Turkish Lira denominated loans increased to 11.6% in 2015 from 11.4% in 2014. Average interest rates on foreign currency denominated loans increased to 5.3% in 2015 from 5.02% in 2014.

Average balances of the Bank's Turkish Lira denominated loan portfolio increased by 25.2% to TL 125.7 billion in 2015 from TL 100.4 billion in 2014. Average balances of the Bank's foreign currency denominated loan portfolio increased by 48.3% in 2015 to TL 38.7 billion from TL 26.1 billion in 2014. The growth in 2015 resulted from growth in the Bank's foreign currency denominated corporate loan portfolio and, as the Bank's foreign currency loan portfolio is U.S. Dollar denominated, depreciation of the Turkish Lira against the U.S. Dollar.

Interest income from marketable securities

Interest income from marketable securities, which comprises primarily Turkish Government treasury bills and bonds, increased by 5.6% to TL 5.5 billion in the year ended 31 December 2016 from TL 5.2 billion in the year ended 31 December 2015, due primarily to the increase in the size of the marketable securities portfolio and average yield of the portfolio. The average yield of the Bank's Turkish Lira denominated securities portfolio increased by approximately 50 basis points between December 2016 and December 2015 due primarily to market conditions. Average interest rates on the Bank's securities portfolio increased to 8.2% in the year ended 31 December 2016 from 8.0% in the year ended 31 December 2015. Average interest rates on the Bank's Turkish Lira denominated securities portfolio increased to 9.3% in the year ended 31 December 2016 from 8.8% in the year ended 31 December 2015. Average interest rates on the Bank's foreign currency denominated securities portfolio remained flat at 5.5% in the years ended 31 December 2016 and 2015. Average balances of the Bank's Turkish Lira denominated securities decreased by 2.3% to TL 48 billion in the year ended 31 December 2016 from TL 49.2 billion in the year ended 31 December 2015, which was primarily due to a decrease in financial assets available-for-sale, which was consistent with the Bank's strategy to decrease investment in its securities portfolio and shift to loans. Average balances of the Bank's foreign currency denominated securities portfolio increased by 21.9% to TL 18.9 billion in the year ended 31 December 2016 from TL 15.5 billion in the year ended 31 December 2015, which was primarily as a result of depreciation of the Turkish Lira against the U.S. Dollar and Euro.

Interest income from marketable securities decreased by 2.5% to TL 5.2 billion in the year ended 31 December 2015 from TL 5.3 billion in the year ended 31 December 2014. The decrease in 2015 principally reflected a reduction in interest income derived from CPI-linked securities as a result of fluctuations in inflation rates. Financial assets available-for-sale decreased by 0.8% and investments held-to-maturity increased by 1.2% in 2015 and increased by 16.2% and decreased by 36.0% in 2014, respectively.

Average interest rates on the Bank's securities portfolio decreased to 8.0% in 2015 from 8.37% in 2014. Average interest rates on the Bank's Turkish Lira denominated securities portfolio decreased to 8.8% in 2015 from 9.13% in 2014. Average interest rates on the Bank's foreign currency denominated securities portfolio increased to 5.5% in 2015 from 5.34% in 2014. Average balances of the Bank's Turkish Lira denominated securities portfolio decreased by 3.6% to TL 49.2 billion in 2015 from TL 51.0 billion in 2014, primarily due to on-going redemptions. Average balances of the Bank's foreign currency denominated securities portfolio

increased by 22.7% in 2015 to TL 15.5 billion from TL 12.7 billion in 2014, primarily due to depreciation of the Turkish Lira and a slight increase in the Bank's foreign currency denominated securities portfolio.

Interest expense

The Bank's interest expense consists of interest expense on deposits, on borrowings, on money market borrowings and on marketable securities issued, as well as other interest expense. Interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Bank pays on these liabilities.

The Bank's deposits are the largest portion of its total liabilities, representing 62.3%, 61.6% and 61.9%, of the Bank's total liabilities as of 31 December 2016, 31 December 2015 and 2014, respectively. As a result, the interest rates the Bank pays on its deposits typically have the largest impact on its total interest expense. For information on the average interest rates paid by the Bank on its interest-bearing liabilities, see "*Selected Statistical and Other Information—Average Balances*".

The Bank's interest expense increased by 15.6% to TL 13.3 billion in the year ended 31 December 2016 from TL 11.5 billion in the year ended 31 December 2015, which primarily reflected an increase in interest-bearing liabilities, mainly due to growth in the Bank's deposit base, partially offset by a decrease in deposit costs.

The Bank's interest expense increased by 20.8% to TL 11.5 billion in 2015 from TL 9.6 billion in 2014, which primarily reflected the rise in cost of funding, which mainly resulted from an increase in deposit costs, due to the Central Bank's increases in interest rates in the first quarter of 2014, and also the increase in money market borrowings. The Bank generally uses local currency money market borrowings for short term funding transactions, which include bank deposits, repo transactions and currency swap transactions depending on the Central Bank's liquidity policy. The Bank regularly reviews its strategy for short term Turkish Lira funding based on changing market conditions and its strategy of diversifying and increasing the tenor of its funding base. Money market funding transactions in foreign currency usually have longer maturity compared to funding in local currency. The Bank also uses currency swaps in order to generate liquidity in different currencies.

The following tables set out the components of the Bank's interest expense for the periods indicated:

	BRSA			Change	
	Year ended 31 December				
	2016	2015	2014	2016/15	2015/14
	<i>(TL thousands)</i>			<i>(%)</i>	
Interest expense on deposits	9,911,323	8,668,465	7,512,243	14.3	15.4
Interest expense on borrowings	469,531	403,341	270,463	16.4	49.1
Interest expense on money market borrowings.....	2,524,582	2,127,843	1,527,007	18.6	39.3
Interest expense on marketable securities issued ⁽¹⁾	382,299	281,151	197,882	36.0	42.1
Other interest expense	54,683	60,769	50,566	(10.0)	20.2
Total interest expense.....	13,342,418	11,541,569	9,558,161	15.6%	20.8

(1) Represents interest expense on Turkish Lira denominated bonds.

Interest expense on deposits

Interest expense on deposits increased by 14.3% to TL 9.9 billion in the year ended 31 December 2016 from TL 8.7 billion in the year ended 31 December 2015, which was due primarily to the growth in the deposit base, offset by a decrease in average interest rates.

Average interest rates on the Bank's Turkish Lira denominated deposits remained stable at 8.9% in the year ended 31 December 2016 and 31 December 2015. Average interest rates on the Bank's foreign currency denominated deposits decreased to 1.3% in the year ended 31 December 2016 from 1.6% in the year ended 31 December 2015.

Average balances of the Bank's Turkish Lira denominated deposits increased by 18.5% to TL 135.2 billion in the year ended 31 December 2016 from TL 114.1 billion in the year ended 31 December 2015. Average balances of the Bank's foreign currency denominated deposits increased by 24.7% to TL 69.5 billion in the year ended 31 December 2016 from TL 55.8 billion in the year ended December 2015. The increase in 2016 was due to depreciation of the Turkish Lira against the U.S. Dollar and Euro.

Interest expense on deposits increased by 15.4% to TL 8.7 billion in 2015 from TL 7.5 billion in 2014. The increase in 2015 was due primarily to an increase in TL deposit costs and the growth in the deposit base. The increase in 2014 was due primarily to a rise in TL deposit costs due to the Central Bank's rate increases in the first half of 2014 as well as continued growth in the Bank's deposit base.

Average interest rates on the Bank's Turkish Lira denominated time deposits increased to 8.9% in 2015 from 8.3% in 2014. Average interest rates on the Bank's foreign currency denominated time deposits decreased to 1.6% in 2015 from 1.93% in 2014. The Bank does not pay interest on demand deposits.

Average balances of the Bank's Turkish Lira denominated deposits increased by 39.6% to TL 114.1 billion in 2015 from TL 104.1 billion in 2014. The increase in 2015 compared to 2014 was principally as a result of an increase in time deposits from the retail segment customers. Average balances of the Bank's foreign currency denominated deposits increased by 28.5% to TL 55.8 billion in 2015 from TL 43.4 billion in 2014.

Net interest income/expenses

Net interest income/expenses is the difference between the Bank's interest income and interest expense, that is the difference between the interest income that the Bank receives on its interest-earning assets and the interest expense that it pays on its interest-bearing liabilities. Net interest income is the principal source of income for the Bank and represents the differential between the interest rates that it receives 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/expenses represented 81%, 80% and 80% of total operating income/expenses for the years ended 31 December 2016, 2015 and 2014, respectively.

Net interest income increased by 32.7% to TL 13.9 billion in the year ended 31 December 2016 from TL 10.5 billion in the year ended 31 December 2015 as a result of higher growth in the Bank's loan portfolio, compared to growth in its deposits, as well as the positive impact of loan repricing and growth in higher-yielding loan segments.

Net interest margin increased to 5.1% in the year ended 31 December 2016 compared to 4.6% in the year ended 31 December 2015. This was mainly due to decreasing deposit costs, combined with higher yields from its assets and higher interest rates from TL denominated loans.

Net interest income increased by 22.1% to TL 10.5 billion in 2015 from TL 8.6 billion in 2014, as a result of interest earnings on loans increasing more than interest expenses on deposits as a result of the Bank's focus on growing its loan book and increasing its loan/deposit ratio; the reasons for these changes in interest income and interest expense are discussed in more detail above under "*Interest income*" and "*Interest expense*", respectively.

Net interest margin remained flat at 4.6% in the year ended 31 December 2015 compared to 4.6% in the year ended 31 December 2014. Despite the market conditions characterised by increasing deposit and repo funding costs, the Bank has maintained its net interest margin with funding diversification and to a large extent due to higher yields from its assets. For additional information, see "*Selected Statistical and Other Information—Average Interest Earning Assets, Yields, Margin and Spreads*".

Net fees and commissions income/expenses

Net fees and commissions income/expenses are the difference between the Bank's fees and commission income, and fees and commission expenses. Net fees and commissions income is the second largest source of income for the Bank. The Bank earns fees and commission income on both capital-intensive products (such as origination fees on cash loans and fees for credit cards, letters of credit and guarantees) and non-capital-intensive products (payroll accounts and financial intermediation services).

Commission income from banking, agency and intermediary services is recognised as income on the date collected. Commission income from retail, corporate and SME loans is recognised on an accrual basis by using the internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commissions expenses are recorded as an expense on the date they are paid.

The Bank's net fees and commissions income/expenses increased by 26.4% to TL 1,643 million in the year ended 31 December 2016 from TL 1,300 million in the year ended 31 December 2015, which was due primarily to increased fees and commissions received from banking services primarily due to increase in non-cash lending activities.

The Bank's net fees and commissions income/expenses increased by 20.7% to TL 1,300 million in 2015 from TL 1,077 million in 2014. The increase in 2015 was mainly due primarily to increased fees and commissions received from banking services primarily due to increase in non-cash lending activities. The following tables set out the components of the Bank's fees and commissions income and expenses for the periods indicated:

	BRSA			Change	
	Year ended 31 December				
	2016	2015	2014	2016/15	2015/14
	<i>(TL thousands)</i>			<i>(%)</i>	
Non-cash loans	340,407	242,486	166,197	40.4	45.9
Other	1,682,445	1,394,208	1,190,317	20.7	17.1
Fees and commissions received	2,022,852	1,636,694	1,356,514	23.6	20.7
Non-cash loans	362	204	111	77.5	83.8
Other	379,642	336,409	279,288	12.9	20.5
Fees and commissions paid	380,004	336,613	279,399	12.9	20.5
Net fees and commissions income/expenses	1,642,848	1,300,081	1,077,115	26.4	20.7

Dividend income

Dividend income consists of dividends from trading financial assets, financial assets at fair value through profit or loss and available-for-sale assets, as well as other dividend income (which reflects the Bank's dividend income from equity investments, subsidiaries, associates and entities under common control).

Dividend income increased by 21.7% to TL 259.2 million in the year ended 31 December 2016 from TL 213.1 million in the year ended 31 December 2015. Dividend income increased by 11.1% to TL 213.1 million in 2015 from TL 191.8 million in 2014. The increase in 2016 and 2015 was due primarily to increase in dividend income from equity investments, subsidiaries, associates and entities under common control.

Trading profit/loss (net)

Trading profit/loss (net) principally reflects the Bank's profit or loss from capital markets operations, as well as from derivative financial transactions and foreign exchange. The Bank's trading profit/loss (net) was a loss of TL 187.8 million in the year ended 31 December 2016, representing a 13.5% increase from a TL 165.5 million loss in the year ended 31 December 2015, which was due primarily to increased losses on

derivative financial transactions. The Bank's trading profit/loss (net) was a loss of TL 165.5 million in the year ended 31 December 2015 as compared to a loss of TL 70.0 million in the year ended 31 December 2014, which was due primarily to the significant depreciation of the Turkish Lira against the U.S. Dollar and Euro.

The Bank's foreign exchange gains/losses include both realised and unrealised gains/losses. The realised gains/losses result from the settlement of foreign exchange transactions and derivative transactions, whereas unrealised gains/losses arise from the Bank's foreign currency positions. The unrealised gains/losses consist of two aspects: unrealised gains/losses on the balance sheet position and unrealised gains/losses on the off-balance sheet position. The foreign exchange gains/losses arising from the settlement of foreign exchange transactions and the unrealised gains/losses from the balance sheet foreign currency position are included under the line item "Foreign exchange losses, net" whereas both the realised and unrealised gains/losses on off-balance sheet transactions and positions (which principally result from derivative transactions) are recorded under "Net trading loss from derivative financial instruments". Therefore, although the Bank did not hold any material foreign exchange net open positions throughout the years 2016, 2015 and 2014 (considering both on-balance sheet and off-balance sheet positions), "Profit/loss from foreign exchanges" varied among these periods depending upon the balance sheet and off-balance sheet positions in gross terms.

Other operating income

Other operating income principally consists of reversals of prior period provisions. It also includes other income items such as income from fixed asset sales, mutual fund management fees, dividend surplus reversals and severance provision reversals. Other operating income increased by 16.0% to TL 1,555 million in the year ended 31 December 2016 from TL 1,340 million in the year ended 31 December 2015, which was primarily due to reversals from prior period provisions.

Other operating income increased by 47.1% to TL 1,340 million in the year ended 31 December 2015 from TL 911.1 million in the year ended 31 December 2014. The increase in 2015 was primarily due to reversals of prior period provisions.

Provision for losses on loans or other receivables

Provision for losses on loans or other receivables consists primarily of provisions for loans and other receivables losses, which is comprised of amounts for specifically identified impaired and non-performing cash loans plus a further portfolio-basis allowance amount that the Bank's senior management believes to be adequate to cover the inherent risk of loss present in the pool of performing cash loans. In addition to provisions for possible losses on cash and non-cash loans and receivables, the Bank's provision for losses on loans or other receivables include impairment provisions for marketable securities and investment in subsidiaries, associates, joint ventures and marketable securities held to maturity.

The Bank had provision for losses on loans or other receivables of TL 3,345 million in the year ended 31 December 2016, compared to provision for losses on loans or other receivables of TL 1,421 million in the year ended 31 December 2015, representing an increase of 135.5%. The provision for losses on loans or other receivables decreased 1.6% in 2015 from TL 1,443 million in the year ended 31 December 2014. See "*Turkish Regulatory Environment—Loan Loss Reserves*" of the Base Prospectus, incorporated by reference herein.

The Bank had specific provisions of TL 3,966 million in the year ended 31 December 2016, compared to specific provisions of TL 2,271 million in the year ended 31 December 2015, representing an increase of 74.7%. The Bank's specific provisions increased by 17.5% to TL 2,271 million in 2015 from TL 1,932 million in 2014. The increases in the years ended 31 December 2016 and 2015 were primarily due to the continuing increase in NPL generation in absolute terms, as a result of the Bank's growing loan portfolio.

The Bank's NPL ratio was 1.8% as of 31 December 2016, as compared to 1.7% as of 31 December 2015, and 1.9% as of 31 December 2014.

The following table sets out the movements in the Bank's provisions for losses on loans and other receivables for the periods indicated:

	BRSA		
	Year ended 31 December		
	2016	2015	2014
		<i>(TL thousands)</i>	
Specific provision for loans and other receivables	2,250,153	880,862	740,633
General provision expenses	1,078,085	529,360	343,414
Provision expenses for possible losses	3,960	7,350	271,600
Marketable securities impairment expense	119	1,714	23
Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity	—	—	—
Other	12,553	1,268	87,524
Total	3,344,870	1,420,554	1,443,194

Other operating expenses

Other operating expenses increased by 1.8% to TL 5,303 million in the year ended 31 December 2016 from TL 5,208 million in the year ended 31 December 2015. Operating expenses remained relatively stable, mainly due to decreased fee rebates paid in 2016 (classified as Other under Other Operating Expenses; see table below), as well as continued focus on cost control.

