



**TÜRKİYE İŞ BANKASI A.Ş.**  
**Issue of US\$750,000,000 6.125% Notes due 2024**  
**under its US\$7,000,000,000 Global Medium Term Note Program**  
**Issue price: 100.00%**

The US\$750,000,000 6.125% Notes due 2024 (the “Notes”) are being issued by Türkiye İş Bankası A.Ş., a banking institution organized as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 431112 (the “Bank” or the “Issuer”), under its US\$7,000,000,000 Global Medium Term Note Program (the “Program”).

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 (each a “QIB”) as defined in, and in reliance upon, Rule 144A under the Securities Act (“Rule 144A”) and (b) in reliance upon Regulation S under the Securities Act (“Regulation S”) for sale in offshore transactions to persons who are not U.S. persons. For a description of certain restrictions on sale and transfer of investments in the Notes, see “Plan of Distribution” herein and “Subscription and Sale and Transfer and Selling Restrictions” in the Base Prospectus (as defined under “Documents Incorporated by Reference” below).

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

The Notes will bear interest from (and including) April 25, 2017 (the “Issue Date”) to (but excluding) April 25, 2024 (the “Maturity Date”) at a fixed rate of 6.125% *per annum*. Interest will be payable semi-annually in arrear in equal installments on the 25th day of each April and October 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 Business Day (as defined in Condition 7.6), then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. Principal of the Notes is scheduled to be repaid on the Maturity Date, but may be repaid earlier under certain circumstances described herein and in the Base Prospectus. For a more detailed description of the Notes, see “Terms and Conditions of the Notes” herein.

This prospectus (this “Prospectus”) has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the “Prospectus Directive”). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union (“EU”) law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a 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 plc (the “Irish Stock Exchange”) for the Notes to be admitted to its official list (the “Official List”) and to trading on its regulated market (the “Main Securities Market”); *however*, no assurance can be given that such application will be accepted. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market.

Application has been made to the Capital Markets Board (the “CMB”) of the Republic of Turkey (“Turkey”), in its capacity as competent authority under Law No. 6362 (the “Capital Markets Law”) of 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 approved issuance certificate (*ihraç belgesi*) has been obtained from the CMB. The CMB issuance certificate relating to the issuance of notes under the Program based upon which the offering of the Notes is conducted was obtained on February 7, 2017 and the written approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance “BB+” (stable outlook) by Fitch Ratings Ltd. (“Fitch”) and “Ba1” (negative outlook) by Moody’s Investors Service Limited (“Moody’s”) and, together with Fitch and Standard & Poor’s Credit Market Services Europe Limited, the “Rating Agencies”). The Bank has also been rated by the Rating Agencies, as set out on page 156 of the Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the “CRA Regulation”). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered in reliance upon Rule 144A and Regulation S by each of Citigroup Global Markets Limited, Emirates NBD P.J.S.C., Erste Group Bank AG, HSBC Bank plc, Mizuho Securities USA LLC and Wells Fargo Securities International Limited (each an “Initial Purchaser” and, collectively, the “Initial Purchasers”), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes will be made in book-entry form only through the facilities of The Depository Trust Company (“DTC”), against payment therefor in immediately available funds on the Issue Date (*i.e.*, the third Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as “T+3”), and (b) delivery of the Regulation S Notes will be made in book-entry form only through the facilities of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”), against payment therefor in immediately available funds on the Issue Date.

*Initial Purchasers*

Citigroup	Emirates NBD Capital	Erste Group	HSBC	Mizuho Securities	Wells Fargo Securities
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The date of this Prospectus is April 21, 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 (or parts thereof) that are incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents (or, as applicable, the indicated parts thereof) are incorporated in, and form part of, this Prospectus.**

The Issuer 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 in, or incorporated by reference into, this Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Prospectus (including in the information 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.

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 Initial Purchasers accepts any responsibility for the information contained in, or incorporated by reference into, this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the Issuer or the issue and offering of the Notes (or beneficial interests therein). Each Initial Purchaser 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. The Initial Purchasers 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 or potential investor in the Notes of any information coming to their attention.

No person is or has been authorized 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 by (or with the consent of) the Issuer in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Initial Purchasers.

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

Neither this Prospectus nor any other information supplied in connection with the Notes or the issue of the Notes constitutes an offer of, or an invitation by or on behalf of the Issuer or any of the Initial Purchasers or their respective affiliates to any person to subscribe for or purchase, any Notes (or beneficial interests therein). This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Initial Purchasers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

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

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

None of the Initial Purchasers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws or regulations. Any investor in the Notes should determine whether it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes might 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 should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in, or incorporated by reference into, 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 such investment will have on its overall investment portfolio,
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency,
- (d) understands thoroughly the terms of the Notes and is familiar with the behavior of financial markets, and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that might affect its investment in the Notes and its ability to bear the applicable risks.

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

### **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 (or will be deemed to have agreed) 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 relevant exemptions from the registration requirements thereof described herein and under "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Each investor in the Notes also will be deemed to have made certain representations and agreements as described in the Base Prospectus. 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 and all applicable laws and regulations might subject the transferor and/or transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the approved issuance certificate (*ihraç belgesi*) from the CMB (dated February 7, 2017 and numbered 29833736-105.03.01.-E.1628 (the "*CMB Approval*") and the BRSA approval dated January 18, 2017 and numbered 20008792-101.01[44]-E.1057 (the "*BRSA Approval*") and, together with the CMB Approval, the "*Approvals*") required for the issuance of the Notes. In addition to the Approvals, pursuant to Communiqué VII-128.8 on Debt Instruments of the CMB (the "*Communiqué on Debt Instruments*"), the Issuer is required to apply to the CMB for approval via electronic signature on or before the Issue Date in order to proceed with the sale and issuance of the Notes; *however*, as of the date of this Prospectus, the CMB's system allowing such application has not become operational yet. Therefore, unless such system becomes operational before the Issue Date of the Notes, the written approval of the CMB (which might be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) in respect of the Notes must be obtained by the Issuer from the CMB on or before such Issue Date in order to proceed with the sale and issuance of the Notes. As the Issuer

is required to maintain all authorizations and approvals of the CMB necessary for the offer, sale and issue of notes under the Program, the scope of the Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time. Pursuant to the Approvals, the offer, sale and issue of the Notes have been authorized 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 numbered 5411, as amended (the “*Banking Law*”) and its related legislation, the Capital Markets Law numbered 6362 and Communiqué on Debt Instruments and its related legislation.

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 authorized the offering, sale and issue of the Notes on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision No. 3665 dated May 6, 2010 and in accordance with Decree 32, residents of Turkey may purchase or sell Notes (as they are denominated in a currency other than Turkish Lira) (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only. Further, pursuant to Article 15(d)(ii) of Decree 32, 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 authorized by the BRSA or licensed brokerage institutions authorized pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or such licensed brokerage institutions while purchasing the Notes (or beneficial interests therein) and should transfer the purchase price through such licensed banks.

Monies paid for purchases of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (the “*SDIF*”) of Turkey.

The Issuer is required to notify the Central Registry İstanbul (*Merkezi Kayıt İstanbul*) within three İstanbul business days from the Issue Date of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Notes offered and sold to QIBs in reliance upon Rule 144A (the “*Rule 144A Notes*”) will be represented by beneficial interests in one or more Rule 144A Global Note(s) (as defined in the Base Prospectus). Notes offered and sold pursuant to Regulation S in offshore transactions to persons who are not U.S. persons (the “*Regulation S Notes*”) will be represented by beneficial interests in a global note in registered form (the “*Regulation S Global Note*” and, together with the Rule 144A Global Note(s), the “*Global Notes*”).

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 of 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(s) 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*”) for, and will be registered in the name of Cede & Co. as nominee of, DTC. Except as described in this Prospectus, beneficial interests in the Rule 144A Global Note(s) 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, HSBC Bank plc (the “*Stabilization Manager*”) (or persons acting on behalf of the Stabilization 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*, stabilization action might not necessarily occur. Any stabilization action 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 stabilization action or over-allotment must be conducted by the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) in accordance with all applicable laws and regulations.

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

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

In this Prospectus, all references to “*Turkish Lira*” and “*TL*” refer to the lawful currency for the time being 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*”, “*US\$*” and “*\$*” refer to United States dollars.

The language of this Prospectus is English. Certain legal references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws and regulations. In particular, but without limitation, the titles of Turkish legislation and regulations and the names of Turkish institutions referenced herein (and in the documents incorporated herein by reference) have been translated from Turkish into English. The translations of these titles and names are direct and accurate.

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

## **ALTERNATIVE PERFORMANCE MEASURES**

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

The APMs included in this Prospectus are not alternatives to measures prepared in accordance with the BRSA Accounting and Reporting Regulations and might be different from similarly titled measures reported by other companies. The Bank’s management believes that this information, when considered in conjunction with measures reported under the BRSA Accounting and Reporting Regulations, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors’ overall understanding of the Group’s financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under the BRSA Accounting and Reporting Regulations, in measuring the Group’s performance and comparing it to the performance of its competitors. In

addition, because the Group has historically reported certain APMs to investors, the Bank's management believes that the inclusion of APMs in this Prospectus provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Accounting and Reporting Regulations.

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

*average shareholders' equity as a percentage of average total assets:* For a particular period, unless stated otherwise, this is: (a) the average shareholders' equity for such period *as a percentage of* (b) the average total assets for such period.

*cash loan-to-deposit ratio:* As of a particular date, this is: (a) the total amount of cash loans excluding non-performing loans ("NPLs") as of such date *divided by* (b) total deposits as of such date.

*cost-to-income ratio:* For a particular period, this is: (a) the "cost" (calculated as total operating expenses excluding insurance expense and impairment losses, net) for such period *divided by* (b) the "income" (calculated as total operating income (net of insurance expense) for such period.

*coverage ratio:* For a particular period, this is: (a) specific provisions as of such date *divided by* (b) NPLs as of such date.

*dividend pay-out ratio:* For a particular period, this is: (a) the amount of dividends paid with respect to the net income for such period *as a percentage of* (b) the net income for such period.

*free capital ratio:* As of a particular date, this is: (a) the Group's total shareholders' equity as of such date *minus* the Group's fixed assets, investment property, investments in equity participations (*i.e.*, the sum of investment in associates (Net), investment in subsidiaries (Net) and jointly controlled entities (joint ventures) (Net)) and NPLs net of specific provisions as of such date *as a percentage of* (b) the Group's total assets as of such date.

*gross operating income:* For a particular period, this is the sum of interest income, fees and commissions received, dividend income, trading income/loss and other operating income for such period with no deductions for interest expense or fee and commission expense.

*liquid asset ratio:* As of a particular date, this is: (a) the Group's total amount of cash and balances with banks, money market placements, trading securities portfolio and available-for-sale securities as of such date *divided by* (b) the Group's total assets as of such date.

*net interest margin:* For a particular period, this is: (a) the Bank-only net interest income (excluding interest from the Central Bank on reserves held thereat) for such period (and, when calculating for an interim period, the figure is annualized by multiplying the Bank-only net interest income for the indicated period of such year by 12 *divided by* the number of months in such period) *divided by* (b) the Bank-only quarterly average interest-earning assets (excluding reserves held at the Central Bank). The "quarterly average" interest-earning assets for a period are calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening quarter-end date (*i.e.*, March 31,

June 30, September 30 and December 31, as applicable). For annualized figures calculated for a year, there can be no guarantee, and the Bank does not represent or predict, that actual results for the full year will equal or exceed the annualized figure and actual results might vary materially.

*non-performing loans to total cash and non-cash loans*: As of a particular date, this is: (a) NPLs as of such date *divided by* (b) the aggregate amount of loans and receivables (performing), non-performing loans and guarantees and suretyships as of such date.

*NPL ratio*: As of a particular date, this is: (a) NPLs as of such date *as a percentage of* (b) the aggregate amount of loans and receivables (performing) and non-performing loans as of such date.

*return on average shareholders' equity*: For a particular period, this is: (a) the net income (when calculated for the Group, excluding non-controlling interest) for such period (and, when calculating for an interim period, the figure is annualized by multiplying the net income for the indicated period of such year by 12 *divided by* the number of months in such period) *as a percentage of* (b) average shareholders' equity for such period. For annualized figures calculated for a year, there can be no guarantee, and the Bank does not represent or predict, that actual results for the full year will equal or exceed the annualized figure and actual results might vary materially.

*return on average total assets*: For a particular period, this is: (a) the net income for such period (and, when calculating for an interim period, the figure is annualized by multiplying the net income for the indicated period of such year by 12 *divided by* the number of months in such period) *as a percentage of* (b) average total assets for such period. For annualized figures calculated for a year, there can be no guarantee, and the Bank does not represent or predict, that actual results for the full year will equal or exceed the annualized figure and actual results might vary materially.

*spread*: For a particular period, this is: (a) the average interest rates earned on average interest-earning assets (excluding reserves held at the Central Bank and interest earned thereon) during such period *minus* (b) the average interest rates accrued on average interest-bearing liabilities during such period.

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

*average interest-bearing liabilities*: For a particular period, this is: (a) for the purpose of the calculation of "spread," the total of daily averages of total deposits excluding demand deposits, repo and money market funds, funds borrowed and marketable securities issued since December 31 of the previous year, and (b) for the purpose of the calculations under the section entitled "*Selected Statistical and Other Information - Average Balance Sheet and Interest Data*," unless stated otherwise, the sum of the monthly averages of total deposits excluding demand deposits, funds borrowed, funds provided under repurchase agreements, marketable securities issued and subordinated debt calculated by averaging the amount of interest-bearing liabilities as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

*average interest-earning assets*: For a particular period, this is: (a) for the purpose of the calculation of "spread," the sum of the daily averages of loans and receivables (performing), total securities portfolio, banks and money market placements since December 31 of the

previous year, (b) for the purpose of the calculation of “net interest margin,” the sum of the quarterly averages of loans and receivables (performing), total securities portfolio, banks and money market placements calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening quarter-end date (*i.e.*, March 31, June 30, September 30 and December 31, as applicable), and (c) for the purpose of the calculations under the section entitled “*Selected Statistical and Other Information - Average Balance Sheet and Interest Data*,” unless stated otherwise, the sum of the monthly averages of loans and receivables (performing), total securities portfolio, banks, money market placements and balances with the Central Bank (interest-earning portion) calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

*average non-interest-bearing liabilities*: Unless stated otherwise, the sum of the monthly averages of demand deposits, provisions, tax liabilities and other liabilities calculated by averaging the amount of non-interest-bearing liabilities as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

*average non-interest-earning assets*: Unless stated otherwise, the sum of the monthly averages of cash and balances with the Central Bank (non-interest earning portion), derivative financial assets held for trading, equity participations, non-performing loans net of specific provisions, tangible assets and other assets calculated by averaging the amount of non-interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

*average shareholders’ equity*: For a particular period, unless stated otherwise, this is calculated by averaging the amount of shareholders’ equity (when calculated for the Group, excluding non-controlling interest) as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening quarter-end date (*i.e.*, March 31, June 30, September 30 and December 31, as applicable) or year-end date, as applicable.

*average total assets*: For a particular period, unless stated otherwise, this is calculated by averaging the amount of total assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening quarter-end date (*i.e.*, March 31, June 30, September 30 and December 31, as applicable) or year-end date, as applicable.

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## RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents (or parts thereof) that 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 14 to 47 (inclusive) of the Base Prospectus (as supplemented through the date hereof) (the “*Program Risk Factors*”), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur as the Issuer might not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of events outside the Issuer’s control. The Issuer has identified in the Program Risk Factors a number of factors that might materially adversely affect its business and ability to make payments due under the Notes.

In addition, a number of factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Program Risk Factors. Prospective investors should also read the detailed information set out elsewhere in (or incorporated by reference into) this Prospectus and reach their own views prior to making any investment decision; *however*, the Bank does not represent that the risks set out in the Program Risk Factors or herein are exhaustive or that other risks might not arise in the future.

The Program Risk Factors are (except to the extent noted otherwise herein) incorporated by reference into this Prospectus and, for these purposes, references in the Program Risk Factors to “Notes” shall be construed as references to the Notes described in this Prospectus.

In addition, for the purpose of the Notes, the Program Risk Factors shall be deemed to be revised as follows (with corresponding changes being deemed to be made elsewhere in the Base Prospectus):

- (a) The last sentence of the second paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Emerging Market Risks*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced by the following:

Diplomatic or political tensions between Turkey and member states of the EU or other countries might impact trade or demand for imports and exports. A decline in demand for imports from the EU, including the United Kingdom as a result of the majority’s vote to leave the EU, Russia or neighbouring countries could have a material adverse effect on Turkish exports and Turkey’s economic growth and result in an increase in Turkey’s current account deficit.

- (b) The fourth sentence of the third paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Emerging Market Risks*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced by the following:

In 2016, Turkish Lira depreciated against the U.S. Dollar by 21.5% on a nominal basis.

- (c) The last two sentences of the second to last paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Political Developments*” in the Base Prospectus, as amended by the supplements dated July 29, 2016 and November 25, 2016, is hereby deemed to be deleted in its entirety and replaced by the following:

As of April 20, 2017, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws.

- (d) The last sentence of the last paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Political Developments*” in the Base Prospectus, as amended by the supplements dated July 29, 2016, October 14, 2016 and November 25, 2016 is hereby deemed to be deleted in its entirety and replaced by the following:

Although the Bank’s operations were not materially affected by the attempted coup, the impact on political and social circumstances following the attempted coup and its aftermath (including rating downgrades of Turkey and the Bank) might have a negative impact on the Turkish economy and institutions, the Bank’s and/or the Group’s business, result of operations and/or financial condition and/or the value and/or market price of an investment in the Notes.

In the referendum held on April 16, 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including to extend the powers of the president, most of which amendments are expected to enter into force in November 2019. Accordingly (*inter alia*): (a) the current parliamentary system will be transformed into a presidential one, (b) the president will be entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister will be abolished, (d) the parliament’s right to interpellate (*i.e.*, the right to submit questions requesting explanation regarding an act or a policy) the cabinet members will be annulled and (e) the president will have increased powers over the selection of members of the Board of Judges and Prosecutors (currently the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*)). The political uncertainty is likely to continue.