Other operating expenses increased by 27.2% to TL 5,208 million in the year ended 31 December 2015 from TL 4,095 million in the year ended 31 December 2014. The increase was primarily a result of the administrative fine of TL 110 million imposed on the Bank (as well as other Turkish banks) by the Ministry of Customs and Trade related to advertising disclosures of loan pricing and costs related to the fee rebates paid to retail customers. 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. The following tables set out the components of the Bank's other operating expenses for the periods indicated:

	BRSA			Change	
	Year ended 31 December				
	2016	2015	2014	2016/15	2015/14
		<i>(TL thousands)</i>		<i>(%)</i>	
Personnel expenses	2,286,812	2,065,716	1,820,293	10.7	13.5
Reserve for employee termination benefits	19,639	21,185	48,598	(7.3)	(56.4)
Depreciation expenses of tangible fixed assets	304,805	277,953	205,878	9.7	35.0
Amortisation expenses of intangible assets	45,338	44,304	51,531	2.3	(14.0)
Amortisation expenses of investment securities that will be disposed	2,803	2,619	2,156	7.0	21.5
Other operating expenses	1,302,561	1,183,752	862,760	10.0	37.2
Operational leasing expenses	212,513	182,999	146,208	16.1	25.2
Maintenance expenses	78,622	84,341	65,663	(6.8)	28.4
Advertisement expenses	83,419	95,112	53,806	(6.0)	76.8
Other expenses	928,007	821,300	597,083	13.0	37.6
Loss on sales of assets	1,290	1,605	1,095	(19.6)	46.6
Other	1,339,751	1,611,108	1,102,653	(16.8)	46.1
Total	5,302,999	5,208,242	4,094,964	1.8	27.2

For the years ended 31 December 2016, 2015 and 2014, the "Other" line item in the above tables included TL 476 million, TL 405 million, and TL 324 million, respectively, in expenses for saving deposit insurance. For the same periods, it also included TL 499 million, TL 408 million, and TL 321 million, respectively, in taxes, duties and charges. The ratio of saving deposits premium to the SDIF is determined according to the capital adequacy ratios of the banks.

The Bank's cost-to-income ratio decreased to 31.3% in the year ended 31 December 2016 from 40.1% in the year ended 31 December 2015, which was primarily due to a decrease in costs related to the fee rebates paid to retail customers. The cost-to-income ratio increased to 40.1% in 2015 from 38.9% in 2014. This increase in 2015 was due primarily to an increase in depreciation expenses relating to tangible fixed assets, as a result of an increase in book value of these assets following their revaluation, and an increase in personnel expenses. Another ratio monitored by the Bank is its ratio of operating expenses (calculated for this purpose as total operating expenses excluding net impairment losses on financial assets) to total average assets, which was 1.6%, 1.9% and 1.8% in the years ended 31 December 2016, 2015 and 2014, respectively.

Personnel expenses

Personnel expenses increased by 10.7% to TL 2,287 million in the year ended 31 December 2016 from TL 2,066 million in the year ended 31 December 2015. As at 31 December 2016, the Bank had 25,015 employees, compared to 25,697 employees as at 31 December 2015.

Personnel expenses increased by 13.5% to TL 2,066 million in the year ended 31 December 2015 from TL 1,820 million in the year ended 31 December 2014, which was due primarily to a moderate increase in employee headcount. As at 31 December 2015, the Bank had 25,697 employees, compared to 23,617 employees at 31 December 2014.

Provision for income tax from continuing operations

Provision for income tax from continuing operations increased by 41.8% to TL 1,993 million in the year ended 31 December 2016 from TL 1,405 million in the year ended 31 December 2015. Provision for income tax from continuing operations increased by 24.5% to TL 1,405 million in the year ended 31 December 2015 from TL 1,128 million in the year ended 31 December 2014. The increase in the year ended 31 December 2016, as compared to the year ended 31 December 2015, was primarily due to an increase in operating income.

The Bank's effective tax rate (calculated as provision for income tax from continuing operations, including deferred taxes, divided by its income before tax) was 23.3%, 21.4% and 21.8% for the years ended 31 December 2016, 2015 and 2014, respectively. The Bank's income tax payable on its corporate tax income was TL 404 million in the year ended 31 December 2016, TL 402 million in 2015 and TL 526 million in 2014.

Net profit/loss

As a result of the foregoing factors, net profit/loss increased by 27.4% to TL 6,576 million in the year ended 31 December 2016 from TL 5,162 million in the year ended 31 December 2015. Net profit/loss increased by 27.5% to TL 5,162 million in the year ended 31 December 2015 from TL 4,051 million in the year ended 31 December 2014.

Analysis of Financial Condition as of 31 December 2016, 2015 and 2014

The following summary balance sheet data are as of 31 December 2016, 2015 and 2014, which have been extracted without material adjustment from the Unconsolidated Annual Financial Statements. The information below should be read in conjunction with the notes thereto, incorporated by reference herein.

	BRSA		
	As of 31 December		
	2016	2015	2014
	(TL thousands)		
Assets:			
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
Investment held to maturity (net)	8,749,464	10,144,142	10,021,056
Investments in associates (net)	94,912	94,912	94,912
Investments in subsidiaries (net)	4,107,589	2,449,180	1,459,972
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

The Bank calculates certain ratios in order to measure its performance and to compare it to that of its main competitors. See "*Presentation of Information—APMs of Financial Performance*" and "*Summary Financial and Other Information—Key Ratios and Other Information*" of the Base Prospectus, incorporated by reference herein. The following table sets out certain key performance indicators for the Bank as of the dates indicated:

	BRSA		
	2016	As of 31 December 2015 (%)	2014
Loans to total deposits ⁽¹⁾	104.3	100.2	92.6
Loans to total assets ⁽²⁾	65.0	61.7	57.3
Securities to total assets ⁽³⁾	19.3	21.4	26.1
Deposits to total liabilities ⁽⁴⁾	62.3	61.6	61.9
Non-performing loans to total cash loans ⁽⁵⁾	1.8	1.7	1.9
Loan losses reserves to non-performing loans ⁽⁶⁾	94.0	72.3	71.1
Cost of risk ⁽⁷⁾	1.4	0.5	0.5

- (1) Loans to total deposits represents total loans and advances divided by total deposits (deposits from banks and deposits from customers).
- (2) Loans to total assets represents total loans and advances divided by total assets.
- (3) Securities to total assets represents securities divided by total assets.
- (4) Deposits to total liabilities represents total deposits (deposits from banks and customers) divided by total liabilities.
- (5) Non performing loans to total cash loans represents non-performing loans divided by loans and receivables plus non-performing loans.
- (6) Loan losses reserves to non-performing loans represents loan losses reserves divided by non-performing loans.
- (7) Cost of risk represents impairment charge for the period minus recoveries and reversals for the period, divided by average net loans.

Total Assets

The Bank's total assets were TL 357.8 billion as of 31 December 2016, an increase of 18.1% from TL 302.8 billion as of 31 December 2015, which primarily reflects an increase in the Bank's loan book. The Bank's total assets were TL 302.8 billion as of 31 December 2015, an increase of 22.3% from TL 247.6 billion as of 31 December 2014, which also primarily reflects an increase in the Bank's loan book.

Loans and receivables

Loans and receivables have historically comprised the largest portion of the Bank's total assets. As of 31 December 2016, 2015 and 2014, loans and receivables represented 65.0%, 61.7% and 57.3% respectively, of the Bank's total assets. Loans and receivables increased by 24.5% to TL 232.6 billion as of 31 December 2016 from TL 186.8 billion as of 31 December 2015. Loans and receivables increased 31.6% to TL 186.8 billion as of 31 December 2015 from TL 141.9 billion as of 31 December 2014. The increases in loans and receivables in the years ended 31 December 2016, 2015 and 2014 were primarily attributable to growth in corporate and SME loans.

The following table sets out the components of the Bank's loans and receivables as of the date indicated:

	BRSA		
	2016	As of 31 December 2015 (TL thousands)	2014
<i>Short term loans:</i>			
Non-specialised loans	39,287,958	25,270,705	27,766,818

	BRSA		
	2016	As of 31 December 2015 (TL thousands)	2014
Specialised lending.....	10,002,014	7,001,004	14,146,685
<i>Medium and long term loans:</i>			
Non-specialised loans.....	148,149,361	124,218,320	85,151,210
Specialised loans	34,952,752	29,452,830	14,065,199
Total performing loans and advances.....	232,392,086	185,942,859	141,129,911
<i>Non-performing loans and advances and allowance for impairment:</i>			
Gross non-performing loans.....	4,217,097	3,140,524	2,716,920
Specific allowance for impairment on loans	3,965,648	2,270,532	1,932,169
Net loans and advances	232,643,535	186,812,851	141,914,662

Total Liabilities

The Bank's total liabilities amounted to TL 319.4 billion as of 31 December 2016, an increase of 17.7% to TL 271.3 billion as of 31 December 2015, in turn, an increase of 23.8% from TL 219.1 billion as of 31 December 2014. The increase in total liabilities at 31 December 2016, as compared to 31 December 2015 primarily reflected the increases in deposits and money market balances. The increase in total liabilities at 31 December 2015, as compared to 31 December 2014, primarily reflected the increases in deposits and money market balances, which comprise the two principal categories of the Bank's liabilities.

Deposits

As of 31 December 2016, 2015 and 2014, deposits represented 62.3%, 61.6%, and 61.9%, respectively, of the Bank's total liabilities and equity.

Deposits increased by 19.6% to TL 223.0 billion as of 31 December 2016 from TL 186.5 billion as of 31 December 2015. The increase of deposits in the year ended 31 December 2016 principally reflected an increase in Turkish Lira denominated time deposits of corporate segment customers. Deposits increased by 21.7% to TL 186.5 billion as of 31 December 2015 from TL 153.3 billion as of 31 December 2014. The increase of deposits in the year ended 31 December 2015 principally reflected an increase in the Turkish Lira denominated retail segment deposits and foreign exchange corporate segment customer deposits.

Money market balances

As of 31 December 2016, 2015 and 2014, money market balances represented 13.2%, 14.2% and 12.8%, respectively, of the Bank's total liabilities and equity. Money market balances principally comprise funds provided under repurchase agreements.

The Bank uses repurchase agreements as an important funding source to manage liquidity in the short-term, and the outstanding balances of such transactions on the Bank's balance sheet change depending upon the relative costs of funding in the market. The Bank generally uses local currency money market borrowings, including bank deposits, repo transactions and currency swap transactions depending on the Central Bank's liquidity policy, for short-term funding transactions. The Bank regularly revises its strategy for short-term Turkish Lira funding, based on changing market conditions and its strategy of diversifying and increasing the tenor of its funding base. Money market funding transactions in foreign currency usually have longer maturities compared to funding in local currency. The Bank also uses currency swaps in order to generate liquidity in different currencies.

Money market balances increased by 9.6% to TL 47.2 billion as of 31 December 2016 from TL 43.1 billion as of 31 December 2015 and from TL 31.8 billion as of 31 December 2014, representing an increase of

35.6% in 2015. The amount of repurchase agreement transactions increased over these years as a result of changing market conditions.

After increasing the one week repo rate from 4.5% to 10% at the extraordinary meeting of 28 January 2014, the Central Bank gradually decreased the one-week repo rate to 7.5% on 25 February 2015 and kept it unchanged as a reflection of its tight monetary policy stance. 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 a further 50 basis points for all maturity brackets. On 24 January 2017, the Central Bank increased the overnight marginal funding rate from 8.5% to 9.25% and kept the borrowing rate at 7.25%. The Central Bank also kept late liquidity window borrowing rate at 0%, and increased the lending rate from 10% to 11%. See also "*Significant Factors Affecting the Bank's Financial Condition and Results of Operations—Interest Rates*".

Fluctuations and overall decrease in the Central Bank interbank overnight lending rate and the Central Bank's repo rate generally have the effect of decreasing the Bank's short-term funding costs while an increase in these rates may have short-term negative effects, such as increasing the Bank's short-term funding costs and depressing the net interest margin. For additional information on the Bank's obligations under repurchase agreements, see "*Selected Statistical and Other Information—Repurchase Obligations*".

Shareholders' Equity

Shareholders' equity increased by 21.7% to TL 38.4 billion as of 31 December 2016 from TL 31.5 billion as of 31 December 2015. The increase in shareholders' equity in the year ended 31 December 2016 reflects mainly retained earnings and market losses arising from available-for-sale securities. Shareholders' equity increased by 10.5% to TL 31.5 billion as of 31 December 2015 from TL 28.5 billion as of 31 December 2014. The increase in shareholders' equity in the year ended 31 December 2015 reflects retained earnings and market losses arising from available-for-sale securities. The Bank paid 4.8% and 3.1% of its profit for the period as dividends to shareholders for 2015 and 2014, respectively. Increasing shareholders' equity and capital adequacy ratio is one of the Bank's financial management goals for its transformation process.

Liquidity and Capital Resources

Historically, the Bank's primary source of funding has been, and is expected to continue to be, short-term deposits (including both short-term time deposits and demand deposits) from customers. See "*Risk Management—Management of Specific Risks—Liquidity Risk*".

As of 31 December 2016, 2015 and 2014, total deposits, including both deposits from customers and deposits from banks were TL 223.0 billion, TL 186.5 billion and TL 153.3 billion, respectively, representing 62.3%, 61.6% and 61.9% of total liabilities and equity as of 31 December 2016, 2015 and 2014, respectively.

Also, as of 31 December 2016, 2015 and 2014, deposits from customers only (defined as "other deposits" in the Annual Financial Statements incorporated by reference herein) were TL 211.0 billion, TL 176.7 billion and TL 147.6 billion, respectively, representing 59.0%, 58.4% and 59.6% of the Bank's total liabilities and equity for the respective dates.

As of 31 December 2016, demand deposits from customers were TL 53.1 billion, representing 23.8% of total deposits, whereas time deposits from customers were TL 157.8 billion, representing 70.8% of total deposits. Turkish Lira denominated deposits represented 67.2% of total deposits as of 31 December 2016. As of 31 December 2015, demand deposits from customers were TL 40.3 billion, representing 21.6% of total deposits, whereas time deposits from customers were TL 136.4 billion, representing 73.2% of total deposits. Turkish Lira denominated deposits represented 64.7% of total deposits as of 31 December 2015. As of 31 December 2014, demand deposits from customers were TL 31.6 billion, representing 20.6% of total deposits,

whereas time deposits from customers were TL 115.9 billion which represented 75.7% of total deposits. Turkish Lira denominated deposits represented 70.2% of total deposits as of 31 December 2014.

The following table sets forth the allocation of the Bank's funding as of 31 December 2016, 2015 and 2014:

	BRSA		
	As of 31 December		
	2016	2015 (%)	2014
Time deposits from customers.....	53.9	54.8	58.1
<i>TL denominated</i>	37.8	36.4	40.9
<i>Foreign currency denominated</i>	16.0	18.4	17.2
Demand deposits from customers.....	18.1	16.2	15.8
<i>TL denominated</i>	12.2	10.9	11.3
<i>Foreign currency denominated</i>	5.9	5.3	4.5
Deposits from banks.....	4.1	3.9	2.8
Obligations under repurchase agreements.....	14.5	16.9	15.9
Loans and advances from banks.....	7.8	7.8	7.3
Interbank money market borrowings.....	1.6	0.4	—
Total	100.0	100.0	100.0

The amount of Turkish Lira denominated bonds issued by the Bank has increased between 31 December 2015 and 31 December 2016. The net total amount of the bonds issued by the Bank increased from TL 5.3 billion to TL 6.8 billion. The amount of Turkish Lira denominated bonds issued by the Bank has increased between 31 December 2014 and 31 December 2015. The net total amount of the bonds issued by the Bank increased from TL 4.2 billion to TL 5.3 billion.

The Programme was established in May 2014. On 1 July 2014, the Bank issued U.S.\$750 million 4.25% notes due 2019 and U.S.\$500 million 4.75% under the Programme. In the following years, the Bank issued further notes under the Programme in a number of private placements for an aggregate amount of U.S.\$1,316 million, the greatest part of which has been redeemed to date. As of the date of this Drawdown Prospectus, a total amount of \$1,324.3 million is outstanding under the Programme, which includes U.S.\$74.3 million placed in private placements.

In addition, the Bank cooperates with International Financial Institutions ("**IFIs**") such as the World Bank, EIB, KfW, AFD and CEB which provide the Bank with access to long-term funding opportunities to address the investment and working capital needs of its SME customers, as well as enter into syndicated loans. Senior management expects that these loans and bond issues will allow the Bank to further diversify its funding structure. Senior management believes that, as of the date of this Prospectus, the Bank is in compliance with the terms and conditions of its loan agreements.

IBRD Loan 1. On 6 July 2010, the Bank, as borrower, and the International Bank for Reconstruction and Development (the "**IBRD**") of the World Bank, as lender, entered into a loan agreement ("**IBRD Loan 1**") in an amount equivalent to U.S.\$ 200 million for medium and long-term financing of SMEs in Turkey. The current interest rate under IBRD Loan 1 is the applicable London Interbank Offered Rate ("**LIBOR**") plus a variable spread. The principal under IBRD Loan 1 is repayable semi-annually on 1 April and 1 October, commencing on 1 October 2020. IBRD Loan 1 matures on 1 October 2035. Unless agreed by the IBRD, individual loans to SMEs in connection with the facility cannot exceed U.S.\$ 3.5 million. The obligations are guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, U.S.\$ 200 million was outstanding under IBRD Loan 1. Utilisation under IBRD Loan 1 ended on 31 March 2015.

EIF Guarantee. On 15 November 2011, the Bank, as guarantee, and the European Investment Fund (the "**EIF**"), as guarantor, entered into a global guarantee agreement (the "**EIF Guarantee**") with a maximum limit of TL 300 million to ease the guarantee requirements of SMEs in obtaining credits from banks. According to the EIF Guarantee, the Bank will provide credit facilities to SMEs and in return a maximum amount will be guaranteed by the EIF. The EIF will guarantee up to 75% of each NPL within the scope of

the agreement up to a total guarantee cap of TL 22.5 million (being 10% of the guaranteed amount). The total amount of guarantee-calls falling within the scope of the agreement cannot exceed TL 22.5 million. Furthermore, the credit limit of a single SME borrower cannot exceed EUR 25,000. To qualify for this credit, SMEs must have (i) less than 10 employees, (ii) turnover below EUR 2,000,000 and (iii) no more than five years of operations. The EIF Guarantee was amended on 20 August 2013. Pursuant to this amendment, the maximum limit was increased to TL 1.3 billion and the EIF will guarantee up to 75% of each NPL within the scope of the agreement up to a total cap of TL 73.1 million (being 7.5% of the guaranteed amount). The EIF Guarantee availability was extended to 30 June 2014. The EIF Guarantee was amended again on 18 July 2014. Pursuant to this amendment, the maximum limit was increased to TL 2.1 billion and the EIF will guarantee up to 75% of each NPL within the scope of the agreement up to a total cap of TL 118.1 million (being 7.5% of the guaranteed amount). The EIF Guarantee availability was extended to 31 December 2014. Utilisation under the guarantee which ended on 31 December 2014 reached TL 1.3 billion as of that date. No further utilisations were made under the guarantee after 31 December 2014.

EIB Loan 1. On 28 June 2012, the Bank, as borrower, and the European Investment Bank (the "**EIB**"), as lender, entered into a loan agreement ("**EIB Loan 1**") in an amount equivalent to EUR 100 million for the financing of projects in Turkey carried out by SMEs. The loan was drawn in two U.S. Dollar tranches (one with fixed and one with a variable interest rate), two Euro tranches (one with fixed and one with a variable interest rate) and one Turkish Lira tranche with a fixed interest rate. The principal under the EIB loan which commenced on 30 April 2016 is repayable semi-annually. EIB Loan 1 matures on 31 October 2022. The obligations are guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 84.5 million was outstanding under EIB Loan 1.

IBRD Loan 2. On 6 May 2013, the Bank as borrower, and the IBRD, as lender, entered into an SME Energy Efficiency loan agreement ("**IBRD Loan 2**"). IBRD Loan 2 provides for financing of an amount equivalent to U.S.\$ 67 million to finance energy efficient investments made by SMEs and larger companies. The current interest rate under IBRD Loan 2 is LIBOR plus a percentage. The principal under IBRD Loan 2 is repayable semi-annually on 15 March and 15 September, commencing on 15 March 2019. IBRD Loan 2 matures on 15 March 2043. The obligations under IBRD Loan 2 have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, U.S.\$ 22.4 million was outstanding under IBRD Loan 2.

Saudi Fund Loan. On 19 June 2013, the Bank as borrower and Saudi Fund for Development ("**Saudi Fund**") as lender entered into a line of financing agreement for the Import of Saudi Goods/Services in favour of importers from the Republic of Turkey, for an amount of U.S.\$ 50 million. Pursuant to the loan, the Bank will act as an intermediary between the Fund and the Turkish importers and will be responsible for the appointment of importers in Turkey, in accordance with the conditions of the agreement. As of 31 December 2016, U.S.\$ 6 million was outstanding under Saudi Fund Loan.

IBRD Loan 3. On 22 August 2013, the Bank as borrower, and the IBRD, as lender, entered into a credit facility agreement in relation to the financing of SME projects ("**IBRD Loan 3**"). Through lease financing, IBRD Loan 3 provides for financing of up to U.S.\$ 300 million to be on-lent to leasing companies and to those banks which are authorised to do leasing. The current interest rate under IBRD Loan 3 is LIBOR plus a percentage. The principal under IBRD Loan 3 is repayable semi-annually on 1 April and 1 October, commencing on 1 April 2019. IBRD Loan 3 matures on 1 April 2043. To qualify for this credit, an SME must have less than 250 employees and less than TL 40 million in sales or in total assets; the credit limit of an SME borrower cannot exceed U.S.\$ 3.5 million. The obligations under IBRD Loan 3 have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, U.S.\$ 133 million was outstanding under IBRD Loan 3.

EIB Loan 2/A. On 18 September 2013, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB Loan 2/A**"). EIB Loan 2/A provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps. The EIB disbursed the loan in several tranches, with floating or fixed interest rates and with a repayment schedule for each tranche to be determined by the EIB upon the Bank's submission of a disbursement notice form to the EIB. The obligations under EIB Loan 2/A

have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million was outstanding under EIB Loan 2.

KfW Loan. On 26 June 2014, the Bank as borrower, and the German Development Bank ("**KfW**"), as lender, entered into a loan agreement ("**KfW Loan**"). The KfW Loan provides for financing of a total amount equivalent to EUR 150 million to be on-lent to SMEs located in rural areas or operating in the agricultural value chain. According to the agreement, 65.0% of the loan should be allocated to the SMEs located in rural areas or operating in the agricultural value chain. KfW disbursed the loan in one tranche with a fixed interest rate at 3.1% per annum. The obligations under the KfW Loan have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 150 million was outstanding under the KfW Loan.

EIB Loan 2/B. On 8 July 2014, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB Loan 2/B**"). EIB Loan 2/B provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps. The EIB has disbursed the loan in several tranches with floating or fixed interest rates and with a repayment schedule for each tranche to be determined by the EIB upon the Bank's submission of a disbursement notice form to the EIB. The obligations under EIB Loan 2/B have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million was outstanding under EIB Loan 2/B.

EIB Loan 3/A. On 28 May 2015, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB Loan 3/A**"). EIB Loan 3/A provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps. On 27 August 2015 the EIB disbursed the loan in four tranches with floating or fixed interest rates and with a repayment schedule for each tranche that was determined by the EIB upon the Bank's submission of a disbursement notice form to the EIB. One tranche in the amount of EUR 10 million matures on 27 August 2020 and the remaining three tranches in an aggregate amount of EUR 90 million mature in August 2023. The obligations under EIB Loan 3/A have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million was outstanding under EIB Loan 3/A.

EIB Loan 3/B. On 5 May 2016, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB Loan 3/B**"). EIB Loan 3/B provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps. On 8 July 2016 the EIB disbursed the loan in two tranches, one with floating and the other with fixed interest rate and with a repayment schedule for each tranche that were determined by the EIB upon the Bank's submission of a disbursement notice form to the EIB. The obligations under EIB Loan 3/B have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million was outstanding under EIB Loan 3/B.

EIB Loan 4/A. On 27 December 2016, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB Loan 4/A**"). EIB Loan 4/A provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps. The obligations under EIB Loan 4/A have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, no amount was outstanding under EIB Loan 4/A.

EIB IPARD Loan. On 22 September 2014, the Bank as borrower, and the EIB, as lender, entered into a loan agreement ("**EIB IPARD Loan**"). The EIB IPARD Loan provides for financing of an amount equivalent to EUR 100 million to be on-lent to SMEs and mid-caps for investments approved by the Agriculture and Rural Development Support Institution ("**TKDK**"). On 28 January 2016, the EIB disbursed the loan in two tranches with floating and fixed interest rates and with a repayment schedule for each tranche that were determined by the EIB upon the Bank's submission of a disbursement notice form to the EIB. One tranche in the amount of EUR 30 million and a second in the amount of U.S.\$75.7 million mature in January 2030. The obligations under the EIB IPARD Loan have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million was outstanding under EIB IPARD Loan.

AFD Loan. On 2 December 2014, the Bank as borrower, and the French Development Agency (the "AFD"), as lender, entered into a loan agreement ("**AFD Loan**"). The AFD Loan provides for financing of an amount equivalent to EUR 100 million to be on-lent for investments relating to the modernisation of SMEs operating in the agricultural value chain. The AFD can disburse the loan in 4 tranches with each tranche being EUR 25 million, with the interest rate and repayment schedule for each tranche to be determined by the AFD by fixing the rate at the time of disbursement upon the Bank's submission of a disbursement notice form to the AFD. The obligations under the AFD Loan have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 50 million was outstanding under the AFD Loan.

CEB Loans. On 10 December 2014, the Bank as borrower, and the Council of Europe Development Bank, ("**CEB**") as lender, entered into two loan agreements ("**CEB Loans**"). The CEB Loans provide for financing of a total amount equivalent to EUR 100 million, 50 million EUR of which is to be on-lent by the Bank directly to SMEs and 50 million EUR to be on-lent to the subsidiary leasing company Ziraat Leasing to finance the SMEs through leasing transactions. The CEB can disburse the loan in at least 2 tranches with each tranche not exceeding EUR 50 million, with the interest rate and repayment schedule for each tranche to be determined by the CEB at the time of disbursement upon the Bank's submission of a disbursement notice form to the CEB. The obligations under the CEB Loans have been guaranteed by the Undersecretariat of Treasury. As of 31 December 2016, EUR 100 million, EUR 50 million of which was on-lent by the Bank to Ziraat Leasing, was outstanding under the CEB Loans.

Syndicated Loan. On 31 March 2015, the Bank, as borrower, and 41 different banks, as lenders, entered into a dual currency term loan agreement ("**Syndicated Loan**") in an amount equivalent to U.S.\$ 26 million and EUR 6 million with 364 days maturity and U.S.\$ 347 million and EUR 659.7 million with 367 days maturity. In April 2016, the Bank repaid the loan and rolled it with U.S.\$ 240.5 million and EUR 762 million in total amount, lent by 42 different banks. The maturity of the Syndicated Loan is 367 days. The current interest rate under the Syndicated Loan is LIBOR plus a percentage and EURIBOR plus a percentage, respectively. The obligations under the Syndicated Loan are neither secured nor guaranteed. As of 31 December 2016, U.S.\$ 240.5 million and EUR 762 million was outstanding under the Syndicated Loan.

BofA Loan. On 17 April 2015, the Bank, as borrower, and Bank of America Merrill Lynch International Limited ("**BofA**"), as lender, entered into a loan agreement ("**BofA Loan**") in an amount equivalent to U.S.\$ 100 million. The BofA disbursed the loan in two tranches of U.S.\$ 50 million with 372 days and 737 days maturity respectively. The obligations under the BofA Loan are neither secured nor guaranteed. On 25 April 2016, U.S.\$ 50 million having 372 days maturity was repaid to BofA by the Bank. As of 31 December 2016, U.S.\$ 50 million was outstanding under the BofA Loan.

Off-Balance Sheet Arrangements

The Bank enters into certain financial transactions with off-balance sheet risk in the normal course of business in order to meet the needs of its customers and not for speculative purposes. These transactions involve varying degrees of credit risk and are not reflected in the Bank's balance sheet. The Bank's maximum exposure to credit losses in connection with these transactions is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The following table sets out details of the Bank's commitments and contingencies as of the dates indicated, other than derivative financial liabilities which are discussed below:

	BRSA		
	As of 31 December		
	2016	2015	2014
		(TL thousands)	
Guarantee letters.....	65,779,579	49,241,937	31,861,188
Bank acceptances	4,254,132	4,191,305	3,587,084
Letters of credit	9,121,397	6,852,933	5,589,227

BRSA			
As of 31 December			
	2016	2015	2014
	<i>(TL thousands)</i>		
Total non-cash loans.....	79,155,108	60,286,175	41,037,499
Other commitments	16,107,899	12,468,557	89,424,948
Credit card limit commitments	7,258,758	7,130,144	7,160,308
Total.....	102,521,765	79,884,876	137,622,755

The Bank's total commitments and contingencies including derivative transactions increased by 33.1% to TL 182.9 billion as of 31 December 2016 from TL 137.4 billion as of 31 December 2015. The increase principally reflects the increase in letter of credits and letter of guarantees compatible with the Bank's strategy to grow its share in trade finance and reflects the increase in the derivative transactions. The Bank's total commitments and contingencies including derivative transactions decreased by 25.2% to TL 137.4 billion as of 31 December 2015 from 31 December 2014. Since 2004, the Bank has utilised transactions with derivative instruments including interest rate swaps and currency swaps for hedging purposes. Derivative financial instruments are initially recognised at fair value on the date when a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the income statement. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. As of 31 December 2016, the carrying amount of derivative financial assets was TL 1,667 million and the carrying amount of derivative financial liabilities was TL 644 million. As of 31 December 2015, the carrying amount of derivative financial assets was TL 928 million and the carrying amount of derivative financial liabilities was TL 292 million. As of 31 December 2014, the carrying amount of derivative financial assets was TL 297 million and the carrying amount of derivative financial liabilities was TL 396 million. The Bank does not engage in derivative transactions for speculative purposes.

Capital Adequacy

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 BRSA issued a series of regulations including the regulation on measurement and assessment of capital adequacy of banks, which entered into force on 1 July 2012 (the "**2012 Capital Adequacy Regulation**") on 28 June 2012. Additionally, 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). Capital and liquidity standards for banks by the Basel Committee started to be implemented in Turkey in 2014 and are expected to continue implementation through 2019.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "**2016 Capital Adequacy Regulation**"), which entered into force on 31 March 2016, and replaced the 2012 Capital Adequacy Regulation. The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. The Bank's management believes that the most important impact of the 2016 Capital Adequacy Regulation will result from the increase in the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves, which will increase from 0% to 50%. As of December 2016, such changes had an approximately 64 basis points negative impact on the Group's solvency ratio. 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 will have a positive impact on capital adequacy ratio of the Bank. In order to further align Turkish banking legislation with the Basel principles, the BRSA also amended certain regulations and communiqués as published in the Official Gazette dated 23

October 2015 and numbered 29511, amendments to which also entered into force on 31 March 2016. The Bank management expects some of these amendments to have both positive and negative impacts, however, they are not expected to have a significant net impact.

The Capital Adequacy Regulation allows the Bank to use ratings of eligible credit assessment institutions, including, as of 12 January 2017, International Islamic Rating Agency ("**IIRA**") while calculating the risk-weighted assets for capital adequacy purposes. The Bank currently uses both Fitch and IIRA ratings to calculate its capital adequacy ratio depending on the type of asset class.

The BRSA published: (a) its decision dated 18 December 2015 and numbered 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 and numbered 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

The BRSA also published a regulation regarding systemically important banks ("**SIFI**") (the "**SIFI Regulation**") in the Official Gazette dated 23 February 2016 and numbered 29633 in order to introduce additional capital requirements for SIFI in line with the requirements of Basel III. The BRSA defines SIFI 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 SIFI will be introduced at one-fourth of the full requirements (i.e., Group 4: 0.75%; Group 3: 0.5%, Group 2: 0.375% and Group 1: 0.25%). The buffers are to be fully implemented by 2019.

The Bank calculates its capital ratios referring to Basel III. The Bank is 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 Turkey—The Bank may have difficulty raising capital on reasonable terms*" of the Base Prospectus, incorporated by reference herein.

In mid-term, the Bank plans to use the Internal Ratings Based ("**IRB**") approach for both of its risk and capital adequacy calculations. In 2016, the Bank commenced a study to establish statistical model infrastructure and plans to start using IRB for its risk weighting calculations once the data is matured and the necessary models are designed. The capital adequacy ratio for the Bank as required by the BRSA is currently 8%. This ratio measures capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The target capital adequacy ratio as required 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. Under Basel II, the Bank's risk weighting for Turkish Lira denominated securities issued by the Turkish Government is currently 0%. For foreign currency denominated Turkish Treasury issued securities, the Bank applies 50% risk weight which is determined according to foreign currency rating of the Treasury. As of 31 December 2015, Turkey's five-year sovereign credit default spread was 273.6 basis points. As of 31 December 2016, Turkey's five-year sovereign credit default spread was 272.8 basis points.