- (e) The first sentence of the first paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Turkish Economy*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

As of December 31, 2016, approximately 95.5% (approximately 95.4% as of each of December 31, 2015 and 2014) of the Group’s total assets were in Turkey and the majority of the Group’s operations are in Turkey.

- (f) The second, third and fourth sentences of the third paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Turkish Economy*” in the Base Prospectus are hereby deemed to be deleted in their entirety and replaced with the following:

In October 2016, the government announced a three year medium-term economic program from 2017 to 2019. Under this program, the government set growth targets of 4.4% for 2017 and 5.0% for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank’s efforts to curtail inflation and simplify monetary policy, the

current account deficit and macroeconomic and political factors, such as changes in oil prices, uncertainty related with conflicts in Iraq and Syria (See “-*Terrorism and Conflicts*”) and the political developments in Turkey, including the failed coup attempt on July 15, 2016 and its aftermath and the uncertainty resulting from the referendum that was held on April 16, 2017, in which the majority of the votes cast approved the extension of the powers of the president (see “-*Political Developments*”). On December 12, 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for previous periods that were calculated in line with the former method.

- (g) The third paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Terrorism and Conflicts*” in the Base Prospectus is hereby deemed to be amended by the addition of the following at the end thereof:

At the end of June 2016, the relationship between Turkey and Russia started to improve. On December 19, 2016, a Turkish policeman murdered the Russian ambassador to Turkey. While both Turkish and Russian leaders condemned the attack as a provocation aimed to undermine relations between the two countries, any deterioration of Turkey-Russia relations might have a material adverse effect on the Group’s business, financial condition and/or results of operations and on the market price of the Notes.

- (h) The risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Inflation Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

*Inflation Risk – Turkey’s economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future*

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

- (i) The second paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

In 2013, the current account deficit increased to US\$63.6 billion due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank’s tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US\$43.6 billion and US\$32.1 billion in 2014 and 2015, respectively. In 2016, Turkey’s current account deficit increased slightly to US\$32.6 billion. Various events, including geopolitical risks (see

“-Terrorism and Conflicts”) and political circumstances following the attempted coup in Turkey (see “-Political Developments”), might result in an increase in the current account deficit, including due to the possible impact on Turkey’s foreign trade and tourism revenues. See “-Emerging Market Risks.”

- (j) The fourth paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

Turkey is an energy import-dependent country and recorded US\$24.0 billion of net energy imports in 2016, which declined from US\$33.3 billion in 2015 and US\$48.8 billion in 2014 due largely to the decline in the price of oil (source: *Turkstat*). It should be noted that energy imports, in general, approximate the country’s total current account deficit. In 2015 and 2016, Turkey’s current account deficit benefited from the recent declines in the price of oil, which was partially offset by the weak performance of exports; *however*, this could be reversed. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy. Even though the relatively low levels of oil prices have supported the current account balance, the agreement among the members of the Organization of the Petroleum Exporting Countries (*OPEC*) to cut output (effective as of January 1, 2017) or any geopolitical development concerning energy security and prices might have a material impact on Turkey’s current account balance.

- (k) The fifth sentence of the first paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Exchange Rates*” in the Base Prospectus” is hereby deemed to be deleted in its entirety and replaced with the following:

The CPI-based real effective exchange rate decreased to 92.1 as of December 2016, indicating a limited depreciation in the Turkish Lira in 2016. The real exchange rate declined to 88.2 in January 2017.

- (l) The last sentence of the second paragraph of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Exchange Rates*” in the Base Prospectus” is hereby deemed to be deleted in its entirety and replaced with the following:

The Central Bank’s average funding rate was 8.3% as of December 30, 2016. In 2016, the Turkish Lira depreciated against the U.S. Dollar by 21.5% on a nominal basis.

- (m) The second sentence of the risk factor titled “*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Government Default*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

As of December 31, 2016, 94.2% of the Group’s total securities portfolio (15.0% of its total assets and equal to 134.6% of its shareholders’ equity) was invested in government securities, primarily in securities issued by the Turkish government (the “*total securities portfolio*” is the sum of: (a) the trading securities portfolio (which, as of a particular date, is: (i) the financial assets held for trading as of such date *minus* (ii) the derivative financial assets held for trading as of such date; the “*trading securities portfolio*”) and (b) the investment securities portfolio (which, as of a particular date, is the sum of the available-for-sale portfolio and the held-to-maturity portfolio as of such date; the “*investment securities portfolio*”).

- (n) The last paragraph of the risk factor titled “*Risk Factors –Risks Relating to the Group and its Business – Global Financial Crisis and Eurozone Crisis*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

In addition, any withdrawal by a member state from the EU and/or European Monetary Union, any significant changes to the structure of the European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur (including the referendum held in the United Kingdom and the uncertainty resulting from the decision of the majority of voters in the United Kingdom to leave the EU) might have a material adverse effect on the Group’s business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the euro.

As of April 20, 2017, there is uncertainty in relation to the possible impacts of the leave vote in the United Kingdom (and the United Kingdom’s decision in March 2017 to trigger Article 50 and commence the process of leaving the EU), including any impact on the European and global economic and market conditions and its possible impact on Sterling, euro and other European exchange rates, as well as upcoming elections in a number of member states of the EU, including France and Germany. Such decision might impact Turkey’s relationship with the EU, including its agreement concluded to control the irregular flow of refugees from Turkey to the EU. See “-*Terrorism and Conflicts.*” As the EU remains Turkey’s largest export market, a decline in demand for imports from the EU or the United Kingdom might adversely impact Turkish exports and Turkey’s economic growth. See “-*High Current Account Deficit.*” Any effect of such vote in the United Kingdom might adversely affect the economic stability in Turkey and the Group’s business, financial condition and/or results of operations.

- (o) The last sentence of the second paragraph of the risk factor titled “*Risk Factors –Risks Relating to the Group and its Business – Counterparty Credit Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The NPL ratio in the Turkish banking sector was 2.8% as of December 31, 2014, 3.1% as of December 31, 2015 and 3.2% as of December 31, 2016 (1.6%, 2.0% and 2.3%, respectively, with respect to the Group), with the Turkish banking sector’s statistics being as reported in the BRSA’s monthly statistical bulletin.

- (p) The first paragraph of the risk factor titled “*Risk Factors –Risks Relating to the Group and its Business – Competition in the Turkish Banking Sector*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The Group faces significant and continuing competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. As of September 30, 2016, the top five banks by assets in Turkey (one of which is a state-controlled bank) held 55.5% of the banking sector’s total loan portfolio (excluding participation banks) and 57.2% of total bank assets (excluding participation banks) in Turkey, according to the Turkish Banks Association. As of December 31, 2016, the Bank: (a) was the largest bank in Turkey in terms of foreign currency-denominated loans, (b) was the largest private bank in Turkey in terms of shareholders’ equity and (c) had the largest market shares of total assets, total loans, Turkish Lira-denominated loans, foreign currency-denominated loans, non-retail loans, total deposits, Turkish Lira-denominated deposits, foreign currency-denominated deposits and demand deposits among private sector banks (source: BRSA), each as measured on a bank-only basis.

- (q) The third sentence of the fourth paragraph of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Competition in the Turkish Banking Sector*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The Bank opened 47 domestic branches in 2014 (three branches were consolidated with other branches during 2014), 26 domestic branches in 2015 (five branches were consolidated with other branches during 2015), four domestic branches in 2016 (seven branches were consolidated with other branches during 2016) and no branches in the first three months of 2017 (one branch was consolidated with another branch during this period) and it is (as of April 20, 2017) planning on opening a total of five domestic branches and consolidating eight domestic branches during 2017.

- (r) The last sentence of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Pressure on Profitability*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

For 2016, the Bank’s return on average total assets was 1.6% (compared to 1.5% for the sector, according to figures published by the BRSA) and the return on its average shareholders’ equity was 13.7% (compared to 13.3% for the sector, according to figures published by the BRSA) (1.2% and 10.4%, respectively, for the Bank, and, according to figures published by the BRSA, 1.2% and 10.7%, respectively, for the sector in 2015).

- (s) The second sentence of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Foreign Exchange and Currency Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

For example, the Group had loans denominated in currencies other than the Turkish Lira totaling the equivalent of TL 65,270 million, TL 77,693 million and TL 99,358 million as of December 31, 2014, 2015 and 2016, respectively, representing 38.9%, 40.3% and 44.3%, respectively, of the Group’s total loans as of such dates.

- (t) The first paragraph of “*Risk Factors – Risks Relating to the Group and its Business – Interest Rate Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The Group’s results of operations depend heavily upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income contributed 52.8%, 57.2% and 58.6% of the aggregate amount of total operating income and profit/loss from associates accounted for using the equity method for 2014, 2015 and 2016, respectively, and net interest margin (which is measured on a Bank-only basis) was 4.1%, 4.1% and 4.5%, respectively, over the same periods. Interest rates are highly sensitive to many factors beyond the Group’s control, including monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility, such as occurred in January 2014 as a result of the Central Bank’s significant increases of interest rates. In addition, as of December 31, 2016, 94.2% of the Group’s total securities portfolio consisted of Turkish government debt securities, which accounted for 15.0% of the Group’s total assets (94.1% and 15.2%, respectively, as of December 31, 2015). As a result, a large portion of the Group’s total assets is exposed to interest rate risk.

- (u) The third sentence of the second paragraph of “*Risk Factors – Risks Relating to the Group and its Business – Liquidity Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The unemployment rate in Turkey was 12.7% as of December 30, 2016 according to TurkStat.

- (v) The first two sentences of the third paragraph of “*Risk Factors – Risks Relating to the Group and its Business – Liquidity Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

In addition to deposits, the Group also relies upon non-deposit funding (which includes money market funds, funds borrowed, marketable securities issued and subordinated debt), which as of December 31, 2016 was equivalent to 29.6% of the Group’s consolidated assets (30.2% as of December 31, 2015). The Group’s cash loan-to-deposit ratio was 125.0% as of December 31, 2016 (125.1% as of December 31, 2015).

- (w) The fourth sentence of the first paragraph of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Foreign Currency Borrowing and Refinancing Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

As of December 31, 2016, the Group’s total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) equalled 20.7% of its consolidated assets (19.6% as of December 31, 2015).

- (x) The second paragraph of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Foreign Currency Borrowing and Refinancing Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced by the following:

A downward change in the ratings published by rating agencies of either Turkey or members of the Group (for instance, on February 2, 2017, following the downgrade of the sovereign rating of Turkey to “BB+” (outlook stable) from “BBB-” (outlook negative), Fitch downgraded the Bank’s Foreign Currency Issuer Default Rating and senior unsecured debt ratings to “BB+” from “BBB-”) might increase the costs of new indebtedness and/or the refinancing of the Group’s existing indebtedness.

- (y) The second sentence of the last paragraph of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – Foreign Currency Borrowing and Refinancing Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

As of December 31, 2016, 96.3% (97.3% as of December 31, 2015) of the Group’s aggregate amount of foreign-currency denominated funds borrowed and subordinated debt was sourced from international banks, multilateral institutions and “diversified payment rights” transactions.

- (z) The first paragraph of the risk factor titled “*Risk Factors – Risks Relating to the Group and its Business – SME/Retail Concentration Risk*” in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

As of December 31, 2016, 46.7% of the Bank’s loan portfolio consisted of retail loans and loans to SMEs (as defined by the BRSA SME Definition), with retail loans accounting for 24.9% of the Bank’s total loan portfolio, and loans to SMEs (as defined by the BRSA SME

Definition) accounting for 21.8% (50.3%, 26.4% and 23.8%, respectively, as of December 31, 2015). Retail and SME customers typically have less financial strength than corporate borrowers, and negative developments in the Turkish economy could affect retail and SME customers more significantly than large corporate borrowers. The Group's NPL ratios for 2014, 2015 and 2016 were 1.6%, 2.0% and 2.3%, respectively. On a Bank-only basis, SMEs (as defined by the BRSA SME Definition) accounted for 36.2%, 32.6% and 32.4% of total NPLs as of December 31, 2014, 2015 and 2016, respectively. Retail loans (which consist of consumer loans, overdrafts and credit cards) accounted for 38.4%, 37.1% and 31.1%, respectively, as of such dates. The Bank's NPL ratios for SME loans were 2.3%, 2.7% and 3.5%, respectively, as of such dates, while its NPL ratios for retail loans were 2.1%, 2.8% and 2.9%, respectively, as of such dates. A negative impact on the financial condition of the Group's retail or SME customers might have a material adverse effect on the Group's business, financial condition and/or results of operations.

- (aa) The first sentence of the risk factor titled "*Risk Factors – Risks Relating to the Group and its Business – Reduction in Earnings on Investment Portfolio*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The Group has historically generated a significant portion of interest income from its total securities portfolio, with interest income derived from the Group's total securities portfolio in 2014, 2015 and 2016 accounting for 22.1% 19.1% and 18.3%, respectively, of its total interest income (and 15.0%, 13.6% and 13.1%, respectively, of its gross operating income).

- (bb) The last sentence of the first paragraph of the risk factor titled "*Risk Factors – Risks Relating to the Group and its Business – Reduction in Earnings on Investment Portfolio*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The CPI-linked securities in the Bank's investment securities portfolio provided high real yields compared to other government securities in 2016, benefiting from the high inflation environment, but their impact on the Bank's earnings may vary as inflation rates change.

- (cc) The risk factor titled "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

*Audit Qualification – The audit reports in relation to the Group's financial statements include a qualification*

The BRSA Financial Statements include a qualification about a free provision allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions. The Group might have similar qualifications in the future. The auditor's statements on such qualification can be found in its letters included in each of such BRSA Financial Statements. The independent auditors' reports for the IFRS Financial Statements incorporated by reference herein also include a qualification about a free provision allocated by the Group for the same purposes.

The auditors' reports included in the BRSA Financial Statements include: (a) a qualification related to the free provision as of December 31, 2014 amounting to TL 1,000 million allocated by the Bank's management, all of which had been recognized as an expense in prior periods, (b) after a reversal and recognition of income of TL 200 million during 2015, a qualification related to the free provision as of December 31, 2015 amounting to net TL 800 million allocated by the Bank's management, all of which had been recognized as an expense in prior periods, and (c) a qualification related to the free provision as of December 31, 2016 amounting to TL 800 million allocated by the Bank's management, all of which had been

recognized as an expense in prior periods. See also the audit reports included in the BRSA Financial Statements incorporated by reference herein. The Bank's management expects that similar qualifications will be included in the corresponding audit or review reports for future fiscal periods.

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

- (dd) The first four sentences of the risk factor titled "*Risk Factors – Risks Relating to the Group and its Business – Labor Disputes*" in the Base Prospectus are hereby deemed to be deleted in their entirety and replaced with the following:

As of December 31, 2016, the Bank had 24,756 employees. Almost all of the Bank's Turkish employees are members of the Turkish union for the banking and insurance industries Banking and Insurance Labor Union (*Banka ve Sigorta İşçileri Sendikası*) ("*Basisen*"). Basisen and the Bank are parties to a collective bargaining agreement, which was signed in July 2016 and is effective until December 31, 2017.

- (ee) The risk factor titled "*Risk Factors – Risks Relating to the Group and its Business – Large Shareholders*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

*Large Shareholders – The interests of the İşbank Personnel Supplementary Pension Fund and the CHP, which together held 68.24% of the Bank's outstanding share capital as of December 31, 2016, might not be aligned with the interests of the investors in the Notes*

As of December 31, 2016, 40.15% of the Bank's shares were held by the İşbank Personnel Supplementary Pension Fund and 28.09% (Atatürk's shares) were owned by the CHP. The interests of such shareholders might not be aligned with the interests of the investor in the Notes.

## ADDITIONAL INFORMATION

### *Business of the Group*

The information under the heading “*Credit Ratings*” on page 156 of the Base Prospectus (as supplemented through the date hereof) shall, for the purpose of the Notes and this Prospectus only, be deemed to have been revised as follows (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

#### *Moody’s (March 20, 2017)*

Bank Deposit Foreign Currency	Ba2 / Negative / Not Prime
Bank Deposit Local Currency	Ba1 / Negative / Not Prime
Foreign Currency Issuer	Ba1 / Negative
Foreign Currency Subordinated Debt	Ba3 / B1 (hyb)

#### *Fitch (February 2, 2017)*

Foreign Currency Issuer Default Rating	BB+/ Stable/ B
Local Currency Issuer Default Rating	BB+/ Stable / B
National Long-Term Rating	AA+(tur) / Stable
Viability Rating	bb+
Support Rating	4
Support Rating Floor	B+

### *Management*

The information under the heading “*Board of Directors*” starting on page 270 of the Base Prospectus shall, for the purpose of the Notes and this Prospectus only, be deemed to have been revised to include the following section at the end thereof (with corresponding changes deemed to be made elsewhere in the Base Prospectus):

#### *Recent Developments*

At the General Assembly Meeting of the Bank held on March 31, 2017, it was decided that, due to the expiry of the term of the then current members of the Board of Directors, H. Ersin Özince, Füsün Tümsavaş, Feray Demir and Prof. Dr. Turkey Berksoy (Independent Director) were reappointed to the Board of Directors and Murat Karayalçın, Ertuğrul Bozgedik, Özcal Korkmaz, Ersin Önder Çiftçioğlu, Müslim Sarı and Rahmi Aşkın Türeli were appointed as new members of the Board of Directors.

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

#### *Murat Karayalçın*

Born in Samsun in 1943, Mr. Karayalçın graduated from Ankara University, Faculty of Political Science, Department of Economics/Finance and received a master’s degree in Development Economics from University of East Anglia in the United Kingdom. Mr. Karayalçın served as a Specialist at the State Planning Organization between 1969 and 1978, the Deputy Undersecretary at the Ministry of Rural Affairs in 1978 and 1979, the General Manager at Kent Koop between 1981 and 1991, as General Manager at the Central Association of Türkiye Kent Kooperatifleri between 1988 and 1993 and as a board member of the International Settlement Council in 1986 and 1987.

Mr. Karayalçın served as the Mayor of Ankara Metropolitan Municipality from 1989 to 1993, the Chairman of the Social Democratic People’s Party from 1993 to 1995, the Deputy Prime Minister and Minister of State from 1993 to 1994 and the Deputy Prime Minister and Minister of Foreign Affairs

from 1994 until 1995. Mr. Karayalçın was elected as a member of parliament from Samsun for the CHP in 1995 and served as the Chairman of the Committee of Foreign Affairs of the Turkish parliament from 1997 to 1999. He served as the İstanbul Provincial Head of the CHP from 2014 to 2015 and as a member of the CHP Party Council from 1999 to 2001 and from 2012 to 2014. Mr. Karayalçın is also a faculty member at Girne American University and T.C. İstanbul Kültür University. Mr. Karayalçın was elected to the Bank's Board of Directors on March 31, 2017.

#### *Ertuğrul Bozgedik*

Born in Kayseri in 1964, Mr. Bozgedik graduated from the Economics Department of the Faculty of Political Science at Ankara University. Mr. Bozgedik joined the Bank in 1986 as an Assistant Inspector on the Board of Inspectors and was appointed as an Assistant Manager of the II. Loans Department in 1995, Regional Manager of the I. Loans Department in 1999, Regional Manager at Non-Performing Loans Department in 2002 and Head of the Corporate Loans Department in 2004. Mr. Bozgedik was elected as the Chairman of the Board of Inspectors in 2008 and a Deputy Chief Executive in 2011. Mr. Bozgedik was elected to the Bank's Board of Directors on March 31, 2017. He was also elected as a member of the Credit Committee on April 4, 2017.

#### *Özcal Korkmaz*

Born in Aydın in 1945, Mr. Korkmaz graduated from İstanbul University's Department of Economics. Mr. Korkmaz started his career at the National Productivity Center in 1970 and served as an Assistant Account Expert at the Ministry of Finance from 1972 to 1975, as an Account Expert from 1975 to 1980 and as a Senior Account Expert from 1980 to 1985. Mr. Korkmaz served as an Assistant Treasurer of Ankara from 1985 to 1987 and as the Treasurer of Ankara from 1987 to 1989. Mr. Korkmaz served as the General Manager and Chairman of the board of directors of the Government Retirement Fund of Turkey from 1989 to 1994 before his retirement in 1994. He also served as the Chairman of the board of directors of Bağımsız Denetim ve Danışmanlık A.Ş. from 2009 to 2015 and has been working as a Certified Public Accountant since 1994. Mr. Korkmaz was elected to the Bank's Board of Directors on March 31, 2017 and has been serving as a member of the Corporate Governance Committee since April 4, 2017.

#### *Ersin Önder Çiftçioğlu*

Born in Ankara in 1960, Mr. Çiftçioğlu graduated from Hacettepe University, Faculty of Social and Administrative Sciences, Department of English Linguistics. Mr. Çiftçioğlu began his career as an officer in the Bank's Yenışehir/Ankara Branch in 1985 and was later appointed as an Assistant Section Head, Section Head, Sub-Manager and Assistant Manager in the same branch. In 2007, he was appointed as an Assistant Manager at the Bank's Başkent Corporate/Ankara Branch and Regional Manager of the SME Loans Underwriting Division of Adana Region, and subsequently served as the Ankara Center I. Region Manager. Mr. Çiftçioğlu was appointed as the Manager of the Ege Corporate/İzmir Branch in 2011 and the Başkent Corporate/Ankara Branch in 2016.

Mr. Çiftçioğlu was elected to the Bank's Board of Directors on March 31, 2017 and has been serving as a member of the Corporate Governance Committee since April 4, 2017.

#### *Müslim Sarı*

Born in İstanbul in 1970, Mr. Çiftçioğlu graduated from Ankara University, Faculty of Political Science, Department of International Relations and continues a master's degree program at Ankara University, Faculty of Political Science, Public Administration and Political Science Department.

Mr. Sarı served as an officer at the Central Bank's Directorate General for External Relations from 1999 to 2002 and as an Assistant Specialist from 2002 to 2005. Mr. Sarı continued his career as a Specialist at the Risk Center of the Central Bank from 2005 to 2011. Mr. Sarı was elected as a

member of the Turkish parliament from İstanbul for the CHP in 2011 and served on the Planning and Budgeting Commission of the Turkish parliament until 2015.

Mr. Sarı was elected to the Bank's Board of Directors on March 31, 2017 and has been serving as a member of the Corporate Social Responsibility Committee since April 4, 2017.

*Rahmi Aşkan Türeli*

Born in Merzifon in 1963, Mr. Türeli graduated from Ankara University, Faculty of Political Science, Department of Economics and received a master's degree in Economics from the University of Southern California. Mr. Türeli held positions as an Intern National Estate Controller at the Ministry of Finance from 1990 to 1993 and as an Assistant Planning Specialist and Planning Specialist at the Prime Ministry State Planning Organization from 1993 to 2011. Mr. Türeli also taught economics classes at the Middle East Technical University as a part time instructor from 2002 to 2010. Mr. Türeli was elected as a member of the Turkish parliament from İzmir for the CHP in 2011 and served at the Planning and Budgeting Commission of the Turkish parliament as a member and as the CHP's speaker until 2015. Mr. Türeli has published articles and academic work on the macroeconomic balances of the Turkish economy, economic crises, industrialization, unemployment and poverty.

Mr. Türeli was elected to the Bank's Board of Directors on March 31, 2017 and has been serving as a member of the Corporate Social Responsibility Committee since April 4, 2017.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or the indicated parts thereof) that 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 of the Bank dated June 16, 2016 (the “*Original Base Prospectus*”) as supplemented on July 29, 2016, August 30, 2016, October 14, 2016, November 25, 2016 and February 21, 2017 (the “*Base Prospectus*”), relating to the Program, titled as set out in the table below (*it being understood* that each such supplement is also incorporated by reference herein and the sections of the Original Base Prospectus set out in the table below should be read in conjunction with such supplements):

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- (b) the audited consolidated BRSA financial statements of the Group as of and for each of the years ended December 31, 2014, 2015 and 2016 (including any notes thereto and the independent auditor’s report thereon),
- (c) the audited unconsolidated BRSA financial statements of the Bank as of and for each of the years ended December 31, 2014, 2015 and 2016 (including any notes thereto and the independent auditor’s report thereon), and
- (d) the audited consolidated IFRS financial statements of the Group as of and for each of the years ended December 31, 2014 and 2015 (including any notes thereto and the independent auditor’s report thereon, the “*IFRS Financial Statements*”).

With respect to each of the BRSA Financial Statements (as defined below) and IFRS Financial Statements noted in clauses (b) through (d) above, please see “*Other General Information – Auditors*” below.

**Following the publication of this Prospectus, a supplement might be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus that is capable of affecting the assessment of the Notes.**

**Any statement contained in a document (or a portion thereof) that is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any other document (or, as applicable, relevant portion thereof) incorporated by reference herein, or in any supplement hereto, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.**

Copies of documents (or parts thereof) incorporated by reference in this Prospectus are available on the Bank’s website at:

- (a) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/usd-7billion-global-medium-term-note-program-2016/Pages/USD-7,000,000,000-Global-Medium-Term-Note-Program-2016.aspx> (with respect to the Original Base Prospectus dated June 16, 2016),
- (b) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/first-supplement-to-the-base-prospectus-dated-june-16-2016/Pages/first-supplement-to-the-base-prospectus-dated-june-16-2016.aspx> (with respect to the first supplement dated July 29, 2016 to the Base Prospectus),
- (c) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/second-supplement-to-the-base-prospectus-dated-june-16-2016/Pages/second-supplement-to-the-base-prospectus-dated-june-16-2016.aspx> (with respect to the second supplement dated August 30, 2016 to the Base Prospectus),
- (d) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/third-supplement-to-the-base-prospectus-dated-june16-2016/Pages/third-supplement-to-the-base-prospectus-dated-june16-2016.aspx> (with respect to the third supplement dated October 14, 2016 to the Base Prospectus),
- (e) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/fourth-supplement-to-the-base-prospectus-dated-june-16-2016/Pages/fourth-supplement-to-the-base-prospectus-dated-June-16-2016.aspx> (with respect to the fourth supplement dated November 25, 2016 to the Base Prospectus),
- (f) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/fifth-supplement-to-the-base-prospectus-dated-june-16-2016/Pages/fifth-supplement-to-the-base-prospectus-dated-june-16-2016.aspx> (with respect to the fifth supplement dated February 21, 2017 to the Base Prospectus), and
- (g) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/financial-statements/Pages/financial-statements.aspx> (with respect to each of the Bank’s and the Group’s BRSA financial statements as of and for each of the years ended December 31, 2014, 2015 and 2016 (including any notes thereto and the independent auditor’s report thereon, the “*BRSA Financial Statements*”) and IFRS Financial Statements).

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 (or parts of which are incorporated) by reference into the documents incorporated by reference into this Prospectus do not (and shall not be deemed to) form part of this Prospectus.

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

## OVERVIEW OF THE OFFERING

The following overview does not purport to be complete but sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following 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 (including in the Base Prospectus). See, in particular, “Terms and Conditions of the Notes” set out on pages 82 – 118 of the Original Base Prospectus.

Issue:	US\$750,000,000 6.125% Notes due 2024 issued under the US\$7,000,000,000 Global Medium Term Note Program of the Bank.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date ( <i>i.e.</i> , April 25, 2017) at the rate of 6.125% <i>per annum</i> , payable semi-annually in arrear in equal installments on each Interest Payment Date ( <i>i.e.</i> , April 25 and October 25 in each year); <i>provided</i> that, as described in Condition 7.6, if any such date is not a Payment Business Day, then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. The first interest payment (representing a full six months of interest) will be made on the first Interest Payment Date.
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 the Maturity Date ( <i>i.e.</i> , April 25, 2024).
Use of Proceeds:	The net proceeds of the offering of the Notes will be used by the Bank for 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 set out in Condition 4, so long as any Note 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 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, (b) such Security Interest is terminated, (c) such other arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders or (d) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

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 5*” in the Base Prospectus for the details of such covenants and the exceptions to them.

Taxation (Payment of Additional Amounts):

All payments 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, assessments or governmental charges of whatever nature (“*Taxes*”) imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions set out in Condition 9) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See “*Taxation – Certain Turkish Tax Considerations*” and “*Terms and Conditions of the Notes – Condition 9*” 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 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer 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 Early Redemption Amount (as such is specified in the Final Terms) together with interest accrued and unpaid 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 (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after April 21, 2017 on the next Interest Payment Date, the Bank would be required to:
  - (i) pay additional amounts as provided or referred to in Condition 9, and
  - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on April 21, 2017, and
- (b) such requirement cannot be avoided by the Bank taking reasonable measures available to it.

Events of Default:

The Notes will, subject to customary grace periods and exceptions set out in Condition 11, be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. The holder of any Note may give notice to the Bank that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its Early Redemption Amount, together with interest accrued and unpaid to (but excluding) the date of repayment, if any Event of Default shall have occurred and be continuing. See “*Terms and Conditions of the Notes – Condition 11*” 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 with the Common

Depository and registered in the name of a nominee of the Common Depository. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Global Note(s), each in registered form, without interest coupons attached, which will be deposited 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 “*Subscription and Sale and Transfer and Selling Restrictions*” in the Base Prospectus. 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 accountholders, as applicable). Interests in the Rule 144A Global Note(s) 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 US\$200,000 and integral multiples of US\$1,000 in excess thereof.

ERISA:

Subject to certain conditions, the Notes may be invested in by 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, a “plan” as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or any entity whose underlying assets include “plan assets” of any of the foregoing. See “*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*” in the Base Prospectus.

Governing Law:

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

Listing and Admission to Trading:

Application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to 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 “*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions - Turkey*” in the Base Prospectus.

Other Selling Restrictions:

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except 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), Turkey, Switzerland, Japan, Singapore, Thailand, the PRC and the Hong Kong Special Administrative Region of the PRC. See “*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions*” in the Base Prospectus.

Risk Factors:

There are certain factors that might affect the Issuer’s ability to fulfill its obligations under the Notes. The material of these are set out under “*Risk Factors*” in the Base Prospectus and include risks relating to the Group and its business, the Group’s relationship with the Issuer’s principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain other factors that are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See “*Risk Factors*” in the Base Prospectus.

Issue Price:

100.00% of the principal amount of the Notes.

Yield:

6.125% *per annum*.

Regulation S Global Note Security Codes:

ISIN: XS1578203462  
Common Code: 157820346

Rule 144A Global Note(s) Security Codes:

CUSIP: 90016BAE8  
ISIN: US90016BAE83  
Common Code: 157889117

Representation of Noteholders:	There will be no trustee.
Expected Ratings:	“BB+” (stable outlook) by Fitch and “Ba1” (negative outlook) 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
United States 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 and analysis of the consolidated financial position and results of operations of the Group covers the financial years ended December 31, 2014, 2015 and 2016. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the other financial information included in (including incorporated by reference in) this Prospectus (including the section entitled "*Presentation of Financial and Other Information*" in the Base Prospectus). The BRSA Financial Statements have been prepared in accordance with BRSA regulations as described in "*Presentation of Financial and Other Information*" in the Base Prospectus. For a discussion of current significant differences between the BRSA Financial Statements and IFRS Financial Statements, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting and Reporting Regulations*") to the Base Prospectus.

The BRSA Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA financial statements (which translations the Bank confirms were direct and accurate). The English language BRSA Financial Statements were not prepared for the purpose of their incorporation by reference herein.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Prospectus includes "forward-looking statements." Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled "*Cautionary Statement Regarding Forward-Looking Statements*" in the Base Prospectus.

The Group's financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Turkey and prospective investors should consider the factors set forth under "*Risk Factors – Risks Relating to the Group and its Business*" and "*Risk Factors – Political, Economic and Legal Risks relating to Turkey*" in the Base Prospectus.

The discussion and analysis of the financial position and results of operations of the Group in this Prospectus are based upon the BRSA Financial Statements. The Group prefers to present its financial condition and performance on the basis of the BRSA Financial Statements in order to focus on the banking and other financial operations in detail, since (unlike IFRS Financial Statements) the consolidated BRSA Financial Statements do not consolidate the Bank's non-financial participations. In addition, because the Group has historically presented its BRSA financial statements to investors and potential investors and uses such financials for regulatory requirements, the Bank's management believes that providing BRSA financial data in this Prospectus will provide for a consistent presentation of the Group's financial performance.

### Overview

The Group provides a full range of banking services, principally in Turkey, including corporate banking, commercial banking, retail banking, private banking and capital market operations. The Group operates in a highly-competitive banking market in Turkey. As of December 31, 2016, 45 banks were operating in Turkey (excluding participation banks). Thirty-two of these were deposit-taking banks (including the Bank) and the remaining banks were investment and development banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, eight were private domestic banks and 21 were private foreign banks. As of December 31, 2016, the Bank had the largest nationwide branch network and the largest

ATM network among private sector banks in Turkey, with 1,351 domestic branches, 23 international branches and 6,550 domestic ATMs (sources for comparative data: Turkish Banks Association and Interbank Card Center).

As of December 31, 2016, the Group's capital adequacy ratio was 14.3% (12.4% when calculated using Tier 1 capital only) calculated in accordance with Basel III rules that came into effect in Turkey on January 1, 2014. See "*Capital Adequacy*" below. As of the same date, the Group's shareholders' equity was TL 41,727 million, its liquid asset ratio was 25.6% (27.1% as of December 31, 2015) and its cash loan-to-deposit ratio was 125.0% (125.1% as of December 31, 2015). The Group's net operating income was TL 5,012 million in 2014, TL 4,575 million in 2015 and TL 7,019 million in 2016 while its net period profit from continuing operations was TL 4,020 million in 2014, TL 3,740 million in 2015 and TL 5,683 million in 2016.

As of December 31, 2016, the Bank: (a) was the largest bank in Turkey in terms of foreign currency-denominated loans, (b) was the largest private bank in Turkey in terms of shareholders' equity and (c) had the largest market shares of total assets, total loans, Turkish Lira-denominated loans, foreign currency-denominated loans, non-retail loans, total deposits, Turkish Lira-denominated deposits, foreign currency-denominated deposits and demand deposits among private sector banks (sources for comparative data: BRSA), each as measured on a bank-only basis.

With its domestic Turkish focus and size and scope of operations, the Group's financial condition and results of operations have been significantly impacted by the Turkish economy, the real GDP of which has been volatile. On December 12, 2016, Turkstat changed the calculation method of determining economic growth in Turkey and revised the figures that had previously been announced for previous periods from 1998 to date, which had been calculated in line with the former method. After years of higher growth, real GDP growth was only 0.8% in 2008 and then declined by 4.7% in 2009, but significantly rebounded in 2010 (8.5%) and 2011 (11.1%); *however*, real GDP growth slowed to 4.8% in 2012 due in part to governmental efforts to slow the economy and the continuing impact of global macro-economic conditions. Turkey's real GDP grew by 8.5% in 2013, 5.2% in 2014, 6.1% in 2015 and, after contracting by 1.8% in the third quarter of 2016, Turkey's real GDP grew by 2.9% in 2016.

As of December 31, 2016, the Group had total assets of TL 373,820 million, an increase of 14.8% from TL 325,499 million as of December 31, 2015, itself an increase of 17.5% from TL 277,073 million as of December 31, 2014. As of December 31, 2016, the Group had total deposits of TL 179,159 million, an increase of 16.2% from TL 154,201 million as of December 31, 2015, itself an increase of 14.6% from TL 134,501 million as of December 31, 2014. The Bank's management believes that the Group's strong balance sheet has supported its ability to attract a strong deposit base, with deposits continuing to grow for each of the periods under review.

The Bank's loan portfolio grew from TL 155,315 million as of December 31, 2014 to TL 177,037 million as of December 31, 2015 and TL 203,144 million as of December 31, 2016, a growth rate of 14.0% in 2015 and 14.7% in 2016. The Bank's policy is to allocate specific provisions in accordance with the minimum provision rates required by regulation. For additional information on regulatory requirements for provisioning, see "*Business of the Group – Loan Classification and Provisioning Policy*," "*Risk Factors – Risks Relating to the Group's Business - Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus. The Bank's NPL ratios were 1.5%, 2.0% and 2.4% as of December 31, 2014, 2015 and 2016, respectively (see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans*").

As of December 31, 2016, 44.3% of the Group's performing loans and 51.3% of the Group's total deposits were denominated in foreign currencies, principally U.S. Dollars and euro.