The Bank maintains regulatory capital adequacy ratios on both an unconsolidated and consolidated basis in excess of the regulatory minimums required. The Bank's total capital adequacy ratio (computed on an unconsolidated BRSA basis and in accordance with the "*Regulations on Measurement and Assessment of Capital Adequacy of Banks*" issued by the BRSA) was 14.6% as of 31 December 2016. The Bank's total capital adequacy ratio (computed on an unconsolidated BRSA basis and in accordance with the "*Regulations on Measurement and Assessment of Capital Adequacy of Banks*" issued by the BRSA) was 15.1% as of

31 December 2015. The decrease in the Bank's capital adequacy ratio in the year ended 31 December 2016 was primarily due to the growth in the Bank's loan portfolio and, to a lesser extent, the increase in risk weighted assets resulting from the depreciation of Turkish Lira against the US dollar and Euro.

The borrowing limits of the banks at the Central Bank Interbank Money Market have been reduced to TL 11 billion as of 16 January 2017. On the days deemed necessary, the amount of funding provided by the CBRT 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 following table sets out information on the Bank's capital and capital adequacy ratios (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 substantially implements the Basel III capital adequacy framework as of 31 December 2016, 2015 and 2014):

	BRSA		
	As of 31 December		
	2016	2015	2014
	(TL thousands, except percentages)		
<i>Capital:</i>			
Tier I capital	37,987,023	32,506,122	29,689,151
Tier II capital	3,114,746	2,490,182	1,818,980
Deductions from capital	40,524	1,117	24,090
Total regulatory capital	41,061,245	34,995,187	31,484,041
Risk-weighted assets	249,179,662	199,214,563	145,518,413
Value at market risk	14,083,788	16,653,125	13,592,650
Value at operational risk	18,989,056	16,271,325	13,729,675
Total	282,252,505	232,139,013	172,840,738
<i>Capital Adequacy Ratios:</i>			
Tier I capital adequacy ratio	13.5%	14.0%	17.2%
Total capital adequacy ratio	14.6%	15.1%	18.2%

In accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and "Regulation on Capital of Banks" and "Regulation on Measurement and Evaluation of Leverage Level of Banks" issued by the BRSA, the Bank is calculating capital adequacy ratio and leverage ratio under Basel III regulations.

Credit Ratings

On 26 September 2016, the Programme was rated BB+ (long-term senior unsecured) and B (short-term senior unsecured) by Fitch on 2 January 2017 and Ba1 (senior unsecured) and P(NP) (short-term) by Moody's. On issuance, the Notes are expected to be rated BB+ by Fitch and Ba1 by Moody's.

On 17 March 2017, Moody's affirmed Turkish government's debt rating of Ba1 but revised its outlook from stable to negative.

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.

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 25 August 2016, Fitch lowered the outlooks of 18 Turkish banks, including the Bank, to negative from stable. 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 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 3 June 2014, Moody's downgraded the ratings of 11 Turkish banks, including the Bank which resulted in the Bank's long- and short-term local currency deposit ratings dropping from Baa2/P-2 to Baa3/P-3 while confirming other ratings and revised the outlook for all ratings to negative.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables, which present certain selected statistical information and ratios of the Bank as of the dates and for the periods indicated, have been derived from, inter alia, the Bank's own internal accounts, statistics and estimates and have not been audited. The information below should be read in conjunction with "Presentation of Information" of the Base Prospectus, included by reference herein, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Unconsolidated Annual Financial Statements, including the notes thereto, incorporated by reference herein.

Average Balances

The following tables set out the average balances of assets and liabilities for the years ended 31 December 2016, 2015 and 2014. For the purposes of the following tables, except as otherwise indicated, the average balances are based on beginning and end period balances. If these balances had been calculated on a "weighted average" or "daily" basis, differences might have resulted, which could be material. Average interest rates have been calculated by dividing the corresponding item of interest income or expense by such average balances. Average rate calculations are annualised.

BRSA			
Year ended 31 December 2016			
	Average Balance	Interest	Average Rate
(TL thousands, except percentages)			
ASSETS			
<i>Interest-Earning Assets:</i>			
Deposits in banks ⁽¹⁾	4,174,233	86,129	2.1%
TL	631,553	46,557	7.4%
Foreign currency	3,542,680	39,572	1.1%
Securities	66,968,779	5,487,868	8.2%
TL	48,040,477	4,449,816	9.3%
Foreign currency	18,928,302	1,038,051	5.5%
Loans and advances to customers and other interest-earning assets ⁽²⁾⁽³⁾⁽⁴⁾	209,728,193	21,512,183	10.3%
TL	154,991,578	18,686,712	12.1%
Foreign currency	54,736,615	2,825,471	5.2%
Total Interest-Earning Assets.....	280,871,205	27,086,180	9.6%
<i>Non-Interest-Earning Assets:</i>			
Cash and cash equivalents	37,851,530		
Tangibles	5,078,421		
Equity participations.....	3,483,553		
Other assets and accrued interest.....	3,020,137		
Total Non-Interest Earning Assets.....	49,433,641		
Total Assets	330,304,846		

(1) Comprises balances with banks, interbank funds sold and reserve deposits at the Central Bank.

(2) Overdue interest is included in the "Interest" column for "Loans and advances to customers and other interest earning assets".

(3) "Loans and advances to customers and other interest earning assets" include fund loans for which the Bank's interest income is only the spread on the total interest.

(4) "Loans and advances to customers and other interest earning assets" include financial lease receivables.

BRSA

	Year ended 31 December 2015			Year ended 31 December 2014		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	<i>(TL thousands, except percentages)</i>					
ASSETS						
<i>Interest-Earning Assets:</i>						
Deposits in banks ⁽¹⁾	3,318,917	66,961	2.0%	2,328,026	58,405	2.5%
<i>TL</i>	623,082	38,541	6.2%	511,134	34,076	6.7%
<i>Foreign currency</i>	2,695,835	28,420	1.1%	1,816,892	24,329	1.3%
Securities	64,717,000	5,197,221	8.0%	63,680,368	5,333,024	8.4%
<i>TL</i>	49,189,134	4,337,906	8.8%	51,021,565	4,657,631	9.1%
<i>Foreign currency</i>	15,527,867	859,315	5.5%	12,658,803	675,393	5.3%
Loans and advances to customers and other interest-earning assets ⁽²⁾⁽³⁾⁽⁴⁾	164,363,757	16,676,949	10.1%	126,481,318	12,754,847	10.1%
<i>TL</i>	125,691,073	14,640,080	11.6%	100,398,609	11,446,174	11.4%
<i>Foreign currency</i>	38,672,684	2,036,869	5.3%	26,082,709	1,308,673	5.0%
Total Interest-Earning Assets	232,399,674	21,941,131	9.4%	192,489,712	18,146,276	9.4%
<i>Non-Interest-Earning Assets:</i>						
Cash and cash equivalents	33,342,473			28,375,698		
Tangibles	4,762,626			2,866,633		
Equity participations.....	2,143,326			1,464,703		
Other assets and accrued interest.....	2,576,221			2,368,388		
Total Non-Interest Earning Assets	42,824,646			35,075,422		
Total Assets	275,224,320			227,565,134		

- (1) Comprises balances with banks, interbank funds sold and reserve deposits at the Central Bank.
- (2) Overdue interest is included in the "Interest" column for "Loans and advances to customers and other interest earning assets".
- (3) "Loans and advances to customers and other interest earning assets" include fund loans for which the Bank's interest income is only the spread on the total interest.
- (4) "Loans and advances to customers and other interest earning assets" include financial lease receivables.

BRSA

	Year ended 31 December 2016		
	Average Balance	Interest	Average Rate
	<i>(TL thousands, except percentages)</i>		
LIABILITIES			
<i>Interest-Bearing Liabilities:</i>			
Deposits from customers and other banks.....	156,995,487	9,911,323	6.3%
<i>TL</i>	103,493,586	9,237,562	8.9%
<i>Foreign currency</i>	53,501,901	673,761	1.3%
Funds borrowed and other interest-bearing liabilities	27,239,996	851,830	3.1%
<i>TL</i>	3,768,756	338,657	9.0%
<i>Foreign currency</i>	23,471,240	513,174	2.2%
Obligations under repurchase agreements and money market borrowings.....	45,148,869	2,524,582	5.6%
<i>TL</i>	31,641,251	2,337,360	7.4%
<i>Foreign currency</i>	13,507,618	187,222	1.4%
Total Interest-Bearing Liabilities	229,384,351	13,287,735	5.8%

BRSA			
Year ended 31 December 2016			
	Average Balance	Interest	Average Rate
<i>(TL thousands, except percentages)</i>			
<i>Non-Interest-Bearing Liabilities:</i>			
Demand deposits	47,748,698		
Income tax payable.....	813,810		
Equity	34,964,354		
Accrued interest and other liabilities	17,393,634		
Total Non-Interest Bearing Liabilities....	100,920,495		
Total Liabilities.....	330,304,846		

BRSA						
Year ended 31 December 2015				Year ended 31 December 2014		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<i>(TL thousands, except percentages)</i>						
LIABILITIES						
<i>Interest-Bearing Liabilities:</i>						
Deposits from customers and other banks	133,646,178	8,668,465	6.5%	117,175,636	7,512,243	6.4%
<i>TL</i>	89,157,026	7,962,048	8.9%	82,094,881	6,836,509	8.3%
<i>Foreign currency</i>	44,489,152	706,417	1.6%	35,080,754	675,734	1.9%
Funds borrowed and other interest-bearing liabilities	21,828,384	684,492	3.1%	15,236,489	468,345	3.1%
<i>TL</i>	3,152,076	282,092	8.9%	3,234,267	249,413	7.7%
<i>Foreign currency</i>	18,676,308	402,400	2.2%	12,002,222	218,932	1.8%
Obligations under repurchase agreements and money market borrowings	37,433,426	2,127,843	5.7%	28,175,963	1,527,007	5.4%
<i>TL</i>	22,325,870	1,992,102	8.9%	14,409,999	1,413,582	9.8%
<i>Foreign currency</i>	15,107,557	135,741	0.9%	13,765,964	113,425	0.8%
Total Interest-Bearing Liabilities.....	192,907,988	11,480,800	6.0%	160,588,088	9,507,595	5.9%
<i>Non-Interest-Bearing Liabilities:</i>						
Demand deposits	36,216,164			30,319,562		
Income tax payable.....	801,821			604,981		
Equity	30,043,217			23,453,422		
Accrued interest and other liabilities	15,255,130			12,554,082		
Total Non-Interest-Bearing Liabilities	82,316,332			66,977,046		
Total Liabilities.....	275,224,320			227,565,133		

Analysis of Changes in Net Interest Income and Interest Expense by Volume and Rate

The following table presents certain information regarding changes in interest income and interest expense of the Bank during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to:

- Changes in volume (changes in average outstanding balances multiplied by the current year's average interest rate); and
- Changes in interest rate (changes in average interest rate times the average outstanding balances at end of the year).

BRSA			
Year ended 31 December 2016/2015			
increase/(decrease) due to changes in			
	Volume	Rate	Total
	(TL thousands, except percentages)		
Interest Income			
Interest income from loans	4,750,336	84,898	4,835,234
Interest income from reserve deposits	124,941	—	124,941
Interest income from banks	17,648	1,520	19,168
Interest income from money market placements	214	—	214
Interest income from marketable securities	184,526	106,121	290,647
Other interest income	(30,010)	—	(30,010)
Total Interest Income	5,047,655	192,539	5,240,194
Interest Expense			
Interest expense on deposits	1,474,071	(231,213)	1,242,858
Interest on borrowings	90,993	(24,803)	66,190
Interest on money market borrowings	431,423	(34,684)	396,739
Interest on marketable securities issued	82,455	18,693	101,148
Other interest expense	(6,086)	—	(6,086)
Total Interest Expense	2,072,856	(272,007)	1,800,849
Net changes in net interest income	2,974,799	464,546	3,439,345

BRSA			
Year ended 31 December 2015/2014			
increase/(decrease) due to changes in			
	Volume	Rate	Total
	(TL thousands, except percentages)		
Interest Income			
Interest income from loans	6,429,020	(2,506,918)	3,922,102
Interest income from reserve deposits	55,432	—	55,432
Interest income from banks	29,715	(21,159)	8,556
Interest income from money market placements	—	—	—
Interest income from marketable securities	53,990	(189,793)	(135,803)
Other interest income	35,201	—	35,201
Total Interest Income	6,603,358	(2,717,870)	3,885,488

BRSA		
Year ended 31 December 2015/2014		
increase/(decrease) due to changes in		
Volume	Rate	Total
<i>(TL thousands, except percentages)</i>		

Interest Expense

Interest expense on deposits	1,593,015	(436,793)	1,156,222
Interest on borrowings	212,654	(79,776)	132,878
Interest on money market borrowings	948,305	(347,469)	600,836
Interest on marketable securities issued	112,844	(29,575)	83,269
Other interest expense	10,203	—	10,203
Total Interest Expense	2,877,021	(893,613)	1,983,408
Net changes in net interest income	3,726,337	(1,824,257)	1,902,080

Average Interest-Earning Assets, Yields, Margin and Spreads

The following table shows the average interest-earning assets, interest-bearing liabilities, interest income, interest expenses, net interest income, average yields, average margins and average spreads for the Bank for each of the periods indicated. Average yields, average margins and average spreads for the Bank have been annualised.

BRSA			
Year ended 31 December			
	2016	2015	2014
<i>(TL thousands, except percentages)</i>			
Average interest-earning assets⁽¹⁾			
TL	198,025,079	170,161,966	147,504,141
Foreign currency	77,207,597	56,896,385	40,558,404
Total	275,232,676	227,058,351	188,062,545
Average interest-bearing liabilities⁽¹⁾			
TL	170,770,115	139,595,421	121,741,369
Foreign currency	106,830,884	89,872,658	69,166,280
Total	277,600,998	229,468,079	190,907,649
Interest Income			
TL	23,379,862	19,120,824	16,152,134
Foreign currency	3,910,827	2,929,671	2,012,873
Total	27,290,689	22,050,495	18,165,007
Interest Expense			
TL	11,964,450	10,285,643	8,548,935
Foreign currency	1,377,967	1,255,927	1,009,226
Total	13,342,418	11,541,569	9,558,161
Net Interest Income			
TL	11,415,411	8,835,181	7,603,199
Foreign currency	2,532,860	1,673,745	1,003,647
Total	13,948,271	10,508,926	8,606,846
Average Yield⁽²⁾			
TL	11.8%	11.2%	11.0%
Foreign currency	5.1%	5.1%	5.0%
Total	9.9%	9.7%	9.7%
Average Margin⁽³⁾			
TL	5.8%	5.2%	5.2%
Foreign currency	3.3%	2.9%	2.5%
Total	5.1%	4.6%	4.6%

	BRSA		
	Year ended 31 December		
	2016	2015	2014
	<i>(TL thousands, except percentages)</i>		
Average Spread⁽⁴⁾			
TL.....	4.8%	3.9%	3.9%
Foreign currency.....	3.8%	3.8%	3.5%
Total.....	5.1%	4.7%	4.7%

- (1) Average balances are based on beginning and end period data. Interest earning assets do not include fund loans which amounted to TL 6.3 billion on average as of 31 December 2016, TL 5.3 billion on average as of 31 December 2015 and TL 4.4 billion as of 31 December 2014.
- (2) Average yield represents interest income as a percentage of average interest earning assets.
- (3) Average margin represents net interest income before provisions for loan losses as a percentage of average interest-earning assets.
- (4) Average 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.

Return on Assets and Equity

The following table sets out certain of the Bank's selected financial ratios and other data for the periods indicated:

	BRSA		
	Year ended 31 December		
	2016	2015	2014
	<i>(TL thousands, except percentages)</i>		
Net profit/loss for the period	6,576,420	5,162,470	4,050,509
Average total assets ⁽¹⁾	330,304,846	275,224,319	227,565,133
Average shareholders' equity ⁽¹⁾	34,964,354	30,043,217	23,453,422
Net profit/loss as a percentage of average total assets	2.0%	1.9%	1.8%
Net profit/loss as a percentage of average shareholders' equity	18.8%	17.2%	17.3%
Average shareholders' equity as a percentage of average total assets	10.6%	10.9%	10.3%

- (1) Average balances are based on beginning and end period data.

Balance Sheet Currency Profile

The following table sets out the Bank's balance sheet currency profile as of 31 December 2016:

	BRSA
	As of
	31 December 2016
	<i>(TL thousands)</i>
Total foreign currency assets	122,949,444
Total foreign currency liabilities	112,873,073
Net foreign currency position⁽¹⁾	10,076,371

- (1) The Bank hedges its balance sheet currency position through foreign currency derivative transactions. As of 31 December 2016, the net foreign currency derivative position was TL (10,021) million, which resulted in a TL 55 thousand net long foreign currency position.