## **Significant Factors Affecting the Group’s Financial Condition and Results of Operations**

The Group’s financial condition, results of operations and prospects depend significantly upon the macro economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors might vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under “*Cautionary Statement Regarding Forward-Looking Statements*” in the Base Prospectus and “*Risk Factors*.” The following describes the most significant of such factors since the beginning of 2014.

### *Political Developments*

On July 15, 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, there have been arrests of numerous individuals, including senior members of the military, police and judiciary, as well as suspension, dismissal, travel bans and legal proceedings against police officers, public employees and a number of individuals in the business community. As of the date of this Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws.

On July 20, 2016, the government declared a 90 day state of emergency in the country, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months. The state of emergency has been extended twice for additional three month periods pursuant to Article 121 of the Turkish Constitution.

### *Turkish Economy*

The majority of the Group’s operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of December 31, 2016, 95.5% of the Group’s total assets were in Turkey. Accordingly, the Group’s results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange and interest rates.

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

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

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 25.4%; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was only a 7.1% real

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

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

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

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

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

Sources: TurkStat for nominal GDP at current prices, real GDP growth, inflation, Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit/surplus of consolidated budget and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar, real effective exchange rate and total gross gold and international currency reserves.

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

### Interest Rates

*Impact on the Group's assets and liabilities.* One of the primary factors affecting the Group's profitability is the level of, and fluctuations in, interest rates in Turkey, which in turn influence the return on the Group's total securities portfolio and its loan and deposit rates. Interest earned and paid on the Group's assets and liabilities reflects, to a certain degree, actual inflation, inflation expectations, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. Although the impact of decreasing interest rates earned on assets has had a direct and material impact on the Group's profitability, and the Group has been further negatively affected by competitive pressures from both the public and private sector banks to raise or maintain interest rates on deposits in order to attract and retain depositors, the Group has utilized alternative sources for raising funds with lower costs compared to deposits, thereby mitigating this competitive pressure.

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

As of December 31, 2014, 2015 and 2016, respectively, approximately 39.5%, 41.1% and 41.2% of the Bank's loans and 44.1%, 46.8% and 45.8% of the Bank's interest-earning assets were at floating rates. The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the composition of loans and deposits within a short period of time is limited. On the other hand, the Group tries to diversify its total securities portfolio in

terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet. In addition, the Group uses derivatives for hedging purposes to keep the duration mismatch of the balance sheet within the limits established by the Board of Directors.

The Group's interest income is primarily comprised of: (a) interest earned on its loan portfolio (TL 19,087 million (76.2% of total interest income) in 2016, TL 16,489 million (77.0% of total interest income) in 2015 and TL 13,312 million (75.0% of total interest income) in 2014) and (b) interest earned from its total securities portfolio (TL 4,589 million (18.3% of total interest income) in 2016, TL 4,082 million (19.1% of total interest income) in 2015 and TL 3,931 million (22.1% of total interest income) in 2014). For further information on the Group's total securities portfolio, see "*Total Securities Portfolio*."

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

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

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

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

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

Margins have frequently been subject to pressure from the tightening of monetary policy in Turkey and high levels of competition. In 2015 and 2016, tight liquidity conditions persisted throughout the year and the Bank closely monitored its funding costs. Accordingly, during such years, the Bank's main pillar of asset liability management was diversifying its funding portfolio with cheaper funding sources. In 2016, the net interest margin of the Bank was 4.5% (4.1% in each of 2014 and 2015).

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

#### *Central Bank Reserve Requirements*

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

In addition to the Central Bank's reserve requirement policy, it introduced the "Reserve Option Mechanism" as a monetary policy tool. Central Bank regulations permit Turkish banks to maintain 60% of their Turkish Lira reserve requirements in U.S. Dollars and 30% of their Turkish Lira reserve

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

### *Exchange Rates*

A portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and euro. As of December 31, 2016, 41.5% of the Group's total assets and 46.5% of the Group's total liabilities were denominated in foreign currencies.

While the Group monitors its net position in foreign currencies (*i.e.*, the amount by which its foreign currency risk-bearing assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency-denominated assets and liabilities. The limit imposed by the BRSA is defined as an amount *plus/minus* 20% of the total capital used in the calculation of regulatory capital adequacy ratios.

Historically, the Bank has sought to maintain a balance between such assets and liabilities based upon the actual composition of its balance sheet and off-balance sheet positions at any time and, as a general matter, does not enter into any speculative positions. Under BRSA rules, any foreign exchange gains and losses are accounted for together with any gains and losses from the Group's investment in foreign exchange-based derivative financial instruments.

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For 2014 and 2015, the Group recorded net foreign exchange gains of TL 709 million and TL 160 million, respectively. For 2016, the Group recorded net foreign exchange losses of TL 497 million.

Exchange rate movements also affect the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

### *Total Securities Portfolio*

The Group maintains a securities portfolio that primarily includes Turkish government debt securities. The Group's investment securities portfolio amounted to TL 58,528 million as of December 31, 2016. Of this amount, TL 6,758 million, or 11.5%, was classified as "held to maturity" and the remainder was classified as "available for sale." The Group also had a trading securities portfolio amounting to

TL 1,094 million as of December 31, 2016. Interest income derived from the Group's trading securities portfolio and investment securities portfolio amounted to TL 4,589 million for 2016 (accounting for 18.3% of total interest income for the period), TL 4,082 million for 2015 (accounting for 19.1% of total interest income for the year) and TL 3,931 million for 2014 (accounting for 22.1% of total interest income for the year). The relative size of the Group's total securities portfolio was 15.9% of total assets as of December 31, 2016, (16.1% as of December 31, 2015 and 17.4% as of December 31, 2014), decreasing in recent years as credit demand has recovered in Turkey and asset quality has improved. From the first quarter of 2013 to the end of January 2015, interest rates decreased in a highly volatile environment; *however*, from January 2015 to the end of December 2015, interest rates increased significantly (up to 360 basis points in the short-end and around 370 basis points in the long-end). Throughout this volatile period, the Group's earnings from its total securities portfolio remained fairly constant. In 2016, the Turkish Lira yield curve decreased approximately 110 basis points in the short-end and increased approximately 50 basis points in the long-end. During such period, the Group followed its optimum portfolio strategy taking into consideration the political and financial environment.

The Bank's management expects that trading gains will not continue to be as significant going forward and that changes in the percentage of the Group's assets invested in securities will be driven by movements in its loan portfolio, its risk appetite for emerging markets and leading central banks' monetary policies regarding global funding opportunity concerns.

#### *Expansion of Branch Network*

As of December 31, 2016, the Bank had the most extensive branch network of all private sector banks in Turkey and had branches in every city in the country (source for comparative data: Turkish Banks Association). Unlike many of its competitors, in addition to the city branches, the Bank also has branches in rural districts. The Bank opened 47 new domestic branches in 2014 (three branches were consolidated with other branches during the year), 26 new domestic branches in 2015 (five branches were consolidated with other branches during 2015), four new domestic branches in 2016 (seven branches were consolidated with other branches during this period) and no new domestic branches in the first two months of 2017 (one branch was consolidated with another branch during this period). As of the date of this Prospectus, the Bank plans to open a total of five domestic branches and consolidate eight domestic branches in 2017. The Bank's management believes that the expansion of the Bank's branch network over the periods under review has helped support the growth of its assets and liabilities; *however*, this growth has also resulted in an increase in expense relating to increased numbers of employees, branch operating expenses and general advertising expenses. Given the size of the Group's existing network of branches, the Group expects to continue to expand its domestic branch network at a slower pace than in 2014 and 2015.

#### *Provisioning for Impaired Loans*

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

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

Provisions that have been made within the current financial year but are released within the same financial year result in a credit to the "Provision Expenses" account in the quarter of release, while the

released parts of provisions from previous years are transferred to and recognized in the “Other Operating Income” account. For further information on the Group’s internal loan provision requirements, see Section Three, VIII of the BRSA Financial Statements as of and for the year ended December 31, 2016.

#### *Impact of Financial Participations*

The BRSA Financial Statements include the financial condition and results of operation of the Bank’s banking business as well as its financial participations. Such financial participations have a limited impact on the Bank’s financial condition and results of operations as the Bank’s banking business accounted for approximately 90.7% of the value of loans, 99.0% of the value of deposits and 86.1% of the value of total securities portfolio included on the Group’s balance sheet as of December 31, 2016.

#### **Critical Accounting Policies**

The Group’s accounting policies are integral to understanding its results of operations and financial condition presented in the BRSA Financial Statements and the notes thereto. The Group’s critical and other significant accounting policies are described in Section Three of the BRSA Financial Statements as of and for the year ended December 31, 2016. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. Management bases its estimates and judgments upon historical experience and on various other factors that are believed to be reasonable under the circumstances. The Group’s actual results may differ from the estimates under different assumptions, judgments or conditions.

The Bank’s management believes that the following significant accounting policies require critical judgments or estimates or involve a degree of complexity in application that affects the Group’s financial condition and results of operation.

#### *Consolidation of Subsidiaries and Associates*

In the Group’s BRSA Financial Statements, the Bank consolidates its subsidiaries that are entities controlled by the Bank, but only consolidates its financial participations. The Bank does not consolidate its non-financial participations in the Group’s BRSA Financial Statements but rather reflects them under “Investments in Associates” and “Investments in Subsidiaries.” For a list of the Bank’s financial participations as of March 31, 2016, see “*Business of the Group – Financial Participations*” in the Base Prospectus, and for a list of the Bank’s non-financial participations as of such date, see “*Business of the Group – Non-Financial Participations*” in the Base Prospectus, which lists remained the same as of December 31, 2016. See also Appendix 1 (“*Overview of Significant Differences Between IFRS and BRSA Accounting and Reporting Regulations*”) in the Base Prospectus. In determining whether the Bank controls another entity, the Bank’s management considers the Bank’s power to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of the entity’s capital irrespective of the requirement of owning a minimum 51% of its capital, or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.

There are no credit or financial institution subsidiaries that were excluded from the scope of consolidation in each of the BRSA Financial Statements. The Bank’s subsidiaries that were consolidated in the Group’s BRSA Financial Statements are Anadolu Anonim Türk Sigorta Şirketi, Anadolu Hayat Emeklilik A.Ş., İşbank AG, İş Faktoring A.Ş., İş Finansal Kiralama A.Ş., İş Gayrimenkul Yatırım Ortaklığı A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., İş Portföy Yönetimi A.Ş., İş Yatırım Menkul Değerler A.Ş., İş Yatırım Ortaklığı A.Ş., Maxis Investments Ltd.,

Milli Reasürans T.A.Ş., TSKB Gayrimenkul Yatırım Ortaklığı A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”), Yatırım Finansman Menkul Değerler A.Ş., Efes Varlık Yönetim A.Ş., Is Investments Gulf Ltd., Joint Stock Company İşbank (JSC İşbank) (“İşbank Russia”) and İşbank Georgia. In addition, the operations of Camış Menkul Değerler A.Ş., which was previously a consolidated subsidiary of the Bank, ceased to exist in June 2014 as it was acquired by another consolidated subsidiary of the Bank, İş Yatırım Menkul Değerler A.Ş.

On August 3, 2015, the Bank established İşbank Georgia, a wholly-owned subsidiary that obtained a banking license in Georgia and had a starting capital of Lari 30,000,000 (approximately USD 13.2 million as of August 3, 2015). The Bank’s branches in Batumi and Tbilisi were converted into branches of İşbank Georgia.

An associate is an entity in which the Bank owns capital and over which it has a significant influence but no control, whether established at home and abroad. Significant influence is the power to participate in the financial and operating policy of the investee. If the Bank holds qualified shares in the associate, then it is presumed that the Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. A qualified share is the share that directly or indirectly constitutes 10% or more of an entity’s capital or voting rights and, irrespective of this requirement, possession of privileged shares giving right to appoint members of the board of directors.

The equity method is an evaluation method of associates by which the book value of the Bank’s share in the associate’s equity is increased or decreased by the Bank’s proportional share in the change in the associate company’s equity and the dividend received by the Bank is deducted. The accounting policies of Arap-Türk Bankası A.Ş., the only associate that was, during 2014, 2015 and 2016, consolidated using the equity method, are not different than the Bank’s.

#### *Classification and Measurement of Financial Assets*

Financial assets comprise cash, contractual rights to obtain cash or another financial asset from or to exchange financial instruments with a counterparty, or capital instrument transactions with a counterparty. According to the Bank’s management’s purpose of holding, financial assets are classified into four groups: “Financial Assets at Fair Value through Profit And Loss,” “Financial Assets Available for Sale,” “Held to Maturity Investments” and “Loans and Receivables.”

*Cash and Banks.* Cash consists of cash in vault, foreign currency cash, money in transit, checks purchased and precious metals. Foreign currency cash and banks are shown in the balance sheet by their amounts converted into Turkish Lira at the foreign exchange rate on the balance sheet date. The carrying values of both the cash and banks are their estimated fair values.

*Financial Assets at Fair Value through Profit and Loss.* Financial assets classified as “at fair value through profit and loss” include both “financial assets held for trading” as well as “financial assets at fair value through profit and loss,” both of which are described below.

*Financial Assets Held for Trading.* Financial assets held for trading are those acquired for the purpose of generating profit from short-term market fluctuations in prices or similar elements, or securities that are part of a portfolio set up to realize short term profit regardless of the purpose of acquisition.

Financial assets held for trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. In cases where values that form the basis for the fair value do not exist in active market conditions, it is accepted that the fair value is not reliably determined and the assets’ “amortized cost,” calculated by the internal rate of return method, is taken into account as the fair value.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. Pursuant to legal regulations, any positive difference between the historical cost and amortized cost of financial assets is recognized under the “Interest Income” account, and in case the fair value of the asset is over the amortized cost, the positive difference is recognized in the “Gains on Securities Trading” account. If the fair value is less than the amortized cost, then the negative difference is recognized under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognized within the framework of the same principles.

*Financial Assets at Fair Value through Profit and Loss.* Financial assets classified as “at fair value through profit and loss” are financial assets that have not been acquired for trading purposes but were classified as “fair value through profit and loss” at their initial recognition. The recognition of such assets at fair value is accounted similarly to the financial assets held for trading described above.

*Financial Assets Available for Sale.* Financial assets available for sale are non-derivative financial assets other than loans and receivables, held to maturity investments and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based upon the fair value including transaction costs. The amount arising from the difference between cost and amortized value is recognized through the income statement by using the internal rate of return. If a price does not occur in an active market, then the fair value cannot be reliably determined and “amortized value” is determined as the fair value using the internal rate of return. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement but rather in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences accounted under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when the valuation difference is collected.

*Held to Maturity Investments.* Held to maturity investments are investments for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including funding ability, and for which there are fixed or determinable payments with fixed maturity, which investments are recognized at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment. Interest income from held to maturity investments is recognized in the income statement as an interest income.

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

Foreign currency-indexed consumer and corporate loans are valued in Turkish Lira at the exchange rates prevailing at the opening date. Thereafter, increases and decreases in the principal amount of the loan resulting from movements in exchange rates are recognized under the foreign currency income and expense accounts in the income statement. Repayment amounts are calculated using the exchange rate on the repayment date and any exchange differences are also recognized in the foreign currency income and expense accounts in the income statement.

#### *Impairment of Financial Assets*

At each balance sheet date, the Group companies evaluate the carrying amount of their financial assets or a group of financial assets to determine whether there is an objective indication that those

assets have suffered an impairment loss. If such indication exists, then the Group determines the related impairment amount.

A financial asset or group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more event(s) after the initial recognition of that asset or group of assets has had an effect on the reliable estimate of the expected future cash flows thereof. Irrespective of their probability of occurrence, no estimated loss that might arise from future events is recognized in the financial statements.

Impairment losses attributable to the “held to maturity investments” are measured as the difference between the present values of the estimated future cash flows thereof as discounted using the original interest rate of such asset and the book value of such asset. The related difference is recognized as a loss and decreases the book value of the financial asset. In subsequent periods, to the extent that the impairment loss amount decreases, the previously recognized impairment loss is reversed.

When a decline occurs in the fair value of an “available for sale” financial asset, which is accounted at fair value and the increases and decreases in value of which are recognized directly in equity, the accumulated profit or loss that had been recognized directly in equity is transferred from equity and recognized in the period’s profit or loss. If, in a subsequent period, the fair value of the related financial asset increases, then the impairment loss is reversed and the amount of reversal is recognized in profit or loss.

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

Special provisions are set aside for: (a) the receivables from the Group’s leasing and factoring business and (b) receivables acquired through the Group’s asset management activities in accordance with the applicable regulations. These specific provisions are included in the income statement. Provisions set aside and released in the same year are credited in the “Provision Expense” account, whereas released provisions that were set aside in past years are accounted in the “Other Operating Income” item.

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

#### *Employee Benefits Obligations*

According to the related regulation and collective bargaining agreements, the Bank and consolidated Group companies (excluding subsidiaries residing outside of Turkey) are obligated to pay termination benefits for employees who retire, die, quit for their military service obligations, have been dismissed as defined in the related regulation or (for female employees) have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 (“Employee Benefits”), the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. As the legislations of the countries in which the Bank’s non-Turkish subsidiaries operate do not require retirement pay provisions, no provision liability has been recognized for such companies. In addition, provision is also allocated for employees’ unused paid vacation.

The Council of Ministers is authorized to determine the date for pension funds, such as the İşbank Personnel Supplementary Pension Fund, to transfer to the Social Security Institution their payment obligations to the contributors of such funds, those who receive salaries or income from these funds and their rightful beneficiaries. According to Turkish law:

- through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA and SDIF, one representative from each pension fund and one representative from the organization employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of a pension fund as of the transfer date will be calculated by considering its income and expenses in terms of the lines of insurance within the context of the related law, and a technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash, and
- after the transfer of the pension fund, the fund's beneficiaries' unfunded social rights and payments will continue to be covered by the pension funds and the employers of the pension fund contributors.

The Bank had an actuarial valuation made for the aforementioned pension fund as of December 31, 2016. Based upon the resulting report, a provision for the actuarial and technical deficit was recognized in the BRSA Financial Statements as of and for the year ended December 31, 2016.

Besides the Bank, Milli Reasürans T.A.Ş. and TSKB also obtained an actuarial report as of December 31, 2016 for their respective pension funds. The amount of actuarial and technical deficit in the actuarial report of Milli Reasürans T.A.Ş. was included in the Group's BRSA Financial Statements as of and for each of the years ended December 31, 2014, 2015 and 2016, while there was no indicated operational or actuarial liability from TSKB.

There is no deficit in the İşbank Personnel Supplementary Pension Fund and the Bank thus has made no provision for this purpose. The same applies for the supplementary pension funds of the employees of Anadolu Anonim Türk Sigorta Şirketi, Milli Reasürans T.A.Ş. and TSKB, which are among the other financial institutions of the Group.

#### *Interest Income and Expenses*

Interest income and expenses are recognized on an accrual basis by using the effective interest method (the rate that equalizes the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 ("Financial Instruments: Recognition and Measurement"). In accordance with the relevant legislation, realized and unrealized interest accruals on NPLs are reversed and interest income related to these loans is recorded as interest income only when they are collected.

#### *Fee and Commission Income and Expenses*

Fee and commission income and expenses are recorded either on an accrual basis or by using the effective interest rate method. Income earned in return for services rendered contractually or due to operations such as the sale or purchase of assets on behalf of a third party are recognized in income accounts in the period of collection.

#### **Key Performance Indicators**

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group (and, with respect to the net interest margin, the Bank) for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

**As of (or for the year ended)  
December 31**

<b>Ratios</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Net interest margin.....	4.1%	4.1%	4.5%
Cost-to-income ratio .....	50.2%	51.6%	42.3%
Free capital ratio .....	7.6%	6.5%	6.6%
Tier 1 ratio <sup>(1)</sup> .....	13.3%	12.8%	12.4%
Capital adequacy ratio <sup>(2)</sup> .....	15.7%	15.1%	14.3%
Coverage ratio.....	74.3%	73.8%	76.1%
Return on average total assets <sup>(3)</sup> .....	1.6%	1.2%	1.7%
Return on average shareholders' equity <sup>(3)</sup> .....	13.6%	10.9%	14.5%

- (1) The Tier 1 ratio is: (a) the “Tier 1” capital (*i.e.*, the common equity Tier 1 capital *plus* additional Tier 1 capital *minus* regulatory adjustments to common equity) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. See “*Capital Adequacy*” below.
- (2) The capital adequacy ratio is: (a) the result of “Tier 1” capital *plus* “Tier 2” capital (*i.e.*, the “supplementary capital,” which comprises general provisions, subordinated debt) *minus* items to be deducted from capital (the “deductions from capital,” which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. See “*Capital Adequacy*” below.
- (3) The figures for 2014 and 2015 are not comparable with 2016 as the figures are calculated on quarterly averages for 2016 and on annual averages for each of 2014 and 2015 due to a change in the Group’s accounting policy. See “*Presentation of Financial and Other Information - Accounting Policy Changes*” in the Base Prospectus.

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

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

<i>Consolidated Income Statement Data</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands, except where indicated)</i>		
<b>Interest Income</b> .....	<b>17,752,690</b>	<b>21,406,966</b>	<b>25,061,299</b>
Interest Income on Loans.....	13,311,666	16,488,975	19,086,934
Interest Received from Reserve Deposits .....	5,918	65,919	222,716
Interest Received from Banks .....	194,568	258,602	522,260
Interest Received from Money Market Placements.....	15,067	96,233	164,069
Interest Received from Marketable Securities Portfolio..	3,931,245	4,082,312	4,588,942
<i>Financial Assets Held for Trading</i> .....	127,104	80,532	95,993
<i>Financial Assets at Fair Value Through Profit and Loss</i> .....	—	—	—
<i>Financial Assets Available for-Sale</i> .....	3,118,955	3,880,470	4,039,556
<i>Held to Maturity Investments</i> .....	685,186	121,310	453,393
Finance Lease Income .....	186,632	262,798	283,575
Other Interest Income .....	107,594	152,127	192,803
<b>Interest Expense</b> .....	<b>9,282,281</b>	<b>11,211,101</b>	<b>12,639,534</b>
Interest on Deposits .....	5,603,036	6,281,969	7,398,882
Interest on Funds Borrowed.....	780,549	1,151,669	1,250,190
Interest on Money Market Funds .....	1,762,400	2,151,312	2,098,326
Interest on Securities Issued.....	1,071,177	1,589,475	1,860,738
Other Interest Expense.....	65,119	36,676	31,398
<b>Net Interest Income/Expense</b> .....	<b>8,470,409</b>	<b>10,195,865</b>	<b>12,421,765</b>
<b>Net Fees and Commissions Income/Expense</b> .....	<b>1,505,183</b>	<b>1,807,881</b>	<b>2,148,533</b>
Fees and Commissions Received .....	2,434,577	2,881,717	3,460,257
Non-cash Loans .....	301,802	399,422	460,630
Other.....	2,132,775	2,482,295	2,999,627
Fees and Commissions Paid.....	929,394	1,073,836	1,311,724
Non-cash Loans .....	8,117	7,373	10,832
Other.....	921,277	1,066,463	1,300,892
<b>Dividend Income</b> .....	<b>292,047</b>	<b>256,696</b>	<b>318,223</b>
<b>Trading Income (net)</b> .....	<b>664,128</b>	<b>(325,160)</b>	<b>(417,002)</b>
Gains/Losses on Securities Trading .....	570,339	412,464	266,715
Derivative Financial Transactions Gains/Losses.....	(614,744)	(897,945)	(187,206)
Foreign Exchange Gains/Losses .....	708,533	160,321	(496,511)
<b>Other Operating Income</b> .....	<b>5,109,980</b>	<b>5,869,814</b>	<b>6,713,708</b>
<b>Total Operating Income / Expense</b> .....	<b>16,041,747</b>	<b>17,805,096</b>	<b>21,185,227</b>
Provision for Loans and Other Receivables.....	1,530,113	2,289,722	2,835,495
<b>Other Operating Expenses</b> .....	<b>9,499,378</b>	<b>10,940,293</b>	<b>11,330,291</b>
<b>Net Operating Income</b> .....	<b>5,012,256</b>	<b>4,575,081</b>	<b>7,019,441</b>
Profit/Loss From Associates Using the Equity Method.....	14,778	14,818	12,871
<b>Profit/Loss On Continuing Operations Before Tax</b> .....	<b>5,027,034</b>	<b>4,589,899</b>	<b>7,032,312</b>
Tax Provision For Continuing Operations.....	1,006,617	850,228	1,349,454
Current Tax Provision.....	1,293,016	528,501	1,119,041
Deferred Tax Provision.....	(286,399)	321,727	230,413
<b>Net Period Profit/Loss From Continuing Operations</b> ....	<b>4,020,417</b>	<b>3,739,671</b>	<b>5,682,858</b>
Group's profit/loss .....	3,523,719	3,330,740	4,998,956
Non-controlling interest .....	496,698	408,931	683,902
Earnings Per Share <sup>(1)</sup> .....	0.031321320	0.029605986	0.044434276

(1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira instead of thousands of Turkish Lira.

### Results of Operations for 2015 and 2016

#### Interest Income

The Group's interest income increased by 17.1% from TL 21,407 million in 2015 to TL 25,061 million in 2016 primarily due to an increase in interest income on loans.

The Group's interest income is primarily derived from interest on loans and interest on total securities. For 2016, interest income from loans totaled TL 19,087 million (76.2% of total interest income) and interest income from total securities totaled TL 4,589 million (18.3% of total interest income), compared to TL 16,489 million (77.0% of total interest income) and TL 4,082 million

(19.1% of total interest income), respectively, in 2015. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans (calculated based upon the monthly average balance of loans (*i.e.*, the average of the monthly balances of loans and receivables (performing)), which is calculated by averaging the amount of loans and receivables (performing) as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening month-end date) to customers increased to 9.7% in 2016 from 9.1% in 2015. This increase reflects an increase in the Bank's monthly average balance of loans during 2016 as compared to 2015 to TL 184,908 million from TL 171,099 million (an increase of 8.1%) as a result of growth mainly in Turkish Lira-denominated commercial and corporate loans. The average interest rates on total securities portfolio (calculated based upon the monthly average balance of the total securities portfolio (*i.e.*, the average of the monthly balances of the total securities portfolio, which is calculated by averaging the amount of the total securities portfolio as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening month-end date)) increased from 7.8% in 2015 to 8.2% in 2016, in part due to higher rates applicable to total securities portfolio, while the monthly average balance of total securities portfolio in 2016 increased to TL 48,053 million as compared to TL 43,684 million in the same period of the previous year. Accordingly, the increase in average balances was supported by the increase in average interest rates, thus resulting in a 15.5% increase in interest income from total securities compared to the same period of the previous year.

#### *Interest Expense*

The Group's interest expense increased by 12.7% from TL 11,211 million in 2015 to TL 12,640 million in 2016. This increase was mainly due to 17.8%, 17.1% and 8.6% year-on-year increases in interest expenses on deposits, and marketable securities issued and funds borrowed, respectively, which were primarily driven by higher funding costs due to the volatile interest rate environment. As of December 31, 2016, the Group had TL 18,013 million in funding through repos and TL 179,159 million in deposits, a repo-to-deposit ratio of 10.1% (for 2015, TL 22,836 million, TL 154,201 million and 14.8%, respectively).

#### *Net Interest Income*

The Group's net interest income increased by 21.8% from TL 10,196 million in 2015 to TL 12,422 million in 2016. This increase was due to a 15.8% increase in interest income from loans and a 12.4% increase in interest income from total securities, which primarily resulted from the increases in both the volume and yield of loans and securities. The total impact was partially offset by an increase in interest expense (primarily driven by interest paid on deposits). The Bank's net interest margin in 2016 was 4.5%, compared to 4.1% in 2015. The increase in the Bank's monthly average balance of loans was offset by higher funding costs, particularly for deposits, in 2016, as well as by increased interest rates in the market due to reduced risk appetite for emerging markets, global liquidity concerns and the political uncertainty in Turkey. For further information regarding the factors that resulted in this change in the Bank's net interest margin, see "*Interest Income*" and "*Interest Expense*" above.

#### *Net Fees and Commission Income*

The Group's net fees and commission income increased by 18.9% from TL 1,808 million in 2015 to TL 2,149 million in 2016. This increase was primarily a result of the increase in non-cash loans, point of sales (POS) transactions, cash loans, insurance, money transfers and investment funds' commissions. The increase in 2016 was partially offset by the Counsel of State (*Danıştay*) decision that prohibited Turkish banks from charging account maintenance fees to their customers as of January 2016.

### *Dividend Income*

The Group's dividend income increased by 23.7% from TL 257 million in 2015 to TL 318 million in 2016. The increase in 2016 was primarily due to an increase in the dividend income from the Bank's non-financial subsidiary, Türkiye Şiše ve Cam Fabrikaları A.Ş. ("Şišeecam"), Anadolu Hayat Emeklilik A.Ş. and TSKB.

### *Trading Income/(Loss)(Net)*

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading loss increased by 28.2% from a loss of TL 325 million in 2015 to a loss of TL 417 million in 2016. This increase was primarily driven by derivative transaction costs resulting from foreign exchange swaps, which were executed to raise Turkish Lira funds and preferred for its cost advantages when compared to deposits.

### *Other Operating Income*

The Group's other operating income increased by 14.4% from TL 5,870 million in 2015 to TL 6,714 million in 2016. This increase was primarily attributable to the transfer of the Bank's shares in Visa Europe Ltd, which is a payment systems company, to Visa Inc. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income was TL 4,099 million and TL 4,813 million in 2015 and 2016, respectively.

A significant component of the Group's other operating income in 2015 and 2016 was its collections of NPLs. During 2016, the Group collected approximately TL 1,649 million, or 42.1%, of its NPLs as of December 31, 2015, as compared to TL 1,208 million, or 44.7%, of its NPLs as of December 31, 2014 collected during 2015.

### *Provisioning for Loans and other Receivables*

The Group's provisioning for loans and other receivables increased by 23.8% from TL 2,290 million in 2015 to TL 2,835 million in 2016. This increase was principally attributable to a 33.4% increase in specific provisions as a result of an increase in NPL inflows due to macroeconomic conditions.

The NPL ratio was 2.3% as of December 31, 2016, compared to 2.0% as of December 31, 2015 as the net NPL formation increased from TL 1,393 million in 2015 to TL 1,730 million in 2016, which more than offset the increase in loans during 2016. In addition, the impairment loss on marketable securities and subsidiaries increased from TL 16,911 thousand in 2015 to TL 174,591 thousand in 2016 primarily due to an impairment loss incurred by Nemtaş Nemrut Liman İşletmeleri A.Ş., one of the subsidiaries of the Bank.

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

	<b>As of December 31,</b>	
	<b>2015</b>	<b>2016</b>
	<i>(TL thousands)</i>	
<b>Specific Provisions for Loans and Other Receivables<sup>(1)</sup></b> .....	<b>1,541,833</b>	<b>2,056,969</b>
Group III Loans and Receivables <sup>(2)</sup> .....	176,742	187,372
Group IV Loans and Receivables <sup>(2)</sup> .....	458,765	590,181
Group V Loans and Receivables <sup>(2)</sup> .....	906,326	1,279,416
<b>General Loan Provision Expenses</b> .....	<b>569,074</b>	<b>302,173</b>
<b>Provision Expenses for Potential Risks</b> .....	-	-
<b>Marketable Securities Impairment Losses</b> .....	<b>16,911</b>	<b>19,245</b>
Financial Assets at Fair Value through Profit and Loss .....	9,313	8,581
Financial Assets Available for Sale .....	7,598	10,664
<b>Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity</b> .....	-	<b>155,346</b>
Investment in Associates .....	-	-
Subsidiaries .....	-	155,346
Jointly Controlled Entities .....	-	-
Held to Maturity Investments .....	-	-
<b>Other</b> .....	<b>161,904</b>	<b>301,762</b>
<b>Total</b> .....	<b>2,289,722</b>	<b>2,835,495</b>

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("Overview of Significant Differences Between IFRS and BRSB Accounting and Reporting Regulations – Allowance for Loan Losses") in the Base Prospectus.

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

### *Other Operating Expenses*

The Group's other operating expenses increased by 3.6% from TL 10,940 million in 2015 to TL 11,330 million in 2016. This change was principally attributable to an increase in personnel expenses, amortization expenses of intangible assets and other expenses related to operations. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 3,611 million and TL 4,118 million of the Group's other operating expenses in 2015 and 2016, respectively.

### *Net Profit from Continuing Operations*

The Group's net profit from continuing operations increased by 52.0% from TL 3,740 million in 2015 to TL 5,683 million in 2016. This increase in net profit was primarily due to a 21.8% increase in net interest income, a 14.4% increase in other operating income and an 18.8% increase in net fees and commissions income.

For 2016, the Bank's return on average total assets was 1.6% and its return on average shareholders' equity was 13.7%, compared to 1.2% and 10.4%, respectively, for 2015.

### *Results of Operations for 2014 and 2015*

#### *Interest Income*

The Group's interest income increased by 20.6%, from TL 17,753 million in 2014 to TL 21,407 million in 2015 primarily due to an increase in interest income on loans.

The Group's interest income is primarily derived from interest on loans and interest on total securities. For 2015, interest income from loans totaled TL 16,489 million (77.0% of total interest income) and interest income from total securities totaled TL 4,082 million (19.1% of total interest income), compared to TL 13,312 million (75.0% of total interest income) and TL 3,931 million (22.1% of total interest income), respectively, in 2014. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans (calculated based upon the monthly average balance of loans) to customers increased to 9.09% for 2015 from 8.87% in 2014. This increase reflects an increase in the Bank's monthly average balance of loans during 2015 as compared to 2014 to TL 171,099 million from TL 141,244 million (an increase of 21.1%) as a result of growth mainly in housing loans and SME loans, due in part to the Bank's decision to target customers in these segments of the economy.

With respect to interest on the total securities portfolio, the monthly average balance in 2015 increased to TL 43,684 million from TL 38,246 million in 2014 (due to the amount of securities added to the portfolio exceeding the amount of securities in the portfolio that matured and were repaid) and the average interest rates on the total securities portfolio (calculated based upon the monthly average balance of the total securities portfolio) decreased to 7.81% in 2015 from 8.75% in 2014.

#### *Interest Expense*

The Group's interest expense increased by 20.8% from TL 9,282 million in 2014 to TL 11,211 million in 2015. This increase was due to 12.1%, 22.1%, 48.4% and 47.5% year-on-year increases in interest expenses on deposits, funds borrowed under repurchase agreements, marketable securities issued and funds borrowed, respectively. Excluding the increase resulting from the growth in balances, these increases were primarily driven by higher deposit costs compared to 2014, as well as the growth in its deposit base. See "Deposits" below. As of December 31, 2015, the Group had TL 22,836 million in funding through repos and TL 154,201 million in deposits, a repo-to-deposit ratio of 14.8% (for 2014, TL 20,013 million, TL 134,501 million and 14.9%, respectively).

#### *Net Interest Income*

The Group's net interest income increased by 20.4% from TL 8,470 million in 2014 to TL 10,196 million in 2015. This increase was due to a 23.9% increase in interest income from loans and a 3.8% increase in interest income from total securities, offset by a 20.8% increase in interest expense. The Bank's net interest margin in 2015 was 4.1%, which was unchanged from 2014. For further information regarding the factors that resulted in this change in the Bank's net interest margin, see "Interest Income" and "Interest Expense" above.

#### *Net Fees and Commission Income*

The Group's net fees and commission income increased by 20.1% from TL 1,505 million in 2014 to TL 1,808 million in 2015. This increase was primarily a result of an increase in fees and commission income from: (a) the credit card business due to the increased rates charged and (b) loans (*i.e.*, cash loans and non-cash loans) due to effective pricing policies and increased early repayment fees.

#### *Dividend Income*

The Group's dividend income decreased by 12.0% from TL 292 million in 2014 to TL 257 million in 2015. The decrease in 2015 was primarily due to lower dividend income from Nemtaş Nemrut Liman İşletmeleri A.Ş. and Camış Yatırım Holding A.Ş. compared to 2014, which are the Group's non-financial subsidiaries.