Interest-Earning Deposits with Other Banks

The following table sets out the amount of interest-earning deposits with other banks as of the dates indicated:

	BRSA		
	As of 31 December		
	2016	2015	2014
	(TL thousands)		
Interest-earning deposits with other banks:			
TL.....	2,879,790	2,735,188	3,370,079
Foreign currency.....	7,481,636	6,655,658	2,139,421
Total.....	10,361,426	9,390,846	5,509,500

Securities Portfolio

Overview

The Bank's securities portfolio comprises financial assets held for trading, financial assets at fair value through profit and loss, financial assets available-for-sale and investments held-to-maturity. The Bank enters into Turkish Government bond auctions held by the Turkish Treasury as one of 13 primary dealers (market makers). In addition, the Bank buys and sells Turkish Government bonds and Eurobonds in over-the-counter transactions, through the Borsa Istanbul bonds/bills market and directly with its customers. The Bank also enters into purchases and sales of securities under repurchase agreements. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held in its trading portfolio, held-to-maturity or as available-for-sale, as appropriate.

The following table shows a breakdown of securities held by the Bank as of the dates indicated:

	BRSA		
	As of 31 December		
	2016	2015	2014
	(TL thousands)		
Financial assets held for trading:			
TL.....	1,209,019	662,198	275,730
Foreign currency.....	475,772	282,701	35,012
<i>Financial assets at fair value through profit and loss:</i>			
TL.....	—	—	—
Foreign currency.....	—	—	—
<i>Financial assets available-for-sale:</i>			
TL.....	43,863,060	42,207,247	45,767,453
Foreign currency.....	14,768,893	11,575,061	8,463,400
<i>Investments held-to-maturity:</i>			
TL.....	3,601,088	4,538,342	4,927,297
Foreign currency.....	5,148,376	5,605,800	5,093,759
Total.....	69,066,208	64,871,349	64,562,651

The share of CPI-linked securities in the Bank's total securities portfolio as of 31 December 2016, 2015 and 2014 was 16.6%, 15.0% and 14.3%, respectively.

Financial assets held for trading

Securities purchased with the intention of recognising short-term profits and financial assets that are designated on initial recognition are classified as financial assets held for trading or trading securities. Derivatives are also classified as trading securities unless they are designated as effective hedging instruments. After initial recognition, securities that are classified as trading securities are measured at estimated fair value. Changes in the estimated fair value are included in the statements of income included elsewhere in this Prospectus within gains less losses from securities. In determining estimated fair value, trading securities are valued at the daily average price, if quoted on an exchange, average price or the last bid price if traded over-the-counter. When market prices are not available or if liquidating the Bank's position would reasonably be expected to affect market prices, fair value is settled as the prices of Turkish Government securities as determined by the Central Bank and announced in the Official Gazette.

The following table sets out a breakdown of the financial assets at fair value through the profit or loss portfolio of the Bank as of the dates indicated:

BRSA			
As of 31 December			
	2016	2015	2014
		(TL thousands)	
Government debt securities	17,404	16,615	14,166
Share certificates	—	—	—
Trading derivative financial assets	1,667,387	928,284	296,576
Hedging derivative financial assets	—	—	—
Other marketable securities	—	—	—
Total trading portfolio	1,684,791	944,899	310,742

Financial Assets Available-for-Sale

Available-for-sale assets are financial assets that are not held for trading purposes, nor intended by the Bank to be held to maturity. The portfolio of securities classified as available-for-sale primarily consists of Turkish Government bonds and Eurobonds, treasury bills and unlisted equity securities (which represent the Bank's equity holdings in companies whose shares are not publicly traded).

The following table sets forth the available-for-sale securities portfolio by type of securities as of the dates indicated:

BRSA			
As of 31 December			
	2016	2015	2014
		(TL thousands)	
Equity securities	643,465	603,742	446,010
Government debt securities	57,820,294	53,105,710	53,634,170
Other marketable securities	168,194	72,856	150,673
Total available-for-sale portfolio.....	58,631,953	53,782,308	54,230,853
Fixed.....	37,713,476	32,725,155	33,741,060
Floating.....	20,195,194	20,447,172	20,030,897
Other.....	723,284	609,981	458,897

Investments Held-to-Maturity

Investments held-to-maturity include financial assets other than bank loans and receivables and those where there is an intention of holding until maturity and the relevant conditions for fulfilment of such intention, including the funding ability, and where there are fixed or determinable payments with fixed maturity. Marketable securities classified as financial assets held-to-maturity may be subject to exchange-repurchase bids or refund transactions within the permitted period for redemption.

Investments held-to-maturity are subsequently measured at amortised cost with internal rate of return, and they are accounted for by setting forth provision for impairment loss (impairment loss expense) or by posting interest income accrual.

The Bank does not have any financial assets that were previously classified as investments held-to-maturity but prohibited to be classified in this portfolio for two years because of non-compliance with the principles of financial assets classification.

Interest received from investments held-to-maturity is recognised as interest income.

Held-to-maturity assets are initially recognised at cost. The cost of the securities is regarded as fair value. The held-to-maturity securities portfolio of the Bank consists of Treasury bills and Turkish Government bonds, other Securities and repurchase agreements. The following table sets out information relating to the Bank's portfolio of held-to-maturity securities as of the dates indicated:

	BRSA		
	As of 31 December		
	2016	2015	2014
		<i>(TL thousands)</i>	
Treasury bills and Turkish Government bonds	3,916,512	5,416,718	5,632,411
Other Securities	147,024	45,198	11,747
Repurchase agreements	4,685,928	4,682,226	4,376,898
Total held-to-maturity securities.....	8,749,464	10,144,142	10,021,056
Fixed.....	5,287,178	5,639,659	5,125,329
Floating.....	3,462,286	4,504,483	4,895,727

The following table sets forth an overview of the Bank's Turkish Lira held-to-maturity securities as of 31 December 2016 and 31 December 2015:

	BRSA	
	As of 31 December 2016	As of 31 December 2015
	<i>(TL thousands)</i>	
Security Type:		
Fixed.....	138,803	33,859
Floating.....	3,462,285	4,504,483
Specially Purposed (Floating)	—	—
Total.....	3,601,088	4,538,342

The following table sets forth an overview of the Bank's foreign currency held-to-maturity securities as of 31 December 2016 and 31 December 2015:

	BRSA			
	As of 31 December 2016		As of 31 December 2015	
	<i>(thousands)</i>	<i>(TL thousands)</i>	<i>(thousands)</i>	<i>(TL thousands)</i>
Security Type:				
Fixed U.S. Dollar denominated securities	1,085,823	3,808,632	1,397,628	4,044,177
Fixed Euro denominated securities.....	361,978	1,339,248	493,849	1,556,861
Fixed GBP denominated securities.....	114	496	1,115	4,762
Total.....	—	5,148,376	—	5,605,800

Maturities of Securities

The following tables set out the maturities of the TL denominated securities in the Bank's securities portfolio as of the dates indicated:

BRSA						
31 December 2016						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	684,519	471,396	53,104	—	—	1,209,019
Available-for-sale	2,523,635	6,858,924	17,368,361	17,007,996	104,144	43,863,060
Held-to-maturity	1,163,338	13,800	2,423,950	—	—	3,601,088

BRSA						
31 December 2015						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	6,775	46,548	608,875	—	—	662,198
Available-for-sale	1,151,244	3,209,199	23,497,002	14,246,272	103,530	42,207,247
Held-to-maturity	135,542	1,158,800	1,807,291	1,436,709	—	4,538,342

BRSA						
31 December 2014						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	11,359	36,358	226,956	1,057	—	275,730
Available-for-sale	2,128,319	4,178,946	22,000,265	17,328,120	131,803	45,767,453
Held-to-maturity	630,255	11,570	2,953,316	1,332,156	—	4,927,297

The following tables set out the maturities of the foreign currency securities in the Bank's securities portfolio as of the dates indicated:

BRSA						
31 December 2016						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	372,158	93,556	5,625	4,433	—	475,772
Available-for-sale	848,690	771,586	3,656,711	8,952,583	539,323	14,768,893
Held-to-maturity	854,201	46,883	2,564,611	1,682,681	—	5,148,376

BRSA						
31 December 2015						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	123,332	22,460	78,461	58,448	—	282,701
Available-for-sale	599,732	374,392	3,463,171	6,637,554	500,212	11,575,061
Held-to-maturity	532,602	922,126	2,757,201	1,393,871	—	5,605,800

BRSA						
31 December 2014						
	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Demand	Total
	<i>(TL thousands)</i>					
Trading	8,252	3,673	19,408	3,679	—	35,012
Available-for-sale	465,648	408,984	1,640,737	5,633,824	314,207	8,463,400
Held-to-maturity	575,135	33,335	3,102,464	1,382,825	—	5,093,759

As of 31 December 2016, 98.3% of the Bank's held-to-maturity portfolio comprised Turkish Government securities (treasury bills and Turkish Government bonds and repurchase agreements).

The following table sets out the redemption amounts for selected Turkish Government securities by year and currency on an unconsolidated BRSA basis, as of 31 December 2016:

	BRSA		
	TL	Euro <i>(millions)</i>	U.S. Dollar
2017	9,961	407	139
2018	6,546	—	330
2019	4,517	264	228
2020	5,552	658	136
2021	3,445	63	143
2022	2,832	—	10
2023	7,160	42	40

The Bank's Loan Portfolio

Overview

The Bank's loan portfolio is categorised under five main headings: (i) agricultural loans (which include farming, forestry and fishing loans), (ii) industry loans (which include mining and quarrying, manufacturing and electricity, gas and water), (iii) construction, (iv) services and (v) other loans.

Interest rate. As of 31 December 2016, 36.0% of the Bank's total loan portfolio consisted of variable interest rate loans (excluding interest accruals), while the remaining 64.0% consisted of fixed rate loans (excluding interest accruals). As of 31 December 2015, 44.0% of the Bank's total loan portfolio consisted of variable interest rate loans (excluding interest accruals), while the remaining 56.0% consisted of fixed rate loans (excluding interest accruals).

Currency. As of 31 December 2016, 72.6% of the Bank's loan portfolio consisted of Turkish Lira denominated loans with the remaining 27.4% comprising foreign currency denominated loans. As of

31 December 2015, 75.5% of the Bank's loan portfolio consisted of Turkish Lira denominated loans with the remaining 24.5% comprising foreign currency denominated loans.

Maturity. As of 31 December 2016, 51.4% of the Bank's loan portfolio (based on the maturity determined from the initial opening and excluding accruals) consisted of medium-term and long-term loans (which are classified as loans maturing in one year or more), with the remaining 48.5% consisting of short-term loans (which are classified as loans maturing in less than one year) and 0.1% was not classified. As of 31 December 2015, 49.8% of the Bank's loan portfolio (based on the maturity determined from the initial opening and excluding accruals) consisted of medium-term and long-term loans (which are classified as loans maturing in one year or more), with the remaining 49.8% consisting of short-term loans (which are classified as loans maturing in less than one year) and 0.5% was not classified.

As of 31 December 2016, the Bank's medium-term and long-term loans consisted primarily of non-agricultural loans, as agricultural loans have shorter maturities. The Bank's non-cash loans comprise mainly guarantees and letters of credit.

Loans and Advances

Historically, Turkish Government securities comprised the largest portion of the Bank's total assets, but with its strategy of asset diversification, the structure of its assets has changed and loans and advances are more prevalent in the total assets of the Bank, when compared with any other item, including its securities portfolio. As of 31 December 2016, 2015 and 2014, loans and advances represented 65.0%, 61.7%, and 57.3%, respectively, of the Bank's total assets.

Distribution of Loans and Advances by Sector

The following table sets out the Bank's cash and non-cash loans and advances to customers and financial institutions by sector as of the dates indicated:

	Year ended 31 December 2016	
	Cash	Non-cash
	(TL thousands)	
Agricultural.....	49,899,581	80,650
Farming and raising livestock	49,295,582	25,000
Forestry.....	352,602	55,650
Fishing.....	251,397	—
Industry	45,794,478	33,860,831
Mining and Quarrying	4,385,467	500,576
Manufacturing	29,499,936	29,107,434
Electricity, Gas and Water.....	11,909,075	4,252,821
Construction	13,310,680	21,232,702
Services.....	52,206,098	22,898,024
Wholesale and Retail Trade.....	20,685,712	8,983,882
Hotels and Restaurants	3,899,201	396,520
Transportation and Communication	7,325,692	4,541,221
Financial Institutions	5,533,523	6,238,248
Real Estate and Rental Services	13,438,275	2,557,590
Self Employed	—	—
Education Services	388,039	75,203
Health and Social Services	935,656	105,360
Other⁽¹⁾	71,181,249	1,082,901
Total loans.....	232,392,086	79,155,108

	Year ended 31 December 2016	
	Cash	Non-cash
	<i>(TL thousands)</i>	
Non-performing loans	4,217,097	—
Less: allowance for losses on loans and advances	3,965,648	—
Total.....	232,643,535	79,155,108

(1) "Other" includes Organisational Activities, Culture, Entertainment and Sports, Other Retail Services and Other.

	BRSA			
	Year ended 31 December 2015		Year ended 31 December 2014	
	Cash	Non-cash	Cash	Non-cash
	<i>(TL thousands)</i>			
Agricultural.....	37,228,882	62,687	27,738,805	56,161
Farming and raising livestock	36,865,221	154	27,394,996	181
Forestry.....	289,904	62,533	129,051	55,980
Fishing.....	73,757	—	214,758	—
Industry	37,617,717	26,501,868	23,428,785	20,275,859
Mining and Quarrying	2,781,084	352,703	365,995	128,452
Manufacturing	27,280,926	22,364,739	18,883,845	16,656,268
Electricity, Gas and Water.....	7,555,707	3,784,426	4,178,945	3,491,139
Construction	10,934,286	15,137,019	6,864,135	8,159,094
Services.....	40,972,935	15,513,460	29,887,344	10,258,021
Wholesale and Retail Trade.....	18,435,280	7,917,240	11,268,382	5,352,824
Hotels and Restaurants	3,027,474	281,615	2,234,972	216,609
Transportation and Communication	5,664,459	2,558,699	5,563,841	1,210,272
Financial Institutions	4,016,010	2,541,001	4,293,831	2,177,971
Real Estate and Rental Services	8,916,286	2,047,302	5,747,100	1,196,846
Self Employed	—	—	—	—
Education Services	356,073	71,107	237,514	51,469
Health and Social Services	557,353	96,496	541,704	52,030
Other⁽¹⁾.....	59,189,039	3,071,141	53,210,842	2,288,364
Total loans.....	185,942,859	60,286,175	141,129,911	41,037,499
Non-performing loans	3,140,524	—	2,716,920	—
Less: allowance for losses on loans and advances.	2,270,532	—	1,932,169	—
Total.....	186,812,851	60,286,175	141,914,662	41,037,499

(1) "Other" includes Organisational Activities, Culture, Entertainment and Sports, Other Retail Services and Other.

Distribution of Loans and Advances by Type of Borrower

The following tables set out certain information on the Bank's performing loans and advances by type of borrower as of the dates indicated:

BRSA						
As of 31 December						
	2016	% of total	2015	% of total	2014	% of total
	(TL thousands, except percentages)					
Agricultural loans	46,217,590	19.9	37,411,853	20.1	28,863,609	20.5
Loans and advances to financial institutions	6,224,868	2.7	5,338,976	2.9	1,987,786	1.4
Corporate and SME loans.....	116,583,258	50.2	92,182,529	49.6	65,607,376	46.5
Retail loans.....	63,366,370	27.3	51,009,501	27.4	44,671,141	31.7
Total.....	232,392,086	100	185,942,859	100.0	141,129,911	100.0

	BRSA		
	As 31 December 2016		
	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities ⁽¹⁾
		(TL thousands)	
Private sector	148,398,763	4,043,638	66,608,334
Public sector	2,318,550	—	—
Banks	—	2,181,230	147,022
Individual Customers	75,449,905	—	—
Equity Instruments	—	—	643,465
Total	226,167,218	6,224,868	67,398,821

- (1) Includes marketable securities designated at fair value through profit or loss, available-for-sale, held-to-maturity and derivative financial assets.

	BRSA					
	As of 31 December 2015			As of 31 December 2014		
	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities ⁽¹⁾	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities ⁽¹⁾
	(TL thousands)					
Private sector	114,190,450	3,328,883	63,294,126	73,820,713	1,868,343	2,166
Public sector	1,544,376	—	—	1,430,392	—	63,780,058
Banks	—	2,010,093	45,197	—	119,443	37,841
Individual Customers	64,869,057	—	—	63,891,020	—	—
Equity Instruments	—	—	603,742	—	—	446,010
Total.....	180,603,883	5,338,976	63,943,065	139,142,125	1,987,786	64,266,075

- (1) Includes marketable securities designated at fair value through profit or loss, available-for-sale, held-to-maturity and derivative financial assets.