### *Trading Income/(Loss)(Net)*

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decrease of 149.0% from TL 664 million in 2014 to negative TL 325 million in 2015. This decrease was primarily driven by decreased foreign exchange gains and losses on derivative financial transactions.

### *Other Operating Income*

The Group's other operating income increased by 14.9% from TL 5,110 million in 2014 to TL 5,870 million in 2015. This increase was primarily attributable to income from the Group's insurance/reinsurance operations. The contribution from the operations of the Group's insurance/reinsurance companies to the Group's other operational income was TL 3,570 million and TL 4,099 million in 2014 and 2015, respectively, which income is largely derived from premium payments received by these companies.

A significant component of the Group's other operating income in 2014 and 2015 was its collections of NPLs. During 2015, the Group collected approximately TL 1,208 million, or 44.7%, of its NPLs as of December 31, 2014, as compared to TL 1,203 million, or 48.6%, of its NPLs as of December 31, 2013 collected during 2014.

### *Provisioning for Loans and other Receivables*

The Group's provisioning for loans and other receivables increased by 49.6% from TL 1,530 million in 2014 to TL 2,290 million in 2015. This increase was principally attributable to a 54.2% increase in loan loss provisions and a 42.6% increase in general loan provision expenses. The NPL (non-performing loans) ratio increased to 2.0% as of December 31, 2015 as compared to 1.6% as of December 31, 2014 due to an increase in net NPL formation from TL 616 million in 2014 to TL 1,393 million in 2015, which more than offset the increase in loans during 2015. On the other hand, the impairment loss on marketable securities and subsidiaries increased from TL 4,716 thousand in 2014 to TL 16,911 thousand in 2015.

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

	<b>As of December 31,</b>	
	<b>2014</b>	<b>2015</b>
	<i>(TL thousands)</i>	
<b>Specific Provisions for Loans and Other Receivables<sup>(1)</sup></b> .....	<b>1,000,065</b>	<b>1,541,833</b>
Group III Loans and Receivables <sup>(2)</sup> .....	126,989	176,742
Group IV Loans and Receivables <sup>(2)</sup> .....	263,449	458,765
Group V Loans and Receivables <sup>(2)</sup> .....	609,627	906,326
<b>General Loan Provision Expenses</b> .....	<b>398,986</b>	<b>569,074</b>
<b>Provision Expenses for Potential Risks</b> .....	-	-
<b>Marketable Securities Impairment Losses</b> .....	<b>4,425</b>	<b>16,911</b>
Financial Assets at Fair Value through Profit and Loss .....	2,922	9,313
Financial Assets Available for Sale .....	1,503	7,598
<b>Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity</b> .....	<b>291</b>	-
Investment in Associates .....	291	-
Subsidiaries .....	-	-
Jointly Controlled Entities .....	-	-
Held to Maturity Investments .....	-	-
<b>Other</b> .....	<b>126,346</b>	<b>161,904</b>
<b>Total</b> .....	<b>1,530,113</b>	<b>2,289,722</b>

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("Overview of Significant Differences Between IFRS and BRSR Accounting and Reporting Regulations – Allowance for Loan Losses") in the Base Prospectus.

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

### *Other Operating Expenses*

The Group's other operating expenses increased by 15.2% from TL 9,499 million in 2014 to TL 10,940 million in 2015. This change was principally attributable to an increase in expenses related to operations of the Group's insurance/reinsurance companies, which constituted TL 2,913 million and TL 3,611 million of the Group's other operating expenses in 2014 and 2015, respectively.

### *Net Profit from Continuing Operations*

The Group's net profit from continuing operations decreased by 7.0% from TL 4,020 million in 2014 to TL 3,740 million in 2015. This decrease in net profit was primarily due to a net trading loss, which was partly offset by a 20.4% increase in net interest income and a 20.1% increase in net fees and commissions income.

For 2015, the Bank's return on average total assets was 1.2% and the return on average shareholders' equity was 10.4%, compared to 1.5% and 13.1%, respectively, for 2014.

### **Segmental Analysis**

The Group presents its group structure under three principal business lines: Banking Services, Financial Participations and Non-Financial Participations. These business lines are further divided into various sub business lines based upon business activities as described under "Business of the Group – Business Activities" in the Base Prospectus. Under its Banking Services business lines, there are five sub-business lines: corporate, commercial, retail, private banking and capital markets activities. For accounting purposes, however, the Group reports its business in its BRSR Financial

Statements under six segments: Corporate, Commercial, Retail, Private, Treasury/Investment and Unallocated. The first five of these segments largely correspond to the five sub-business lines noted above. The Bank's results make up the large majority of the results for these five segments, with the remainder being contributed by separate legal entities within the Financial Participations business lines. For a list of the activities undertaken in its Financial Participations sector, see "*Business of the Group – Subsidiaries and Affiliates – Financial Participations*" in the Base Prospectus. The Bank does not consolidate the results of its non-financial activities in the Group's BRSA Financial Statements on a line by-line basis and so these results do not appear in the segmental data included therein.

Non-financial participations are reflected under the "Investments in Associates" and "Investments in Subsidiaries" items in the Group's BRSA Financial Statements. Non-financial associates and subsidiaries whose equity securities are traded in an active stock exchange are reflected on financial statements with their fair value prices taking into consideration their quoted market prices at the stock exchange. Associates and subsidiaries whose equity securities are not traded in an active stock exchange are recorded at their cost on the acquisition date and these assets are reflected on the financial statements with their acquisition cost less impairment losses, if any. For a list of the Bank's non-financial participations as of March 31, 2016, see "*Business of the Group – Subsidiaries and Affiliates – Non-Financial Participations*" in the Base Prospectus (which lists remained the same as of December 31, 2016).

The following table sets forth certain information regarding the Group's business segments as of and for the year ended December 31, 2016:

As of (or for the year ended) December 31, 2016							
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
	<i>(TL thousands)</i>						
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b> .....	<b>5,201,759</b>	<b>9,131,353</b>	<b>5,082,432</b>	<b>17,529</b>	<b>5,498,464</b>	<b>129,762</b>	<b>25,061,299</b>
Interest Income from Loans .....	4,969,410	8,919,503	5,082,432	17,529	-	98,060	19,086,934
Interest Income from Banks .....	-	-	-	-	522,260	-	522,260
Interest Income from Money Market Placements .....	-	-	-	-	164,069	-	164,069
Interest Income from Securities .....	-	-	-	-	4,588,942	-	4,588,942
Finance Lease Income .....	119,845	163,730	-	-	-	-	283,575
Other Interest Income .....	112,504	48,120	-	-	223,193	31,702	415,519
<b>Interest Expense</b> .....	<b>1,435,734</b>	<b>1,326,660</b>	<b>3,380,580</b>	<b>1,064,572</b>	<b>4,860,596</b>	<b>571,392</b>	<b>12,639,534</b>
Interest Expense on Deposits .....	1,087,076	1,326,660	3,380,580	1,064,572	-	539,994	7,398,882
Interest Expense on Funds Borrowed .....	348,658	-	-	-	901,532	-	1,250,190
Interest Expense on Money Market Funds .....	-	-	-	-	2,098,326	-	2,098,326
Interest Expense on Securities Issued .....	-	-	-	-	1,860,738	-	1,860,738
Other Interest Expense .....	-	-	-	-	-	31,398	31,398
<b>Net Interest Income</b> .....	<b>3,766,025</b>	<b>7,804,693</b>	<b>1,701,852</b>	<b>(1,047,043)</b>	<b>637,868</b>	<b>(441,630)</b>	<b>12,421,765</b>
<b>Net Fees and Commissions Income</b> .....	<b>(47,900)</b>	<b>1,477,325</b>	<b>1,049,617</b>	<b>10,905</b>	<b>77,231</b>	<b>(418,645)</b>	<b>2,148,533</b>
Fees and Commissions Received .....	352,489	1,811,325	1,050,115	10,905	149,106	86,317	3,460,257
Fees and Commissions Paid .....	400,389	334,000	498	-	71,875	504,962	1,311,724
<b>Dividend Income</b> .....	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318,223</b>	<b>-</b>	<b>318,223</b>
<b>Trading Income/Loss (Net)</b> .....	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(417,002)</b>	<b>-</b>	<b>(417,002)</b>
<b>Other Income</b> .....	<b>2,981,765</b>	<b>2,626,421</b>	<b>221,180</b>	<b>5</b>	<b>448,188</b>	<b>449,020</b>	<b>6,726,579</b>
<b>Prov. for Loans and Other Receivables</b> .....	<b>222,203</b>	<b>1,210,647</b>	<b>600,231</b>	<b>23</b>	<b>151,193</b>	<b>651,198</b>	<b>2,835,495</b>
<b>Other Operating Expense</b> .....	<b>1,773,391</b>	<b>3,251,400</b>	<b>1,742,426</b>	<b>10,083</b>	<b>302,050</b>	<b>4,250,941</b>	<b>11,330,291</b>
<b>Income Before Tax</b> .....	<b>4,704,296</b>	<b>7,446,392</b>	<b>629,992</b>	<b>(1,046,239)</b>	<b>611,265</b>	<b>(5,313,394)</b>	<b>7,032,312</b>
Tax Provision .....	-	-	-	-	-	-	1,349,454
<b>Net Period Profit</b> .....	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,682,858</b>
Group Profit/Loss .....	-	-	-	-	-	-	4,998,956
Non-controlling Interest .....	-	-	-	-	-	-	683,902
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L .....	-	-	-	-	3,435,744	-	3,435,744
Banks and Other Financial Institutions .....	-	-	-	-	9,257,793	-	9,257,793
Money Market Placements .....	-	-	-	-	466,838	-	466,838
Financial Assets Available for Sale .....	-	-	-	-	51,770,372	-	51,770,372
Loans and Receivables .....	88,903,218	88,600,090	45,588,264	186,679	53,309	1,964,102	225,295,662
Held to Maturity Investments .....	-	-	-	-	6,757,758	-	6,757,758
Associates and Subsidiaries .....	-	-	-	-	6,010,149	-	6,010,149
Lease Receivables .....	2,121,064	1,673,300	-	-	7,878	-	3,802,242
Other .....	2,604,145	646,225	-	-	3,373,451	60,399,885	67,023,706
<b>Total</b> .....	<b>93,628,427</b>	<b>90,919,615</b>	<b>45,588,264</b>	<b>186,679</b>	<b>81,133,292</b>	<b>62,363,987</b>	<b>373,820,264</b>
<b>SEGMENT LIABILITIES AND EQUITY</b>							
Deposits .....	25,177,912	38,086,855	86,305,569	17,918,532	-	11,670,570	179,159,438
Derivative Financial Liabilities Held for Trading .....	-	-	-	-	1,305,085	-	1,305,085
Funds Borrowed .....	18,953,093	-	-	-	33,212,986	-	52,166,079
Money Market Funds .....	-	-	-	-	24,974,003	-	24,974,003
Securities Issued <sup>(1)</sup> .....	-	-	-	-	33,590,697	-	33,590,697
Other Liabilities .....	41,396	-	-	-	716,858	25,220,911	25,979,165
Provisions .....	-	-	-	-	-	14,918,935	14,918,935
Shareholders' Equity .....	-	-	-	-	-	41,726,862	41,726,862
<b>Total</b> .....	<b>44,172,401</b>	<b>38,086,855</b>	<b>86,305,569</b>	<b>17,918,532</b>	<b>93,799,629</b>	<b>93,537,278</b>	<b>373,820,264</b>

(1) Includes subordinated bonds, which are classified on the balance sheet as subordinated debt.

The following table sets forth certain information regarding the Group's business segments as of and for the year ended December 31, 2015:

	As of (or for the year ended) December 31, 2015						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
	<i>(TL thousands)</i>						
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b> .....	<b>4,350,004</b>	<b>7,712,169</b>	<b>4,663,280</b>	<b>17,330</b>	<b>4,503,066</b>	<b>161,117</b>	<b>21,406,966</b>
Interest Income from Loans .....	4,112,943	7,561,576	4,663,280	17,330	-	133,846	16,488,975
Interest Income from Banks .....	-	-	-	-	258,602	-	258,602
Interest Income from Money Market Placements.....	-	-	-	-	96,233	-	96,233
Interest Income from Securities .....	-	-	-	-	4,082,312	-	4,082,312
Finance Lease Income.....	148,463	114,335	-	-	-	-	262,798
Other Interest Income .....	88,598	36,258	-	-	65,919	27,271	218,046
<b>Interest Expense</b> .....	<b>1,118,363</b>	<b>1,077,368</b>	<b>2,853,037</b>	<b>987,963</b>	<b>4,495,639</b>	<b>678,731</b>	<b>11,211,101</b>
Interest Expense on Deposits .....	721,546	1,077,368	2,853,037	987,963	-	642,055	6,281,969
Interest Expense on Funds Borrowed.....	396,817	-	-	-	754,852	-	1,151,669
Interest Expense on Money Market Funds .....	-	-	-	-	2,151,312	-	2,151,312
Interest Expense on Securities Issued.....	-	-	-	-	1,589,475	-	1,589,475
Other Interest Expense.....	-	-	-	-	-	36,676	36,676
<b>Net Interest Income</b> .....	<b>3,231,641</b>	<b>6,634,801</b>	<b>1,810,243</b>	<b>(970,633)</b>	<b>7,427</b>	<b>(517,614)</b>	<b>10,195,865</b>
<b>Net Fees and Commissions Income</b> .....	<b>(64,661)</b>	<b>1,157,410</b>	<b>942,235</b>	<b>10,606</b>	<b>71,796</b>	<b>(309,505)</b>	<b>1,807,881</b>
Fees and Commissions Received .....	298,665	1,419,706	942,690	10,606	103,470	106,580	2,881,717
Fees and Commissions Paid.....	363,326	262,296	455	-	31,674	416,085	1,073,836
<b>Dividend Income</b> .....	-	-	-	-	<b>256,696</b>	-	<b>256,696</b>
<b>Trading Income/Loss (Net)</b> .....	-	-	-	-	<b>(325,160)</b>	-	<b>(325,160)</b>
<b>Other Income</b> .....	<b>2,494,606</b>	<b>2,182,391</b>	<b>167,071</b>	<b>168</b>	<b>287,560</b>	<b>752,836</b>	<b>5,884,632</b>
Prov. for Loans and Other Receivables.....	154,475	766,285	530,867	5	2,308	835,782	2,289,722
<b>Other Operating Expense</b> .....	<b>1,970,847</b>	<b>2,967,602</b>	<b>1,565,086</b>	<b>9,639</b>	<b>407,192</b>	<b>4,019,927</b>	<b>10,940,293</b>
<b>Income Before Tax</b> .....	<b>3,536,264</b>	<b>6,240,715</b>	<b>823,596</b>	<b>(969,503)</b>	<b>(111,181)</b>	<b>(4,929,992)</b>	<b>4,589,899</b>
Tax Provision.....	-	-	-	-	-	-	850,228
<b>Net Period Profit</b> .....	-	-	-	-	-	-	<b>3,739,671</b>
Group Profit/Loss .....	-	-	-	-	-	-	3,330,740
Non-controlling Interest.....	-	-	-	-	-	-	408,931
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L.....	-	-	-	-	2,503,449	-	2,503,449
Banks and Other Financial Institutions .....	-	-	-	-	6,376,094	-	6,376,094
Money Market Placements.....	-	-	-	-	1,308,203	-	1,308,203
Financial Assets Available for Sale.....	-	-	-	-	47,009,342	-	47,009,342
Loans and Receivables.....	70,202,064	79,057,988	41,347,465	196,007	282,922	2,851,381	193,937,827
Held to Maturity Investments.....	-	-	-	-	4,497,417	-	4,497,417
Associates and Subsidiaries .....	-	-	-	-	4,948,894	-	4,948,894
Lease Receivables.....	1,909,420	1,287,115	-	-	2,776	-	3,199,311
Other.....	1,840,972	405,935	-	-	2,962,675	56,508,853	61,718,435
<b>Total</b> .....	<b>73,952,456</b>	<b>80,751,038</b>	<b>41,347,465</b>	<b>196,007</b>	<b>69,891,772</b>	<b>59,360,234</b>	<b>325,498,972</b>
<b>SEGMENT LIABILITIES AND EQUITY</b>							
Deposits .....	20,816,727	32,497,741	71,351,942	16,194,848	-	13,340,032	154,201,290
Derivative Financial Liabilities Held for Trading..	-	-	-	-	1,206,148	-	1,206,148
Funds Borrowed .....	17,205,871	-	-	-	28,408,499	-	45,614,370
Money Market Funds.....	-	-	-	-	24,624,433	-	24,624,433
Securities Issued <sup>(1)</sup> .....	-	-	-	-	28,126,691	-	28,126,691
Other Liabilities .....	49,854	-	-	-	618,091	20,812,275	21,480,220
Provisions .....	-	-	-	-	-	13,562,294	13,562,294
Shareholders' Equity.....	-	-	-	-	-	36,683,526	36,683,526
<b>Total</b> .....	<b>38,072,452</b>	<b>32,497,741</b>	<b>71,351,942</b>	<b>16,194,848</b>	<b>82,983,862</b>	<b>84,398,127</b>	<b>325,498,972</b>

(1) Includes subordinated bonds, which are classified on the balance sheet as subordinated debt.

The following table sets forth certain information regarding the Group's business segments as of and for the year ended December 31, 2014:

As of (or for the year ended) December 31, 2014							
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
	<i>(TL thousands)</i>						
<b>OPERATING INCOME/EXPENSE</b>							
<b>Interest Income</b> .....	<b>3,292,772</b>	<b>6,078,528</b>	<b>3,931,362</b>	<b>23,248</b>	<b>4,146,798</b>	<b>279,982</b>	<b>17,752,690</b>
Interest Income from Loans .....	3,164,256	5,938,353	3,931,362	23,248	—	254,447	13,311,666
Interest Income from Banks .....	—	—	—	—	194,568	—	194,568
Interest Income from Money Market Placements .....	—	—	—	—	15,067	—	15,067
Interest Income from Securities .....	—	—	—	—	3,931,245	—	3,931,245
Finance Lease Income .....	70,071	116,561	—	—	—	—	186,632
Other Interest Income .....	58,445	23,614	—	—	5,918	25,535	113,512
<b>Interest Expense</b> .....	<b>996,863</b>	<b>931,037</b>	<b>2,434,589</b>	<b>1,034,964</b>	<b>3,316,071</b>	<b>568,757</b>	<b>9,282,281</b>
Interest Expense on Deposits .....	698,808	931,037	2,434,589	1,034,964	—	503,638	5,603,036
Interest Expense on Funds Borrowed .....	298,055	—	—	—	482,494	—	780,549
Interest Expense on Money Market Funds .....	—	—	—	—	1,762,400	—	1,762,400
Interest Expense on Securities Issued .....	—	—	—	—	1,071,177	—	1,071,177
Other Interest Expense .....	—	—	—	—	—	65,119	65,119
<b>Net Interest Income</b> .....	<b>2,295,909</b>	<b>5,147,491</b>	<b>1,496,773</b>	<b>(1,011,716)</b>	<b>830,727</b>	<b>(288,775)</b>	<b>8,470,409</b>
<b>Net Fees and Commissions Income</b> .....	<b>(100,300)</b>	<b>934,018</b>	<b>898,522</b>	<b>11,742</b>	<b>66,854</b>	<b>(305,653)</b>	<b>1,505,183</b>
Fees and Commissions Received .....	240,218	1,167,392	898,592	11,742	91,388	25,245	2,434,577
Fees and Commissions Paid .....	340,518	233,374	70	—	24,534	330,898	929,394
<b>Dividend Income</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>292,047</b>	<b>—</b>	<b>292,047</b>
<b>Trading Income/Loss (Net)</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>664,128</b>	<b>—</b>	<b>664,128</b>
<b>Other Income</b> .....	<b>2,426,119</b>	<b>1,534,369</b>	<b>224,677</b>	<b>241</b>	<b>254,964</b>	<b>684,388</b>	<b>5,124,758</b>
Prov. for Loans and Other Receivables .....	22,415	431,642	495,132	190	3	580,731	1,530,113
<b>Other Operating Expense</b> .....	<b>2,104,486</b>	<b>1,999,594</b>	<b>1,413,959</b>	<b>11,930</b>	<b>323,470</b>	<b>3,645,939</b>	<b>9,499,378</b>
<b>Income Before Tax</b> .....	<b>2,494,827</b>	<b>5,184,642</b>	<b>710,881</b>	<b>(1,011,853)</b>	<b>1,785,247</b>	<b>(4,136,710)</b>	<b>5,027,034</b>
Tax Provision .....	—	—	—	—	—	—	1,006,617
<b>Net Period Profit</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,020,417</b>
Group Profit/Loss .....	—	—	—	—	—	—	3,523,719
Non-controlling Interest .....	—	—	—	—	—	—	496,698
<b>SEGMENT ASSETS</b>							
Fin. Assets At Fair Value Through P/L .....	—	—	—	—	2,260,170	—	2,260,170
Banks and Other Financial Institutions .....	—	—	—	—	6,006,457	—	6,006,457
Money Market Placements .....	—	—	—	—	263,559	—	263,559
Financial Assets Available for Sale .....	—	—	—	—	45,677,129	—	45,677,129
Loans and Receivables .....	61,584,680	64,176,931	36,942,468	250,548	26,639	5,346,822	168,328,088
Held to Maturity Investments .....	—	—	—	—	1,391,860	—	1,391,860
Associates and Subsidiaries .....	—	—	—	—	5,611,155	—	5,611,155
Lease Receivables .....	1,220,196	1,523,651	—	—	2,352	—	2,746,199
Other .....	1,489,261	233,629	—	—	1,387,651	41,678,074	44,788,615
<b>Total</b> .....	<b>64,294,137</b>	<b>65,934,211</b>	<b>36,942,468</b>	<b>250,548</b>	<b>62,626,972</b>	<b>47,024,896</b>	<b>277,073,232</b>
<b>SEGMENT LIABILITIES AND EQUITY</b>							
Deposits .....	17,823,229	27,546,652	59,404,916	17,447,516	—	12,278,913	134,501,226
Derivative Financial Liabilities Held for Trading .....	—	—	—	—	749,841	—	749,841
Funds Borrowed .....	13,507,931	—	—	—	20,668,141	—	34,176,072
Money Market Funds .....	—	—	—	—	22,304,769	—	22,304,769
Securities Issued <sup>(1)</sup> .....	—	—	—	—	21,865,876	—	21,865,876
Other Liabilities .....	50,960	—	—	—	166,890	18,169,517	18,387,367
Provisions .....	—	—	—	—	—	12,083,515	12,083,515
Shareholders' Equity .....	—	—	—	—	—	33,004,566	33,004,566
<b>Total</b> .....	<b>31,382,120</b>	<b>27,546,652</b>	<b>59,404,916</b>	<b>17,447,516</b>	<b>65,755,517</b>	<b>75,536,511</b>	<b>277,073,232</b>

(1) Includes subordinated bonds, which are classified on the balance sheet as subordinated debt.

## Financial Condition

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

	As of December 31,		
	2014	2015	2016
		<i>(TL thousands)</i>	
<b>ASSETS</b>			
<b>Cash And Balances with the Central Bank .....</b>	<b>25,143,547</b>	<b>32,489,976</b>	<b>33,233,131</b>
<b>Financial Assets At Fair Value Through Profit And Loss (Net) .....</b>	<b>2,260,170</b>	<b>2,503,449</b>	<b>3,435,744</b>
Financial Assets Held for Trading .....	2,260,170	2,503,449	3,435,744
Government Debt Securities .....	490,328	400,736	506,219
Share Certificates .....	69,843	79,488	141,396
Derivative Financial Assets Held for Trading .....	1,081,071	1,451,999	2,341,766
Other Marketable Securities .....	618,928	571,226	446,363
<b>Banks .....</b>	<b>6,006,457</b>	<b>6,376,094</b>	<b>9,257,793</b>
<b>Money Market Placements .....</b>	<b>263,559</b>	<b>1,308,203</b>	<b>466,838</b>
Interbank Money Market Placements .....	-	-	191,138
Istanbul Stock Exchange Money Market Placements .....	210,109	1,287,534	261,286
Receivables from Reverse Repurchase Agreements .....	53,450	20,669	14,414
<b>Financial Assets Available For Sale (Net) .....</b>	<b>45,677,129</b>	<b>47,009,342</b>	<b>51,770,372</b>
Share Certificates .....	100,565	349,160	175,304
Government Debt Securities .....	43,878,530	44,771,775	49,217,464
Other Marketable Securities .....	1,698,034	1,888,407	2,377,604
<b>Loans .....</b>	<b>168,328,088</b>	<b>193,937,827</b>	<b>225,295,662</b>
Loans .....	167,633,292	192,909,459	224,036,283
Loans to the Bank's Risk Group .....	445,226	326,211	221,231
Other .....	167,188,066	192,583,248	223,815,052
Non-Performing Loans .....	2,699,501	3,920,231	5,273,481
Specific Provisions (-) .....	2,004,705	2,891,863	4,014,102
<b>Factoring Receivables .....</b>	<b>1,433,209</b>	<b>1,951,278</b>	<b>2,985,557</b>
<b>Held To Maturity Investments (Net) .....</b>	<b>1,391,860</b>	<b>4,497,417</b>	<b>6,757,758</b>
Government Debt Securities .....	1,307,192	4,310,652	6,448,990
Other Marketable Securities .....	84,668	186,765	308,768
<b>Investments In Associates (Net) .....</b>	<b>800,199</b>	<b>166,792</b>	<b>176,074</b>
Associates Accounted for Using the Equity Method .....	111,422	126,240	134,584
Unconsolidated Associates .....	688,777	40,552	41,490
<i>Financial Investments .....</i>	-	-	-
<i>Non-Financial Investments .....</i>	688,777	40,552	41,490
<b>Investments In Subsidiaries (Net) .....</b>	<b>4,810,446</b>	<b>4,779,842</b>	<b>5,831,815</b>
Unconsolidated Financial Subsidiaries .....	-	-	0
Unconsolidated Non-Financial Subsidiaries .....	4,810,446	4,779,842	5,831,815
<b>Jointly Controlled Entities (Joint Ventures) (Net) .....</b>	<b>510</b>	<b>2,260</b>	<b>2,260</b>
Jointly Controlled Entities Accounted for Using the Equity Method .....	-	-	-
Unconsolidated Jointly Controlled Entities .....	510	2,260	2,260
Jointly Controlled Financial Entities .....	-	-	-
Jointly Controlled Non-Financial Entities .....	510	2,260	2,260
<b>Lease Receivables .....</b>	<b>2,746,199</b>	<b>3,199,311</b>	<b>3,802,242</b>
Finance Lease Receivables .....	3,219,001	3,680,006	4,332,500
Operating Lease Receivables .....	2,352	2,776	7,878
Unearned Income (-) .....	475,154	483,471	538,136
<b>Derivative Financial Assets Held for Risk Management .....</b>	<b>-</b>	<b>4,093</b>	<b>272</b>
Fair Value Hedges .....	-	4,093	272
Cash Flow Hedges .....	-	-	-
Hedges of Net Investment In A Foreign Operation .....	-	-	-
<b>Tangible Assets (Net) .....</b>	<b>2,383,688</b>	<b>5,868,662</b>	<b>5,861,299</b>
<b>Intangible Assets (Net) .....</b>	<b>381,497</b>	<b>506,761</b>	<b>579,483</b>
Goodwill .....	35,974	35,974	35,974
Other .....	345,523	470,787	543,509
<b>Investment Property (Net) .....</b>	<b>2,698,312</b>	<b>2,962,675</b>	<b>3,373,451</b>
<b>Tax Assets .....</b>	<b>660,972</b>	<b>653,987</b>	<b>637,605</b>
Current Tax Asset .....	33,736	62,126	45,921
Deferred Tax Asset .....	627,236	591,861	591,684
<b>Assets Held For Sale .....</b>	<b>65,993</b>	<b>67,319</b>	<b>106,814</b>
<b>Other Assets .....</b>	<b>12,021,397</b>	<b>17,213,684</b>	<b>20,246,094</b>
<b>Total Assets .....</b>	<b>277,073,232</b>	<b>325,498,972</b>	<b>373,820,264</b>

	As of December 31,		
	2014	2015	2016
	(TL thousands)		
<i>LIABILITIES &amp; EQUITY</i>			
<b>Deposits</b> .....	<b>134,501,226</b>	<b>154,201,290</b>	<b>179,159,438</b>
Deposits from the Bank's Risk Group.....	3,199,237	3,496,383	3,881,747
Other.....	131,301,989	150,704,907	175,277,691
<b>Derivative Financial Liabilities Held for Trading</b> .....	<b>749,841</b>	<b>1,206,148</b>	<b>1,305,085</b>
<b>Funds Borrowed</b> .....	<b>34,060,007</b>	<b>45,468,534</b>	<b>52,166,079</b>
<b>Money Market Funds</b> .....	<b>22,304,769</b>	<b>24,624,433</b>	<b>24,974,003</b>
Interbank Money Market Funds .....	-	-	3,861,679
Istanbul Stock Exchange Money Market Funds .....	2,291,363	1,788,893	3,099,024
Funds Provided Under Repurchase Agreements .....	20,013,406	22,835,540	18,013,300
<b>Marketable Securities Issued (Net)</b> .....	<b>18,597,092</b>	<b>24,079,558</b>	<b>28,660,681</b>
Bills .....	6,901,441	9,388,557	6,781,301
Bonds.....	11,695,651	14,691,001	21,879,380
<b>Funds</b> .....	<b>39,081</b>	<b>30,677</b>	<b>5,317</b>
<b>Miscellaneous Payables</b> .....	<b>14,395,500</b>	<b>17,841,623</b>	<b>22,393,901</b>
<b>Other Liabilities</b> .....	<b>3,197,979</b>	<b>2,869,727</b>	<b>3,010,243</b>
<b>Derivative Financial Liabilities Held For Risk Management</b> .....	-	<b>5,799</b>	<b>51,433</b>
Fair Value Hedges .....	-	5,799	51,433
Cash Flow Hedges .....	-	-	-
Net Foreign Investment Hedges .....	-	-	-
<b>Provisions</b> .....	<b>12,083,515</b>	<b>13,562,294</b>	<b>14,918,935</b>
General Loan Loss Provision .....	2,479,770	3,015,392	3,286,093
Reserves for Employee Benefits .....	523,976	615,649	698,771
Insurance Technical Reserves (Net) .....	5,287,399	6,130,540	6,940,983
Other Provisions .....	3,792,370	3,800,713	3,993,088
<b>Tax Liability</b> .....	<b>754,807</b>	<b>732,394</b>	<b>518,271</b>
Current Tax Liability .....	748,231	726,495	495,278
Deferred Tax Liability .....	6,576	5,899	22,993
<b>Subordinated Debt</b> .....	<b>3,384,849</b>	<b>4,192,969</b>	<b>4,930,016</b>
<b>Shareholders' Equity</b> .....	<b>33,004,566</b>	<b>36,683,526</b>	<b>41,726,862</b>
Paid-in Capital .....	4,500,000	4,500,000	4,500,000
Capital Reserves .....	5,078,348	5,562,634	5,703,692
Share Premium .....	33,941	33,941	33,941
Marketable Securities Revaluation Reserve .....	3,439,122	1,236,211	1,415,547
Tangible Assets Revaluation Reserve .....	-	2,709,044	2,669,508
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures) .....	(1,179)	(1,179)	(1,179)
Other Capital Reserves .....	1,606,464	1,584,617	1,585,875
Profit Reserves .....	15,925,056	18,748,096	21,380,383
Legal Reserves.....	2,511,627	2,774,889	3,043,282
Statutory Reserves .....	64,234	71,201	81,638
Extraordinary Reserves .....	13,300,346	15,797,306	17,965,162
Other Profit Reserves.....	48,849	104,700	290,301
Profit or Loss .....	3,415,578	3,311,612	5,092,395
Prior Years' Profit/Loss .....	(108,141)	(19,128)	93,439
Current Year Profit/Loss.....	3,523,719	3,330,740	4,998,956
Non-Controlling Interest .....	4,085,584	4,561,184	5,050,392
<b>Total Liabilities and Equity</b> .....	<b>277,073,232</b>	<b>325,498,972</b>	<b>373,820,264</b>

## Assets

As of December 31, 2016, the Group had total assets of TL 373,820 million, an increase of 14.8% compared to TL 325,499 million as of December 31, 2015, itself an increase of 17.5% from TL 277,073 million as of December 31, 2014. The overall increase in the Group's total assets was primarily attributable to increases in loans and total securities (16.1% and 13.4%, respectively, during 2016, 15.1% and 8.9%, respectively, during 2015 and 15.5% and 10.5%, respectively, during 2014). As of December 31, 2016, 95.5% of the Group's total assets were in Turkey. Additional information regarding the Group's assets is set forth in "Selected Statistical and Other Information."

## Cash and Balances with the Central Bank

As of December 31, 2016, the Group's cash and balances with the Central Bank were TL 33,233 million, an increase of 2.3% compared to TL 32,490 million as of December 31, 2015, itself an increase of 29.2% from TL 25,144 million as of December 31, 2014. A significant amount of these balances represent the Group's holding of gold and foreign exchange-denominated reserves due to: (a) the increase in foreign exchange-denominated reserve requirements resulting from an increase in the Group's foreign exchange-denominated liabilities, which also depend upon foreign-exchange liquidity conditions in the market, and (b) utilizing the Central Bank's Reserve Option Mechanism, which

gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements.

#### *Loans, Leasing and Factoring Receivables*

As of December 31, 2016, the Group had loans, leasing and factoring receivables of TL 230,824 million, an increase of 16.5% compared to TL 198,060 million as of December 31, 2015, itself an increase of 15.3% from TL 171,813 million as of December 31, 2014. These increases in the Group's loans, leasing and factoring receivables were primarily attributable to increases in loans, principally due to the 8.2%, 12.6% and 15.2%, respectively, increases in Turkish Lira-denominated loans in 2016, 2015 and 2014. Additional information regarding the Group's loan portfolio is set forth in "Selected Statistical and Other Information – Loan Portfolio."

#### *Liabilities*

As of December 31, 2016, the Group had total liabilities of TL 332,093 million, an increase of 15.0% compared to TL 288,815 million as of December 31, 2015, itself an increase of 18.3% from TL 244,069 million as of December 31, 2014. The increase in the Group's total liabilities in 2016 was primarily attributable to a 16.2% increase on deposits, a 19.0% increase in marketable securities issued and a 14.7% increase in funds borrowed. As for 2015 and 2014, the overall increases in the Group's total liabilities were primarily attributable to increases in deposits, marketable securities issued and funds borrowed (14.6%, 29.5% and 33.5%, respectively, in 2015 and 10.4%, 84.6% and 25.1%, respectively, in 2014). Additional information regarding the Group's liabilities is set forth in "Selected Statistical and Other Information."

#### *Shareholders' Equity*

As of December 31, 2016, the Group's shareholders' equity amounted to 11.2% of the Group's total assets, compared to 11.3% as of December 31, 2015 and 11.9% as of December 31, 2014. TL 936 million, TL 841 million and TL 649 million allocated for dividend payments was deducted from shareholders' equity in the year ended December 31, 2016, 2015 and 2014, respectively, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 33,005 million, TL 36,684 million and TL 41,727 million as of December 31, 2014, 2015 and 2016, respectively. The shareholder's equity increased in 2016 due to the current period profit in 2016.

#### *Off-Balance Sheet Arrangements*

The aggregate amount of off-balance sheet arrangements comprising guarantees, letters of credit and similar obligations totaled TL 65,948 million as of December 31, 2016, compared to TL 52,912 million as of December 31, 2015 and TL 44,663 million as of December 31, 2014. While there was a 24.6% decrease in total guarantees and suretyships due to a 19.0% decrease in letters of credit in 2016, the increases in 2015 and 2014 reflected general growth and were largely due to increases in the letters of credit and letters of guarantee portfolios (40.5% and 15.0%, respectively, in 2015 and 12.5% and 13.2%, respectively, in 2014). Additional information regarding the Group's off-balance sheet arrangements is set forth in "Contingencies and Commitments" below and "Selected Statistical and Other Information."