Distribution of Loans and Advances by Geographical Region

The following table sets out certain information on the Bank's net loans and advances by type as of the dates indicated:

BRSA			
As of 31 December 2016			
	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities⁽¹⁾
	<i>(TL thousands)</i>		
Domestic.....	224,904,833	1,506,969	66,624,098
European Union countries	—	138,046	9,562
United States and Canada	—	27,793	524,195
Other countries	87,565	5,726,880	240,966
Total.....	224,992,398	7,399,688	67,398,821

- (1) Includes marketable securities designated at fair value through profit and loss, available-for-sale, held-to-maturity and derivative financial assets.

BRSA						
As of 31 December 2015				As of 31 December 2014		
	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities⁽¹⁾	Loans and advances to customers	Loans and advances to financial institutions	Marketable securities⁽¹⁾
	<i>(TL thousands)</i>					
Domestic.....	179,518,334	1,401,438	63,331,045	136,576,257	1,987,786	64,051,617
European Union countries	145,891	7,938	7,253	833,552	—	43,312
United States and Canada	66,980	—	482,557	124,070	—	114,114
Other countries	755,486	4,046,792	122,210	1,608,246	—	57,032
Total.....	180,486,691	5,456,168	63,943,065	139,142,125	1,987,786	64,266,075

- (1) Includes marketable securities designated at fair value through profit and loss, available-for-sale, held-to-maturity and derivative financial assets.

Composition of Loan Portfolio by Currency

As of 31 December 2016, foreign currency denominated loans comprised 27.4% of the Bank's loan portfolio (of which U.S. Dollar and Euro obligations were the most significant portion) compared to 24.6% as of 31 December 2015 and 22.3% as of 31 December 2014.

The following table sets out an analysis of the exposure of the Bank's performing cash loan portfolio as of the dates indicated:

	BRSA		
	Year ended 31 December		
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽³⁾
	<i>(TL thousands)</i>		
TL.....	167,506,577	139,984,231	109,931,868
U.S. Dollars	44,097,884	33,703,199	24,261,441
Euro	20,974,208	13,040,372	7,682,585
Other.....	64,866	85,049	38,768
Total.....	232,643,535	186,812,851	141,914,662

(1) Foreign currency balances include TL 1,473,644 thousand of foreign currency indexed loans and their accruals as of 31 December 2016.

(2) Foreign currency balances include TL 1,018,704 thousand of foreign currency indexed loans and their accruals as of 31 December 2015.

(3) Foreign currency balances include TL 447,343 thousand of foreign currency indexed loans and their accruals as of 31 December 2014.

Composition of Loan Portfolio by Maturity

The following table sets out certain information relating to the maturity profile of the Bank's loan portfolio based on the remaining term to maturity as of the dates indicated:

	BRSA						Fixed Rate Loans %	Floating Rate Loans %
	Up to 3 months ⁽¹⁾	3 months to 1 year	1-5 years	More than 5 years	Un- distributed	Total		
	(TL thousands, except percentages)							
31 December 2016.....	24,835,967	87,914,226	94,336,197	25,305,693	251,449	232,643,535	64.0%	36.0%
31 December 2015.....	21,037,857	71,904,670	75,219,986	17,780,346	869,992	186,812,851	56.0%	44.0%
31 December 2014.....	15,833,221	52,434,653	59,293,144	13,568,894	784,750	141,914,662	47.1%	52.9%

(1) Includes demand loans and loans having no stated schedule of repayment and no stated maturity and overdrafts.

In line with its strategy, the Bank aims to increase its loan portfolio. Its loans with remaining maturities between three months and one year and those with more than one year increased by 25.9%, 31.6% and 28.3% in the years ended 31 December 2016, 2015 and 2014, respectively. Typically, loans with maturities in excess of five years do not constitute a major share of the Bank's lending.

Distribution of Loans by Size

The following table sets out certain information on the Bank's loan portfolio by size of loans, excluding interest accruals, as of the dates indicated:

BRSA						
As of 31 December						
2016			2015		2014	
	Amount	% of total	Amount	% of total	Amount	% of total
(TL thousands, except percentages)						
Greater than TL 1 million	110,825,429	48.8	86,775,288	47.7	62,449,091	45.1
Greater than TL 500 thousand but less than TL 1 million	6,248,076	2.8	5,290,788	2.9	4,000,869	2.9
Greater than TL 100 thousand but less than TL 500 thousand.....	43,607,192	19.2	30,344,159	16.7	19,744,552	14.3
Greater than TL 50 thousand but less than TL 100 thousand.....	25,988,283	11.4	19,829,831	10.9	16,143,737	11.7
Less than TL 50 thousand	40,418,566	17.8	39,696,457	21.8	36,094,278	26.1
Total.....	227,087,546	100	181,936,523	100.0	138,432,527	100.0

As of 31 December 2016, cash and non-cash loans to the Bank's ten largest customers represented 9.2% of its cash and non-cash loan portfolio, compared to 8.8% as of 31 December 2015 and 9.1% as of 31 December 2014.

Lending Policies and Procedures

For information on the Bank's lending policies and procedures, see "Risk Management" of the Base Prospectus.

Portfolio Supervision and Non-Performing Loans

The Bank's credit monitoring department provides monthly reports to the Board detailing all aspects of its credit activity, including the number of new problem loans, the status of existing NPLs and collections. The Bank's senior management monitors the timelines of debt repayments and classified loans and contingent liabilities. Prompt action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. The Bank's determination of whether a repayment problem has arisen is based on a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Bank, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of a borrower to cooperate in supplying current information.

Any overall deterioration in the quality of the Bank's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Board.

NPLs comprise loans where the payment of interest, fees or principal is unpaid 90 days after the due date. As of 31 December 2016, the Bank had 94.0% provisioning for NPLs, compared to provisioning of 72.3% as of 31 December 2015 and 71.1% as of 31 December 2014. The increase in provisioning in 2016 was not due to an increase in NPLs, but due to the Bank's policy change to set aside specific provisions corresponding to 100% for NPLs in all groups, regardless of collateral. The Bank does not write-off NPLs, regardless of the amount of time they have been outstanding. When a loan is placed on non-performing status, interest income

ceases to accrue. An NPL is restored to accrual status when all arrears have been paid and it is considered likely that the customer will continue timely performance. An NPL may also be restored to accrual status if it is determined that the repayment of principal and interest is reasonably assured on collection such as in the case when all amounts due under a loan are fully collateralised by cash or marketable securities and actions have commenced to foreclose on the collateral. However, more typically the Bank seeks to collect on NPLs and close its commitments.

On 18 June 2011, the BRSA introduced amendments to the Regulation on Provisions and Classification of Loans and Receivables (published in Official Gazette No. 26333 dated 1 November 2006) (the "**Regulation on Provisions and Classification of Loans and Receivables**") specifically designed to curb consumer lending. 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, 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 2016 Capital Adequacy Regulation additionally requires banks to increase risk weightings for capitalisation purposes on new consumer loans (excluding automobile and housing loans) with maturities of one to two years and above two years to 150% and 200%, respectively (increased from 100% and 100%, respectively). Following the amendment of 21 September 2012 to the Regulation on Provisions and Classification of Loans and Receivables, the board of the BRSA is authorised to increase the ratios according to risk situations of the sectors and countries. In addition, banks are required to set aside provisions for loans and other receivables until the end of month in which the collection of the repayment of such loans and other receivables are delayed.

The Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve 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%) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio plus 0.4% of the non cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) (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%) for closely monitored loans. 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.

A loan is categorised as "past due", but not impaired when interest, fees or principal remains unpaid one to 90 days after the due date. A loan is characterised as "impaired", when interest fees or principal remain unpaid 90 days after the due date. As of 31 December 2016, the number of loans restructured before being classified as impaired amounted to TL 7,227 million, which amounted to 3.1% of the Bank's total loans. This

compared to TL 3,264 million of loans restructured before being classified as impaired, amounting to 1.7% of the Bank's total loans as of 31 December 2015.

The following tables set out certain information on credit quality per class of the Bank's financial assets as of the dates indicated.

BRSA			
As of 31 December 2016			
	Neither past due nor impaired	Past due or individually impaired	Total
	<i>(TL thousands)</i>		
Receivables from banks.....	3,901,674	—	3,901,674
Financial assets at held for trading/fair value through profit and loss	1,684,791	—	1,684,791
<i>Loans</i>	227,976,255	4,415,831	232,392,086
Agricultural	120,437,368	2,370,758	122,808,126
Corporate and SME lending	62,296,314	1,070,056	63,366,370
Retail lending	45,242,573	975,017	46,217,590
Financial assets available-for-sale	58,631,953	—	58,631,953
Investments held-to-maturity.....	8,749,464	—	8,749,464

BRSA			
As of 31 December 2015			
	Neither past due nor impaired	Past due or individually impaired	Total
	<i>(TL thousands)</i>		
Receivables from banks.....	4,446,792	—	4,446,792
Financial assets at held for trading/fair value through profit and loss	944,899	—	944,899
<i>Loans</i>	181,932,549	4,010,310	185,942,859
Agricultural	36,435,772	976,081	37,411,853
Corporate and SME lending	95,869,566	1,651,939	97,521,505
Retail lending	49,627,211	1,382,290	51,009,501
Financial assets available-for-sale	53,782,308	—	53,782,308
Investments held-to-maturity.....	10,144,142	—	10,144,142

BRSA			
As of 31 December 2014			
	Neither past due nor impaired	Past due or individually impaired	Total
	<i>(TL thousands)</i>		
Receivables from banks.....	2,191,041	—	2,191,041
Financial assets at held for trading/fair value through profit and loss	310,742	—	310,742
<i>Loans</i>	137,649,443	3,480,468	141,129,911
Agricultural	27,846,614	1,016,995	28,863,609
Corporate and SME lending	66,510,828	1,084,334	67,595,162
Retail lending	43,292,001	1,379,139	44,671,140
Financial assets available-for-sale	54,230,853	—	54,230,853
Investments held-to-maturity.....	10,021,056	—	10,021,056

The following tables set out an ageing analysis of past due but not impaired financial assets per class of financial instruments as of the dates indicated:

BRSA					
As of 31 December 2016					
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
<i>(TL thousands)</i>					
<i>Loans and receivables:</i> ⁽¹⁾					
Agricultural	200,836	50,074	29,555	—	280,465
Corporate and SME lending	39,378	9,080	3,478	—	51,936
Retail lending	346,390	44,254	21,789	—	412,433
Total.....	586,604	103,408	54,822	—	744,834

BRSA					
As of 31 December 2015					
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
<i>(TL thousands)</i>					
<i>Loans and receivables:</i> ⁽¹⁾					
Agricultural	217,663	52,178	12,406	8,144	290,391
Corporate and SME lending	132,856	62,849	26,879	5,812	228,396
Retail lending	39,261	10,494	3,813	264	53,832
Total.....	389,780	125,521	43,098	14,220	572,619

BRSA					
As of 31 December 2014					
	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
<i>(TL thousands)</i>					
<i>Loans and receivables:</i> ⁽¹⁾					
Agricultural	183,948	45,707	4,010	16,757	250,422
Corporate and SME lending	294,997	29,157	24,078	9,199	357,431
Retail lending	43,878	13,806	6,384	247	64,315
Total.....	522,823	88,670	34,472	26,203	672,168

- (1) The amounts indicated here are the overdue instalment amounts for the loans with instalments and the overdue principal amount for other type of loans. The remaining principal amounts of loans with instalments equals to TL 3,670,997, TL 3,437,691 and 2,808,300 for the year ended 31 December 2016, 2015 and 2014, respectively.

The following tables set out certain information on the Bank's consolidated gross loan portfolio by credit quality classification as of the dates indicated:

BRSA		
As of 31 December 2016		
	<i>(TL thousands)</i>	<i>(% of gross loans)</i>
<i>Cash loans:</i>		
Performing loans	232,392,086	68.5
Non-performing loans	4,217,097	1.2
Contingencies and commitments	102,521,765	30.2
Cash loans and commitments and contingencies – gross.....	339,130,948	100.0

	BRSA			
	As of 31 December 2015		As of 31 December 2014	
	(TL thousands)	(% of gross loans)	(TL thousands)	(% of gross loans)
<i>Cash loans:</i>				
Performing loans	185,942,859	69.1	141,129,911	50.1
Non-performing loans	3,140,524	1.2	2,716,920	1.0
Contingencies and commitments.....	79,884,876	29.7	137,622,755	48.9
Cash loans and commitments and contingencies – gross	268,968,259	100.0	281,469,586	100.0

As of 31 December 2016, the Bank's ratio of NPLs to total gross loans was 1.2% as compared to 1.2% and 1.0% as of 31 December 2015 and 2014, respectively. The ratio remained steady in 2016. The increase in 2015 relates to a decline in gross loans resulting from the decrease in total commitments and, in particular, the decrease in revocable commitments.

For more information on the industry requirements for classification of non-performing loans, see "*Turkish Regulatory Environment—Loan Loss Reserves*" of the Base Prospectus, incorporated by reference herein.

As of 31 December 2016, there was no material amount of loans that is not included in the preceding table, but for which information known to the Bank about possible credit problems caused senior management to have serious doubts as to the ability of the applicable borrower(s) to comply with the loan repayment terms and that may result in disclosure of such loans in the above tables for future years.

During the past several years, the Bank has reversed provisions mainly following collections of outstanding amounts from the relevant borrowers; such reversals amounted to TL 460 million, TL 546 million and TL 401 million as of 31 December 2016, 2015 and 2014, respectively.

Analysis of the Non-Performing Loans

The following table sets forth an analysis of the movements in the NPLs for the Bank as of the dates indicated below:

	BRSA			
	Year ended 31 December 2016			
	Corporate Loans	Retail Loans	Agricultural Loans	Total
		(TL thousands)		
Balances at beginning of period	1,843,939	741,401	555,184	3,140,524
Net additions and recoveries, net.....	908,382	83,331	84,860	1,076,573
Balances at end of period	2,752,322	824,732	640,044	4,217,097

	BRSA			
	Year ended 31 December 2015			
	Corporate Loans	Retail Loans	Agricultural Loans	Total
		(TL thousands)		
Balances at beginning of period	1,524,199	628,811	563,909	2,716,920
Net additions and recoveries, net.....	319,740	112,589	(8,725)	423,605
Balances at end of period	1,843,939	741,401	555,184	3,140,524

BRSA				
Year ended December 2014				
	Corporate Loans	Retail Loans	Agricultural Loans	Total
	(TL thousands)			
Balances at beginning of period	1,297,098	513,600	606,743	2,417,441
Net additions and recoveries, net.....	227,102	115,211	(42,834)	299,479
Balances at end of period	1,524,200	628,811	563,909	2,716,920

The amount of the net additions or reversals to the allowance were net additions of and TL 1,077 million for the year ended 31 December 2016, TL 424 million for the year ended 31 December 2015 and TL 299 million for the year ended 31 December 2014.

Non-Performing Loans by Sector

The following tables set out the Bank's NPLs by sector as of the dates indicated:

BRSA			
As of 31 December 2016			
	Cash	% in NPLs	% of total cash loans
	(TL thousands, except percentages)		
Sector:			
Agricultural	644,185	15.3	0.3
<i>Farming and raising livestock</i>	636,678	15.1	0.3
<i>Forestry</i>	3,611	0.1	0.0
<i>Fishing</i>	3,896	0.1	0.0
Industry.....	744,282	17.6	0.3
<i>Mining and Quarrying</i>	17,200	0.4	0.0
<i>Manufacturing</i>	711,979	16.9	0.3
<i>Electricity, Gas and Water</i>	15,103	0.4	0.0
Construction	923,605	21.9	0.4
Services	979,194	23.2	0.4
<i>Wholesale and Retail Trade</i>	802,160	19.0	0.3
<i>Hotels and Restaurants</i>	36,062	0.9	0.0
<i>Transportation and Communication</i>	45,853	1.1	0.0
<i>Financial Institutions</i>	1,605	0.0	0.0
<i>Real Estate and Rental Services</i>	66,572	1.6	0.0
<i>Self Employed</i>	—	0.0	0.0
<i>Education Services</i>	13,666	0.3	0.0
<i>Health and Social Services</i>	13,276	0.3	0.0
Other ⁽¹⁾	925,831	22.0	0.4
Total loans	4,217,097	100	1.8

(1) "Other" includes Organisational Activities, Culture, Entertainment and Sports, Other Retail Services and Other.

	BRSA		
	As of 31 December 2015		
		% in	% of total
	Cash	NPLs	cash loans
	(TL thousands, except percentages)		
Sector:			
Agricultural	558,429	17.8	0.3
<i>Farming and raising livestock</i>	549,681	17.5	0.3
<i>Forestry</i>	3,257	0.1	0.0
<i>Fishing</i>	5,491	0.2	0.0
Industry.....	367,412	11.7	0.2
<i>Mining and Quarrying</i>	15,734	0.5	0.0
<i>Manufacturing</i>	339,809	10.8	0.2
<i>Electricity, Gas and Water</i>	11,869	0.4	0.0
Construction	807,370	25.7	0.4
Services	577,062	18.4	0.3
<i>Wholesale and Retail Trade</i>	451,058	14.4	0.2
<i>Hotels and Restaurants</i>	28,497	0.9	0.0
<i>Transportation and Communication</i>	36,252	1.2	0.0
<i>Financial Institutions</i>	834	0.0	0.0
<i>Real Estate and Rental Services</i>	47,932	1.5	0.0
<i>Self Employed</i>	—	0.0	0.0
<i>Education Services</i>	2,839	0.1	0.0
<i>Health and Social Services</i>	9,650	0.3	0.0
Other ⁽¹⁾	830,251	26.4	0.4
Total loans	3,140,524	100.0	1.7

(1) "Other" includes Organisational Activities, Culture, Entertainment and Sports, Other Retail Services and Other.

	BRSA		
	As of 31 December 2014		
	Cash	% in NPLs	% of total cash loans
	(TL thousands, except percentages)		
Sector:			
Agricultural	557,315	20.5	0.4
<i>Farming and raising livestock</i>	545,165	20.1	0.4
<i>Forestry</i>	2,845	0.1	0.0
<i>Fishing</i>	9,305	0.3	0.0
Industry.....	249,771	9.2	0.2
<i>Mining and Quarrying</i>	13,073	0.5	0.0
<i>Manufacturing</i>	228,418	8.4	0.2
<i>Electricity, Gas and Water</i>	8,280	0.3	0.0
Construction	783,136	28.8	0.5
Services	364,652	13.4	0.3
<i>Wholesale and Retail Trade</i>	275,546	10.1	0.2
<i>Hotels and Restaurants</i>	17,081	0.6	0.0
<i>Transportation and Communication</i>	32,802	1.2	0.0
<i>Financial Institutions</i>	2,641	0.1	0.0
<i>Real Estate and Rental Services</i>	20,057	0.7	0.0
<i>Self Employed</i>	—	—	—
<i>Education Services</i>	3,388	0.1	0.0
<i>Health and Social Services</i>	13,137	0.5	0.0
Other ⁽¹⁾	762,046	28.0	0.5
Total loans	2,716,920	100.0	1.9

(1) "Other" includes Organisational Activities, Culture, Entertainment and Sports, Other Retail Services and Other.

As of 31 December 2016, the Bank had a TL 4.2 billion NPL portfolio, which was provisioned by 94.0% in 2016, as compared to 72.3% in 2015. In addition, the Bank's NPL portfolio accounted for 1.8% of the Bank's total loan portfolio as of 31 December 2016. As of 31 December 2015, the Bank had a TL 3.1 billion NPL portfolio, which was 72.3% provisioned. In addition, the Bank's NPL portfolio accounted for 1.7% of the Bank's total loan portfolio as of 31 December 2015. As of 31 December 2014, the Bank had a TL 2.7 billion NPL portfolio, which was 71.1% provisioned. In addition, the Bank's NPL portfolio accounted for 1.9% of the Bank's total loan portfolio as of 31 December 2014. The Bank has not written off or sold to third parties any of its NPLs.

While the Bank recovered and recorded reversals (including for restructured and rescheduled loans) for 31.0% of its NPLs for the year ended 31 December 2016, there can be no assurances that, if there were a decline in the Turkish economy, the Bank's collection rates on its NPL portfolio would not also decline, which might adversely affect the Bank's earnings. For more information, see "*Risk Factors—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 could have a material adverse effect on its business, financial condition, results of operations and prospects*" of the Base Prospectus, incorporated by reference herein.

Cash and Balances with Other Financial Institutions

Reserve deposits at the Central Bank represented 7.3%, 10.4% and 10.7% of the Bank's total assets as of 31 December 2016, 2015 and 2014, respectively.

BRSA			
Year ended 31 December			
	2016	2015	2014
	<i>(TL thousands)</i>		
Cash on hand	2,645,835	2,423,533	1,777,252
Balances with Central Bank other than reserve deposits ..	10,285,674	2,523,138	1,865,184
Due from banks (deposits with banks and other financial institutions)	3,901,674	4,446,792	2,191,041
Reserve deposits at Central Bank	26,226,267	31,585,311	26,499,909
Total.....	43,059,450	40,978,774	32,333,386

The following table sets out a breakdown of cash and balances with other financial institutions as of the dates indicated:

BRSA			
As of 31 December			
	2016	2015	2014
	<i>(TL thousands)</i>		
Demand	1,659,140	2,122,267	457,593
Time	2,242,534	2,324,525	1,733,448
Total.....	3,901,674	4,446,792	2,191,041

As of 31 December 2016, the Bank's major sources of funds for its lending and investment activities were deposits from customers, which accounted for 74.4% of the Bank's total funding, and, to a lesser extent, money market borrowings, which accounted for 15.7% of the Bank's total funding, loans borrowed, which accounted for 7.6% of the Bank's total funding, and securities issued, which accounted for 2.3% of the Bank's total funding. These compared to deposits from customers of 73.3% money market borrowings of 16.9%, loans borrowed of 7.7% and securities issued of 2.1% of the Bank's total funding as of 31 December 2015.

The following table sets out the Bank's sources of funding as of the dates indicated:

BRSA						
As of 31 December						
	2016	%	2015	%	2014	%
	<i>(TL thousands, except percentages)</i>					
Deposits ⁽¹⁾	223,018,934	74.4	186,469,435	73.3	153,255,248	75.2
Funds borrowed	22,816,736	7.6	19,542,648	7.7	14,607,707	7.2
Money market balances	47,211,961	15.7	43,085,776	16.9	31,781,076	15.6
Marketable securities issued	6,833,001	2.3	5,287,606	2.1	4,218,806	2.1
Total.....	299,880,632	100.0	254,385,465	100.0	203,862,837	100.0

- (1) Of total deposits from customers, foreign exchange deposits made up TL 73,161 million as of 31 December 2016, TL 65,877 million as of 31 December 2015 and TL 45,662 million as of 31 December 2014. These include deposits from banks.

The availability of such funds is influenced by a number of factors, including prevailing interest rates, market conditions and levels of competition.

Deposits from Customers and Banks

The following table sets out a breakdown of the Bank's deposits based on figures from customers by composition as of the dates indicated:

BRSA						
As of 31 December						
	2016	%	2015	%	2014	%
	<i>(TL thousands, except percentages)</i>					
Savings deposits ⁽¹⁾	90,576,651	40.6	78,210,373	41.9	68,124,585	44.5
Time	68,580,830	30.8	62,393,890	33.5	56,352,034	36.8
Demand	21,995,821	9.9	15,816,483	8.5	11,772,551	7.7
Public, commercial and other deposits ⁽²⁾	132,442,283	59.4	108,259,062	58.1	85,130,663	55.5
Time	32,872,400	14.7	24,812,691	13.3	65,100,060	42.5
Demand	99,569,883	44.6	83,446,371	44.8	20,030,603	13.1
Total.....	223,018,934	100.0	186,469,435	100.0	153,255,248	100.0

(1) Represents TL deposits taken from retail customers.

(2) Represents TL deposits taken from government-related corporations, corporate customers, SMEs and other entities which are not individuals.

The following table sets out certain information relating to the deposits owed to customers and banks in TL and foreign currency as of the dates indicated:

BRSA						
As of 31 December						
	2016	%	2015	%	2014	%
	<i>(TL thousands, except percentages)</i>					
Foreign currency deposits...	73,161,481	32.8	65,877,030	35.3	45,662,162	29.8
TL deposits.....	149,857,453	67.2	120,592,405	64.7	107,593,086	70.2
Total.....	223,018,934	100.0	186,469,435	100.0	153,255,248	100.0

The following table sets out a breakdown of the Bank's demand and time deposits as of the dates indicated:

BRSA						
As of 31 December						
	2016	%	2015	%	2014	%
	<i>(TL thousands, except percentages)</i>					
Demand	54,868,221	24.6	40,629,174	21.8	31,803,154	20.8
Time	168,150,713	75.4	145,840,261	78.2	121,452,094	79.2
Total.....	223,018,934	100.0	186,469,435	100.0	153,255,248	100.0

The following table sets out the maturity of deposits made with the Bank by amount as of the dates indicated:

	BRSA		
	As of 31 December		
	2016	2015	2014
	<i>(TL thousands)</i>		
Up to 1 month.....	81,895,932	67,487,657	51,755,023
From 1-3 months	99,095,590	83,454,278	75,569,868
From 3-6 months	12,866,950	12,633,890	8,017,735
From 6 months-1 year	12,242,427	9,345,922	6,866,946
Over 1 year	16,873,246	13,541,719	11,040,243
Cumulative deposits	44,789	5,969	5,433
Total.....	223,018,934	186,469,435	153,255,248

The following table sets out a breakdown of TL time deposits by amount as of 31 December 2016 and 31 December 2015 (excluding bank deposits and accruals):

Amount	BRSA	
	% of Total TL Time Deposits	
	2016	2015
TL 0-10,000.....	1.9	2.5
TL 10,001-50,000.....	2.3	14.4
TL 50,001-100,000.....	10.3	11.6
TL 100,001-250,000.....	14.3	15.5
TL 250,001-500,000.....	8.4	9.1
TL 500,001-1,000,000.....	6.5	7.1
TL+1,000,000.....	46.4	39.9

The following table sets forth the Bank's 20 largest depositors by percentage of total customer deposit base and type as of 31 December 2016:

Rank	% of Total	Customer Type
1.....	1.78	Official Institution
2.....	1.71	Official Institution
3.....	1.38	Other
4.....	1.27	Official Institution
5.....	1.15	Commercial
6.....	0.92	Commercial
7.....	0.72	Official Institution
8.....	0.51	Natural Person
9.....	0.41	Commercial
10.....	0.40	Other
11.....	0.39	Official Institution
12.....	0.35	Other
13.....	0.35	Other
14.....	0.34	Commercial
15.....	0.33	Commercial
16.....	0.32	Official Institution
17.....	0.31	Commercial
18.....	0.31	Commercial
19.....	0.29	Commercial

Rank	% of Total	Customer Type
20.....	0.28	Commercial
Percentage of total customer deposit base.....	13.52	

The following table sets forth the Bank's 20 largest depositors by percentage of total customer deposit base and type as of 31 December 2015:

Rank	% of Total	Customer Type
1.....	1.87	Official Institution
2.....	1.62	Commercial
3.....	1.56	Official Institution
4.....	1.41	Commercial
5.....	1.17	Commercial
6.....	0.62	Natural Person
7.....	0.52	Other
8.....	0.52	Commercial
9.....	0.44	Other
10.....	0.43	Official Institution
11.....	0.41	Commercial
12.....	0.31	Other
13.....	0.31	Other
14.....	0.31	Commercial
15.....	0.28	Other
16.....	0.27	Commercial
17.....	0.26	Commercial
18.....	0.20	Commercial
19.....	0.19	Commercial
20.....	0.19	Commercial
Percentage of total customer deposit base.....	12.89	

The Bank's deposits from banks comprise demand and time deposits. These were TL 12,060 million as of 31 December 2016, TL 9,727 million as of 31 December 2015 and TL 5,684 million as of 31 December 2014.

Repurchase Obligations

The Bank enters into repurchase transactions both directly with customers and through the Borsa Istanbul Repo Market and the Central Bank Repo Market. The Bank views repurchase transactions as a meaningful source of short term funds, particularly given the Bank's significant securities portfolio which may be used in such transactions. The following table sets out a breakdown of repurchase transactions as of the dates indicated and on an unconsolidated BRSA basis:

	BRSA		
	As of 31 December		
	2016	2015	2014
		(TL millions)	
Borsa Istanbul Repo Market.....	24,000,000	17,900,000	8,373,400
Central Bank Repo Market.....	6,036,286	9,083,626	7,588,073
Banks (FX Repos)	12,232,123	14,712,444	15,448,518
Customers.....	198,699	243,337	339,599
Interest accrual	54,853	46,369	31,486
Total.....	42,521,961	41,985,776	31,781,076

Funds Borrowed

The following table sets out a breakdown of funds borrowed by source as of the dates indicated (excluding accruals):

	BRSA		
	As of 31 December		
	2016	2015	2014
	<i>(TL thousands)</i>		
Borrowings from domestic banks and institutions.....	1,468,739	812,376	430,555
Borrowings from overseas banks and institutions.....	21,347,997	18,730,272	14,177,152
Total.....	22,816,736	19,542,648	14,607,707

The following table sets out certain information as to the currency of the Bank's principal borrowings outstanding as of the periods indicated:

	BRSA		
	As of 31 December		
	2016	2015	2014
	<i>(TL thousands)</i>		
TL borrowings.....	38,887,258	31,932,755	31,932,755
Foreign currency borrowings.....	37,974,440	35,983,275	35,983,275
Total.....	76,861,698	67,916,030	67,916,030

The following table sets out the maturity profile of the Bank's borrowings as of the dates indicated:

	BRSA	
	As of 31 December	
	2016	% of total
	<i>(TL thousands, except percentages)</i>	
2017.....	55,900,596	72.7
2018.....	7,932,807	10.3
2019 and thereafter.....	12,873,318	16.7
Other ⁽¹⁾	154,977	0.2
Total.....	76,861,698	100.0

	BRSA	
	As of 31 December	
	2015	% of total
	<i>(TL thousands, except percentages)</i>	
2016.....	59,990,835	88.3
2017.....	1,159,119	1.7
2018 and thereafter.....	6,653,798	9.8
Other ⁽¹⁾	112,278	0.2
Total.....	67,916,030	100.0

	BRSA	
	As of 31 December	
	2014	% of total
	<i>(TL thousands, except percentages)</i>	
2015.....	45,180,621	89.3
2016.....	670,832	1.3
2017 and thereafter.....	4,665,655	9.2
Other ⁽¹⁾	90,481	0.2
Total.....	50,607,589	100.0

(1) "Other" includes the accruals from funds borrowed.

The Bank has entered into a number of Turkish Lira and foreign currency financings with other banks and financial institutions, which have maturities of up to 30 years.

Short-term borrowings

The following table sets out information regarding the Bank's short-term borrowings (maturities of less than one year), including deposits, for the periods presented:

	BRSA		
	As of 31 December		
	2016	2015	2014
		<i>(TL thousands)</i>	
Short-term borrowings.....	262,001,495	232,912,582	187,390,193

FORM OF THE NOTES

Global Notes

The Notes 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 (the "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes, the 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 and such beneficial interests in the Regulation S Global Note may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Notes (or beneficial interests therein) offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold in private transactions to QIBs in reliance upon Rule 144A. The Notes sold to QIBs in reliance upon Rule 144A will be represented by a global note in registered form (the "**Rule 144A Global Note**").

The Regulation S Global Note will be deposited on or about the Issue Date with the Common Depositary, and will be registered in the name of a nominee for the Common Depositary. Except as described in this Prospectus, beneficial interests in the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect accountholders in Euroclear and Clearstream, Luxembourg. The Rule 144A Global Note will be deposited on or about the Issue Date with the Custodian and will be registered in the name of Cede & Co. as nominee for DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Persons holding beneficial interests in the 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 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) as the registered holder of the 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 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 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) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for definitive 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 the Rule 144A Global Note, either DTC has notified the Issuer that it is unwilling or unable to continue to act as 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 the Regulation S Global Note, 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 Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 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 the relevant 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 Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions; see "*Transfer Restrictions*" below.**

General

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. 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 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 and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant 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.

TERMS AND CONDITIONS OF THE NOTES

*The terms and conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus (the "**Base Conditions**") as amended or supplemented by the terms set out below in this section. References in the Base Conditions to "Final Terms" shall be deemed to refer to the terms of the Notes substantially in the form set out below. The terms of the Notes set out below do not constitute final terms for the purposes of Article 5.4 of the Prospectus Directive.*

27 April 2017

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

Issue of U.S.\$600,000,000 5.125 per cent. Notes due 2022 (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 (the "**Conditions**") set forth in the Base Prospectus dated 13 March 2017 and the Prospectus dated 27 April 2017, which together in the manner described in such Prospectus, constitute a prospectus for the purposes of the Prospectus Directive (the "**Prospectus**"). This document constitutes the terms of the Notes and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these terms and the Prospectus. On issuance, the Prospectus will be published on the website of the Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie).

- | | | |
|----|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| 1. | Issuer: | Türkiye Cumhuriyeti Ziraat Bankası A.Ş. |
| 2. | (a) Series Number: | 86 |
| | (b) Tranche Number: | 1 |
| | (c) Date on which the Notes will be consolidated and form a single Series: | Not Applicable |
| 3. | Specified Currency or Currencies: | U.S. dollars (" U.S.\$ ") |
| 4. | USD Payment Election: | Not Applicable |
| 5. | Aggregate Nominal Amount: | |
| | (a) Series: | U.S.\$600,000,000 |
| | (b) Tranche: | U.S.\$600,000,000 |
| 6. | Issue Price: | 99.457 per cent. of the Aggregate Nominal Amount |
| 7. | (a) Specified Denominations: | U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof |
| | (b) Calculation Amount (in relation to calculation of interest in global form, see Conditions): | U.S.\$1,000 |
| 8. | (a) Issue Date: | 3 May 2017 |

	(b) Interest Commencement Date:	Issue Date
9.	Maturity Date:	3 May 2022
10.	Interest Basis:	5.125 per cent. Fixed Rate (see paragraph 15 below)
11.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
12.	Change of Interest Basis:	Not Applicable
13.	Put/Call Options:	Change of Control Put
14.	Date Board approval for issuance of Notes obtained:	14 December 2016

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	5.125 per cent. per annum payable semi-annually in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	3 May and 3 November in each year up to and including the Maturity Date
	(c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions):	U.S.\$25.625 per Calculation Amount
	(d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form, see Conditions):	Not Applicable
	(e) Day Count Fraction:	30/360
	(f) Determination Date(s):	Not Applicable
16.	Floating Rate Note Provisions	Not Applicable
17.	Zero Coupon Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 7.2:	Minimum period: 30 days Maximum period: 60 days
19.	Issuer Call:	Not Applicable
20.	Investor Put:	Not Applicable
21.	Change of Control Put:	Applicable
	Change of Control Redemption Amount:	U.S.\$1,000 per Calculation Amount
22.	Final Redemption Amount:	U.S.\$1,000 per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	U.S.\$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: Registered Notes:
Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes upon an Exchange Event
Rule 144A Global Note registered in the name of a nominee for DTC exchangeable for Definitive Registered Notes upon an Exchange Event
25. Additional Financial Centre(s): Not Applicable
26. Talons for future Coupons to be attached to Definitive Notes: Not Applicable

PROVISIONS APPLICABLE TO RMB NOTES

27. RMB Currency Event: Not Applicable

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

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- | | | |
|-----|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) | Listing and Admission to trading: | Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange with effect from 3 May 2017. |
| (b) | Estimate of total expenses related to admission to trading: | €3,300 |

2. RATINGS

- | | |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ratings: | <p>The Notes to be issued are expected to be rated:</p> <p>BB+ by Fitch Ratings Ltd. ("Fitch") and Ba1 by Moody's Investors Service Limited ("Moody's").</p> <p>Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).</p> |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

Save for any fees payable to the Managers, 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 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.

4. YIELD

- | | |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indication of yield: | <p>5.250 per cent. per annum</p> <p>The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.</p> |
|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|

5. OPERATIONAL INFORMATION

- | | | |
|-----|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| (a) | ISIN Code: | <p>Regulation S Notes: XS1605397394</p> <p>Rule 144A Notes: US90015JAA07</p> |
| (b) | Common Code: | <p>Regulation S Notes: 160539739</p> <p>Rule 144A Notes: 160710985</p> |
| (c) | CUSIP: | Rule 144A Notes: 90015JAA0 |
| (d) | Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | Not Applicable |
| (e) | Delivery: | <p>Regulation S Notes: Delivery against payment</p> <p>Rule 144A Notes: Delivery free of payment</p> |
| (f) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |

6. DISTRIBUTION

- | | | |
|-----|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) | Method of distribution: | Syndicated |
| (b) | If syndicated, names of Managers: | Citigroup Global Markets Limited
J.P. Morgan Securities plc
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Emirates NBD PJSC
Erste Group Bank AG |
| (c) | Date of Subscription Agreement: | 27 April 2017 |
| (d) | Stabilisation Manager(s) (if any): | Merrill Lynch, Pierce, Fenner & Smith Incorporated |
| (e) | If non-syndicated, name of relevant Dealer: | Not Applicable |
| (f) | U.S. Selling Restrictions: | Reg. S Compliance Category 2 and Rule 144A |
| (g) | Prohibition of Sales to EEA Retail Investors: | Not Applicable |

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Managers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer is required to notify the CRA within three Turkish business days from the date of issuance of the Notes of the amount, issue date, ISIN code, first payment date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of notes in registered form among Direct Participants on whose behalf it acts with respect to notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes ("**Beneficial Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Beneficial Owners. Accordingly, although Beneficial Owners who hold interests in DTC Notes through Participants will not possess notes in registered form, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the relevant Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner holds its interest in the DTC Notes. Transfers of

ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for notes in definitive registered form, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and which will be legended as set forth under "*Transfer Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants or if not possible to so effect it, to withdraw its notes from DTC as described below.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by the Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the *Commission de Surveillance du Secteur Financier* and the *Banque Centrale du Luxembourg*, which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Note held through Clearstream, Luxembourg to pledge such interest to persons or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg accountholders.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may be limited by the lack of a definitive note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions may require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such persons may be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Notes

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have the Notes represented by the Regulation S Global Note accepted in its book-entry settlement system. Upon the issue of the Regulation

S Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by the Regulation S Global Note to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the Manager. Interests in the Regulation S Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to accountholders of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in the Regulation S Global Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of Euroclear and/or Clearstream, Luxembourg accountholders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg accountholders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

The Issuer has applied to DTC in order to have the Notes represented by the Rule 144A Global Note accepted in its book-entry settlement system. Upon the issue of the Rule 144A Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by the Rule 144A Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Managers.

Ownership of beneficial interests in the Global Notes will be limited to Direct Participants or Indirect Participants, including, in the case of the Regulation S Global Note, the Common Depositary for Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Rule 144A Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of the Rule 144A Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Global Notes

Transfers of any interests in Notes represented by a Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Subject to compliance with the transfer restrictions applicable to the Notes described under "*Transfer Restrictions*", cross market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Global Notes have been deposited.

On or after the Issue Date, transfers of Notes between account holders in Clearstream, Luxembourg and Euroclear and transfers of Notes between participants in DTC will generally have a settlement date three business days after the trade date ("T+3"). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in the Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Manager will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

U.S. TAXATION

Certain U.S. Federal Income Tax Consequences

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with U.S. Holders that are initial purchasers of Notes at the Issue Price in this offering and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as certain financial institutions, insurance companies, investors liable for the alternative minimum tax, investors liable for the Medicare tax on net investment income, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, or investors whose functional currency is not the U.S. Dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes and their partners should consult their tax advisers concerning the U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States, including the Code (as defined in the Base Prospectus), as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Turkey (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS, AND POSSIBLE CHANGES IN TAX LAW.

Characterisation of the Notes

No authority directly addresses the U.S. federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the Internal Revenue Service (the "**IRS**") as to their characterisation for such purposes. To the extent relevant for U.S. federal income tax purposes, the Issuer intends to treat the Notes as indebtedness for such purposes and this discussion assumes that treatment is correct. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this discussion. If the IRS were to successfully challenge the characterisation of the Notes as debt, the timing, amount and character of income inclusions on

the Notes may be affected. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes for U.S. federal income tax purposes.

Payments of Interest

It is expected and this summary assumes that either the Issue Price of the Notes will equal their stated principal amount, or the Notes will be issued with less than a *de minimis* amount of "original issue discount". Generally the Notes will be treated as issued with less than a *de minimis* amount of original issue discount if the excess of the Notes' principal amount over their issue price is less than 0.25% of the principal amount multiplied by the number of complete years to maturity.

Therefore, interest on a Note (including additional amounts, if any) will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. tax purposes. The amount of interest taxable as ordinary income will include amounts withheld in respect of Turkish taxes, if any. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Non-refundable Turkish taxes withheld from interest income on a Note at a rate not exceeding any applicable rate under the Treaty generally will be creditable against the U.S. Holder's U.S. federal income tax liability, subject to applicable limitations that may vary depending upon the U.S. Holder's circumstances. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex, and U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, a U.S. Holder may, at its election, deduct such Turkish taxes in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. U.S. Holders should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Sale and Retirement of the Notes

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note will generally be its cost. The amount realised does not include any amount attributable to accrued but unpaid interest, which will be taxed as interest income to the extent not previously included in income.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note generally will be capital gain or loss and will be considered long-term capital gain or loss if the Note is held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Consequently, a U.S. Holder may not be able to claim a credit for any foreign tax imposed upon the sale or retirement of a Note unless such credit can be applied (subject to applicable limitations) against its U.S. federal income tax due on other income or gain treated as derived from sources outside the United States. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Payments of principal, interest on, and the proceeds of sale or other disposition of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest required to be shown on its U.S. federal income tax returns. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals, corporations or trusts, and certain "domestic partnerships", may be required to report on IRS Form 8938 information relating to securities issued by a non-U.S. person (or foreign accounts through which the securities are held), subject to certain exceptions (including an exception for securities held in accounts maintained by U.S. financial institutions). The Notes are expected to constitute reportable "foreign financial assets" unless they are held in an account at a financial institution. U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the Notes.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a "**Plan**"). Section 406 of ERISA and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a "**Benefit Plan Investor**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Employee benefit plans that are U.S. governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; however, such plans may be subject to similar restrictions under applicable state, local, other federal or non-U.S. law ("**Similar Law**").

An investment in the Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank is a party in interest or a disqualified person with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to an investment in the Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and non-fiduciary service providers to the Benefit Plan Investor; Prohibited Transaction Class Exemption (PTCE) 96-23, regarding transactions effected by "in-house asset managers"; PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers". Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes, and prospective investors that are Benefit Plan Investors and other Plans should consult with their legal advisers regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Note (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, a U.S. governmental plan, church plan or non-U.S. plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the acquisition, ownership or disposition of the Notes (or a beneficial interests therein).

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes entered into on 27 April 2017 among the Managers and the Bank (the "**Subscription Agreement**"), each of the Managers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Managers, the principal amount of the Notes set forth opposite each Manager's name below.

<i>Manager</i>	<i>Principal Amount of Notes</i>
Citigroup Global Markets Limited	U.S.\$120,000,000
J.P. Morgan Securities plc	U.S.\$120,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated....	U.S.\$120,000,000
Emirates NBD PJSC	U.S.\$120,000,000
Erste Group Bank AG.....	U.S.\$120,000,000
Total	U.S.\$600,000,000

The Subscription Agreement provides that the obligations of the Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Managers is subject to receipt and acceptance and subject to the Managers' right to reject any order in whole or in part. As of the date of this Prospectus, Erste Group Bank AG is not a registered broker-dealer under the Exchange Act and will not effect any offer or sale of Notes in the United States unless through one or more registered broker-dealers under the Exchange Act as permitted by the Financial Industry Regulatory Authority.

The Bank has been informed that the Managers propose to resell beneficial interests in the Notes at the offering price set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to non-U.S. persons in offshore transactions in reliance upon Regulation S. See "*Subscription and Sale and Selling Restrictions*" in the Base Prospectus and "*Transfer Restrictions*" below. The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Managers or their affiliates that are registered broker-dealers under the Exchange Act or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Subscription and Sale and Selling Restrictions*" in the Base Prospectus and "*Transfer Restrictions*" below.

In addition, until 40 days after the closing date of the offering of the Notes, an offer or sale of Notes (or beneficial interests therein) within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

While application has been made for the Notes to be admitted to trading on the Main Securities Market, the Notes constitute a new class of securities of the Bank with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell

in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Managers have advised the Bank that they currently intend to make a market in the Notes; however, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. No assurance can be given that the application to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market will be accepted.

In connection with the offering, one or more Manager(s) may purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions may include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Managers in their initial offering, which creates a short position for the Managers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Managers may conduct these transactions in the over-the-counter market or otherwise. If the Managers commence any of these transactions, then they may discontinue them at any time.

The Bank expects that (a) delivery of interests in the Rule 144A Notes will be made on a free of payment basis on the Issue Date, and (b) delivery of interests in the Regulation S Notes will be made against payment therefor on the Issue Date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market through a broker or dealer in the United States generally are required to settle in three New York City business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days should consult their own adviser.

The Managers 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 Managers or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank 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 Managers 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 Bank. In addition, certain of the Managers and/or their respective affiliates hedge their credit exposure to the Bank 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.

The Managers 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.

The Bank has agreed to indemnify each Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Managers may be required to make because of those liabilities.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, investors in the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

The Bank has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only: (a) to persons reasonably believed to be QIBs in reliance upon Rule 144A under the Securities Act and (b) to non-U.S. persons in offshore transactions in reliance upon Regulation S under the Securities Act.

Each purchaser of Notes (other than a person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Global Note to another or from global to definitive form will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States and is not a U.S. person;
- (b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. Federal or State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (c) that, unless it holds an interest in the Regulation S Global Note and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the Issue Date for the series of Notes and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. Federal and State securities laws;
- (d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions, if then applicable;
- (e) that Notes initially offered to QIBs will be represented by the Rule 144A Global Note and that Notes offered in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by the Regulation S Global Note;
- (f) that the Rule 144A Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER

APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD PLEDGED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY

ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

- (g) if it holds an interest in the Regulation S Global Note, that if it should resell or otherwise transfer such interest in the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (i) (A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A and (ii) in accordance with all applicable U.S. federal and State securities laws; and it acknowledges that the Regulation S Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A U.S. GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW."; and

- (h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser and transferee of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a U.S. governmental plan, church plan or non-U.S. plan that

is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

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) by way of public offering or private placement in Turkey may be carried out. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (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.

Further, according to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, Turkish residents may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis, provided that such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such banks or licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

LEGAL MATTERS

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by DLA Piper UK LLP (or affiliates thereof) as to matters of United States law and by Paksoy Ortak Avukat Bürosu as to matters of Turkish law (which will also pass upon matters of Turkish tax law). Certain matters as to English and United States law will be passed upon for the Managers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Managers by Gedik Eraksoy Avukatlık Ortaklığı (which will also pass upon matters of Turkish tax law).

GENERAL INFORMATION

Authorisation

The establishment and update of the Programme and the issue of the 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

An application has been made to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and trading on the Main Securities Market will be granted on or around the Issue Date, subject only to the issue of the Notes.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For as long as any of the Notes are outstanding, 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 Bank and the most recently published unaudited interim financial statements of the Bank, in each case in English and together with any audit or review reports prepared in connection therewith. The Bank 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 and the Notes in definitive form; and
- (e) a copy of this Prospectus and the Base Prospectus.

A copy of the Base Prospectus is available on the website of the Irish Stock Exchange at http://ise.ie/debt_documents/Base%20Prospectus_d9beb925-bb98-40e7-8296-ae4c1f383903.PDF (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). On issuance of the Notes, a copy of this Prospectus would be published on the website of the Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie) (each of such websites is not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus). In addition, a copy of the Annual Financial Statements is 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 Prospectus).

Clearing Systems

The Rule 144A Global Note has been accepted into DTC's book-entry settlement system and the Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 90015JAA0, ISIN: US90015JAA07 and Common Code: 160710985, with respect to the Rule 144A Global Note and ISIN: XS1605397394 and Common Code: 160539739, with respect to the Regulation S Notes).

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.

Interest Payments

The Bank has been advised by DTC that through DTC's accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "**New York Business Day**" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York City are authorised or required by law or executive order to close.

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Consolidated Group since 31 December 2016, and there has been 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 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 Public Oversight Accounting and Auditing Standards Authority (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*" in the Base Prospectus for further information. 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 Turkey is a member of the Union of Certified Public Accountants and Sworn-In Certified Public Accountants in Turkey.

Foreign Text

The language of this 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.

ISSUER
Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
Anafartalar Mahallesi
Atatürk Bulvarı No: 8
Altındağ, Ankara
Turkey

JOINT LEAD MANAGERS

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Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036
United States of America

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

Erste Group Bank AG
Am Belvedere 1
1100 Vienna
Austria

**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 SA/NV,
Luxembourg Branch**
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
USA

LEGAL ADVISERS

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United Kingdom

To the Issuer as to Turkish law
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Orjin Maslak
Eski Büyükdere Caddesi No:27, K:11
Maslak, 34398 Istanbul
Turkey

To the Managers as to English and United States law
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One Bishops Square
London E1 6AD
United Kingdom

To the Managers as to Turkish law
Gedik Eraksoy Avukatlık Ortaklığı
River Plaza, Floor 17
Büyükdere Caddesi, Bahar Sokak No. 13
TR-34394 Levent, Istanbul
Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
10 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