#### **Capital Adequacy**

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies). In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance

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

Within the context of the implementation of the Basel III framework in Turkey, on January 1, 2014, the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated November 1, 2006 regarding the capital of the banks through the end of 2013 has been replaced by the Regulation on Equities of Banks published in the Official Gazette dated September 5, 2013 and numbered 28756 (the “*2013 Equity Regulation*”). Under the 2013 Equity Regulation, Tier 1 capital is divided into core Tier 1 capital and additional Tier 1 capital. In connection with such classification, amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the “*2012 Capital Adequacy Regulation*”), which also entered into effect on January 1, 2014: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorized under “*other assets*.”

The BRSA published the 2015 Capital Adequacy Regulation, which entered into force on March 31, 2016 and sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items. The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor’s, Moody’s, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of January 12, 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On January 27, 2017, Fitch (which the Bank has been using for such purposes) downgraded Turkey’s sovereign credit rating to “BB+” (with a stable outlook) from “BBB-” (with a negative outlook). According to guidance published by the BRSA on February 24, 2017, foreign exchange-required reserves held with the Central Bank will now be subjected to a 0% risk weight, which amendment offset the negative impact on the capital adequacy ratios that otherwise would have resulted from the Fitch downgrade.

The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches, with a rate of 12% currently being applied to the Bank. As of December 31, 2014, 2015 and 2016, the Group’s capital adequacy ratio was 15.70%, 15.10% and 14.34%, respectively (16.02%, 15.65% and 15.17%, respectively, for the Bank). The Bank intends to maintain its (and the Group’s) capital ratios in excess of the minimum levels required by both Turkish law and internal risk limits determined by the Board of Directors (see “*Risk Management*” in the Base Prospectus).

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

	<b>As of December 31,</b>		
	<b>2014<sup>(1)</sup></b>	<b>2015<sup>(1)</sup></b>	<b>2016<sup>(1)</sup></b>
	<i>(TL thousands, except percentages)</i>		
Paid-in capital .....	4,500,000	4,500,000	4,500,000
Paid-in capital inflation adjustments .....	1,615,938	1,615,938	1,615,938
Profit reserves .....	15,408,830	18,269,105	20,686,195
Profit .....	3,523,719	3,330,740	5,092,395
Tier 1 Capital (I) .....	32,704,560	35,428,502	38,967,938
Tier 2 Capital (II) .....	6,010,973	6,272,154	6,174,579
Deductions (III) .....	62,146	46,019	49,993
Own Funds (I+II-III) .....	38,653,387	41,654,637	45,092,524
Risk Weighted Assets (including market and operational risk) .....	246,267,688	275,840,500	314,468,546
<b>Capital Ratios:</b>			
Tier 1 Ratio .....	13.3%	12.8%	12.4%
Own Funds/Risk Weighted Assets ....	15.7%	15.1%	14.3%

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

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

#### **Non-Financial Participations/Non-BRSA consolidated subsidiaries**

As of December 31, 2016, the only significant strategic non-financial equity participation of the Bank was Şişecam (with its subsidiaries, the “Şişecam Group”).

Investments in the Şişecam Group are strategic in the sense that it has been a long-term investment of the Bank in a company with a strong market position in Turkey and neighboring areas. The following tables set forth certain information regarding Şişecam Group. For a discussion of the differences between the BRSA financial statements and the IFRS financial statements, see Appendix 1 (“Overview of Significant Differences Between IFRS and BRSA Accounting and Reporting Regulations”) to the Base Prospectus.

#### *Türkiye Şişe ve Cam Fabrikaları A.Ş. (Consolidated)*

	<b>As of (or for the year ended) December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands)</i>		
Total Assets .....	12,349,787	15,662,863	19,152,496
Total Liabilities .....	5,110,527	6,160,327	7,822,873
Profit/(loss) for the period .....	419,777	804,866	1,040,029

Non-financial participations are not consolidated in the Group’s BRSA financial statements; *however*, they are shown under the “Investments in Associates” and “Investments in Subsidiaries” line items at their book values. If dividends are received from these non-financial participations, then such dividends are reflected in the applicable period’s income statement of the Group’s BRSA financial statements.

## Liquidity and Funding

The Group's principal sources of funding are deposits from retail and corporate customers, including other banks. Currently, the Bank's strategy is to fund itself mainly using deposits from its extensive customer base and to use marketable securities issued, funds borrowed, money market funds and subordinated debt for the remaining part, although this approach is subject to change depending upon market opportunities and changes in prevailing rates for deposits and other funding sources. For further discussion on the Group's risk management policies relating to funding, see, "Risk Management – Funding" in the Base Prospectus.

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

	As of December 31, 2014			As of December 31, 2015			As of December 31, 2016		
	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total	TL	Foreign Currencies	Total
Deposits .....	72,045,192	62,456,034	134,501,226	71,476,389	82,724,901	154,201,290	87,276,252	91,883,186	179,159,438
Money Market Funds	19,104,474	3,200,295	22,304,769	21,440,842	3,183,591	24,624,433	21,542,364	3,431,639	24,974,003
Funds Borrowed, Marketable Securities Issued and Subordinated Debt ....	11,240,478	44,801,470	56,041,948	13,185,225	60,555,836	73,741,061	11,801,362	73,955,414	85,756,776

The Group's deposits constituted in aggregate approximately 48.5%, 47.4% and 47.9% of its total liabilities and shareholders' equity as of December 31, 2014, 2015 and 2016, respectively. As of December 31, 2016, the Group's deposits amounted to TL 179,159 million, an increase of 16.2% from TL 154,201 million as of December 31, 2015, itself an increase of 14.6% from TL 134,501 million as of December 31, 2014. For more information on deposits with the Group, see "Selected Statistical and Other Information – Deposits."

For tables setting out the maturity structure of the Group's deposits with a breakdown of the source of deposits for the years ended December 31, 2014, 2015 and 2016, see Section Five, II.a of the Group's BRSA Financial Statements as of and for the year ended December 31, 2016.

The remaining sources of funds for the Group are funds borrowed, marketable securities issued, subordinated debt and money market funds, which were together equivalent to 28.3%, 30.2% and 29.6% of the Group's consolidated assets as of December 31, 2014, 2015 and 2016, respectively. As of December 31, 2016, the amount of the Group's total foreign currency-denominated borrowings (i.e., the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) was equivalent to 20.7% of the amount of its consolidated assets.

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

	As of December 31,					
	2014		2015		2016	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>					
Funds borrowed from domestic banks and institutions .....	2,362,826	851,067	1,857,367	1,208,870	2,601,611	1,959,324
Funds borrowed from foreign banks, institutions and funds .....	2,731,384	28,114,730	2,715,605	39,686,692	1,301,696	46,303,448
Marketable securities issued .....	6,146,268	12,450,824	8,612,253	15,467,305	7,898,055	20,762,626
Subordinated debt .....	-	3,384,849	-	4,192,969	-	4,930,016
<b>Total .....</b>	<b>11,240,478</b>	<b>44,801,470</b>	<b>13,185,225</b>	<b>60,555,836</b>	<b>11,801,362</b>	<b>73,955,414</b>

The tables below set out the Group's aggregate amount of funds borrowed, marketable securities issued and subordinated debt based upon their maturity as of the dates indicated:

	As of December 31,					
	2014		2015		2016	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	<i>(TL thousands)</i>					
Short-term.....	8,646,090	12,189,353	10,327,570	5,729,641	9,591,223	5,180,057
Medium and long-term .....	2,594,388	32,612,117	2,857,655	54,826,195	2,210,139	68,775,357
<b>Total .....</b>	<b>11,240,478</b>	<b>44,801,470</b>	<b>13,185,225</b>	<b>60,555,836</b>	<b>11,801,362</b>	<b>73,955,414</b>

Borrowings from foreign banks and institutions include syndicated loans, “diversified payment rights” (DPR) future flow transactions, eurobonds and other fund-raising. Details of the Bank’s syndicated loans, future flow transactions and material eurobonds as of December 31, 2016 are as follows:

<u>Outstanding Principal</u>	<u>Final Maturity</u>	<u>Interest rate %</u>
€24 million DPR issuance.....	November 2018	Varies
€38.75 million DPR issuance.....	August 2024	Varies
€58.13 million DPR issuance.....	August 2024	Varies
\$43.75 million DPR issuance.....	August 2017	Varies
\$12.49 million DPR issuance.....	August 2017	Varies
\$33.33 million DPR issuance.....	November 2018	Varies
€40 million DPR issuance.....	November 2018	Varies
€50 million DPR issuance.....	November 2018	Varies
€45 million DPR issuance.....	November 2025	Varies
\$220 million DPR issuance.....	November 2028	Varies
\$30 million DPR issuance.....	November 2019	Varies
\$60 million DPR issuance .....	February 2022	Varies
\$15 million DPR issuance .....	February 2030	Varies
\$55 million DPR issuance.....	February 2020	Varies
\$200 million DPR issuance.....	February 2020	Varies
\$75 million DPR issuance.....	February 2020	Varies
\$150 million DPR issuance.....	February 2020	Varies
\$221.20 million DPR issuance.....	August 2025	Varies
\$60 million DPR issuance.....	November 2021	Varies
\$55 million DPR issuance.....	November 2028	Varies
\$75 million DPR issuance.....	November 2021	Varies
\$50 million DPR issuance.....	November 2021	Varies
\$47.60 million DPR issuance.....	November 2026	Varies
\$111.20 million DPR issuance.....	November 2029	Varies
\$462 million syndicated loan .....	May 2017	Libor + 0.55%
€836 million syndicated loan .....	May 2017	Euribor + 0.45%
\$302 million syndicated loan .....	September 2017	Varies
€661 million syndicated loan .....	September 2017	Varies
\$1,000 million subordinated eurobond .....	October 2022	6.00%
\$500 million eurobond.....	November 2017	3.875%
\$750 million eurobond.....	October 2018	3.750%
\$500 million eurobond.....	April 2019	5.50%
\$400 million subordinated eurobond .....	December 2023	7.850%
\$750 million eurobond.....	June 2021	5.00%
\$750 million eurobond.....	April 2020	5.00%
\$750 million eurobond.....	October 2021	5.375%
\$600 million eurobond.....	April 2022	5.50%

The Bank has also issued certain smaller and/or shorter tenor Series of notes under the Program. The Bank may issue, from time to time, additional Series of notes under the Program, which (as permitted

by the Program) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

In addition to the above, the Group has entered into various transactions with multilateral and developmental institutions, export credit agencies and other lenders, principally for the purposes of financing project financings, micro, small and medium-sized enterprises, energy efficiency projects or certain imports.

Many of the Group's financings include provisions permitting the applicable creditors to require the accelerated repayment of the applicable indebtedness, including as a result of a breach of a financial or other covenant or the occurrence of a change of control. The Group monitors its compliance with its obligations under its financing arrangements in order to seek to avoid any such acceleration.

As of the date of this Prospectus, the Bank's management believes that the Bank's and the Group's liquidity is sufficient for its present requirements for at least the next 12 months from the date of this Prospectus.

### Contingencies and Commitments

*Guarantees.* The Group offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with their customers' export and import activities. These products do not appear on the Group's balance sheet. For the breakdown of contingencies and commitments, see Section Five, III of the Group's BRSA Financial Statements as of and for the year ended December 31, 2016.

The table below sets forth the Group's total off-balance sheet guarantees as of the indicated dates, which largely reflects the Group's continued support of its customers' increasing export business.

	As of December 31,		
	2014	2015	2016
		(TL thousands)	
Letters of guarantee .....	34,649,566	39,841,608	48,978,718
Acceptance credits .....	1,229,731	955,580	2,579,744
Letters of credit .....	7,763,406	10,906,494	12,983,418
Other guarantees <sup>(1)</sup> .....	1,020,610	1,208,583	1,405,754
<b>Total .....</b>	<b>44,663,313</b>	<b>52,912,265</b>	<b>65,947,634</b>

(1) Includes endorsements.

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

	As of December 31, 2016					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(TL thousands)			
Forward foreign exchange contracts.....	2,559,338	9,224,059	11,783,397	2,923,641	8,800,141	11,723,782
Currency Swaps .....	8,923,721	29,737,150	38,660,871	15,633,248	20,521,585	36,154,833
Interest rate swaps .....	233,206	28,044,130	28,277,336	233,206	28,044,130	28,277,336
Currency options .....	2,548,688	2,847,816	5,396,504	2,259,423	3,120,291	5,379,714
Interest rate options .....	—	637,614	637,614	—	637,614	637,614
Marketable security and index options .....	11,923	—	11,923	25,155	—	25,155
Currency futures.....	4,857	618	5,475	617	4,857	5,474
Interest rate futures.....	—	—	—	—	—	—

	As of December 31, 2015					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	1,693,095	4,859,603	6,552,698	1,757,341	4,846,992	6,604,333
Currency Swaps .....	6,368,873	29,957,234	36,326,107	19,470,401	13,851,644	33,322,045
Interest rate swaps .....	1,459,140	21,376,617	22,835,757	1,459,140	21,376,617	22,835,757
Currency options .....	3,282,994	2,575,568	5,858,562	1,454,146	4,063,038	5,517,184
Interest rate options .....	—	751,221	751,221	—	751,221	751,221
Marketable security and index options .....	19,718	—	19,718	14,947	—	14,947
Currency futures.....	769	—	769	—	770	770
Interest rate futures.....	—	—	—	—	—	—

	As of December 31, 2014					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
	<i>(TL thousands)</i>					
Forward foreign exchange contracts.....	1,822,359	2,346,843	4,169,202	891,910	3,275,857	4,167,767
Currency Swaps .....	5,688,362	18,851,307	24,539,669	10,533,432	12,171,340	22,704,772
Interest rate swaps .....	1,943,440	11,766,736	13,710,176	1,943,440	11,766,736	13,710,176
Currency options .....	1,671,738	3,817,040	5,488,778	1,391,746	4,062,605	5,454,351
Interest rate options .....	—	718,420	718,420	—	718,420	718,420
Marketable security and index options .....	21,813	—	21,813	4,460	28,244	32,704
Currency futures.....	—	—	—	—	—	—
Interest rate futures.....	—	—	—	—	—	—

## Property, Plant and Equipment

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

	As of December 31,		
	2014	2015	2016
	<i>(TL thousands)</i>		
Buildings and Land.....	3,721,922	4,922,091	4,875,297
Construction in progress.....	229,324	220,158	317,119
Vehicles .....	21,702	21,563	22,204
Other <sup>(1)</sup> .....	2,046,224	2,297,582	2,461,993
Depreciation .....	(3,632,323)	(1,592,732)	(1,815,314)
Net book value.....	2,386,849	5,868,662	5,861,299

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

## SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the BRSA Financial Statements and the information included in “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*” All foreign currency amounts in this section were notionally converted into Turkish Lira in the manner described in Section Three of the BRSA Financial Statements as of and for the year ended December 31, 2016.

### I. Distribution of Assets, Liabilities and Shareholders’ Equity; Interest Rates and Interest Differential

#### A. Average Balance Sheet and Interest Data

The tables below (derived from the Bank’s management accounts) show the Bank’s average balances and yield for each of the indicated years. In such tables, unless otherwise stated, average balances are calculated from monthly balances (by averaging the amount of the related item as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any year, December 31 of the previous year) and each intervening month-end date) and include interest accruals.

	2014			2015			2016		
	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income
<i>(TL thousands, except percentages)</i>									
<b>ASSETS</b>									
<b>Average Interest-Earning Assets</b>									
<b>Loans and Receivables</b>									
<b>(performing).....</b>	<b>141,243,906</b>	<b>8.87%</b>	<b>12,532,579</b>	<b>171,098,798</b>	<b>9.09%</b>	<b>15,558,315</b>	<b>184,908,413</b>	<b>9.72%</b>	<b>17,970,553</b>
Turkish Lira .....	91,874,456	10.98%	10,087,820	109,183,708	11.38%	12,420,474	116,244,380	12.28%	14,279,539
Foreign Currency .....	49,369,450	4.95%	2,444,759	61,915,090	5.07%	3,137,841	68,664,033	5.38%	3,691,014
<b>Total Securities Portfolio .....</b>	<b>38,245,634</b>	<b>8.75%</b>	<b>3,346,141</b>	<b>43,683,932</b>	<b>7.81%</b>	<b>3,410,608</b>	<b>48,053,615</b>	<b>8.20%</b>	<b>3,940,171</b>
Turkish Lira .....	31,924,379	9.62%	3,071,640	34,838,206	8.68%	3,024,536	37,638,431	9.30%	3,502,203
Foreign Currency .....	6,321,255	4.34%	274,501	8,845,726	4.36%	386,072	10,415,184	4.21%	437,968
<b>Banks .....</b>	<b>2,172,491</b>	<b>0.69%</b>	<b>15,037</b>	<b>1,702,666</b>	<b>1.01%</b>	<b>17,230</b>	<b>2,023,696</b>	<b>1.46%</b>	<b>29,622</b>
Turkish Lira .....	120,215	5.19%	6,240	128,356	5.01%	6,430	172,102	6.38%	10,974
Foreign Currency .....	2,052,276	0.43%	8,797	1,574,310	0.69%	10,800	1,851,594	1.01%	18,648
<b>Balances with the Central Bank</b>									
<b>(interest-earning portion).....</b>	<b>2,542,361</b>	<b>0.23%</b>	<b>5,865</b>	<b>27,342,331</b>	<b>0.24%</b>	<b>64,684</b>	<b>28,374,429</b>	<b>0.77%</b>	<b>219,345</b>
Turkish Lira .....	2,542,361	0.23%	5,865	2,135,026	1.77%	37,840	3,055,746	4.59%	140,343
<b>Money Market Placements<sup>(1)</sup>.....</b>	<b>965</b>	<b>9.22%</b>	<b>89</b>	<b>858</b>	<b>9.79%</b>	<b>84</b>	<b>960</b>	<b>8.65%</b>	<b>83</b>
Turkish Lira .....	965	9.22%	89	858	9.79%	84	960	8.65%	83
<b>Total for Average Interest-Earning Assets.....</b>	<b>184,205,357</b>	<b>8.63%</b>	<b>15,899,711</b>	<b>243,828,585</b>	<b>7.81%</b>	<b>19,050,921</b>	<b>263,361,113</b>	<b>8.41%</b>	<b>22,159,774</b>
Turkish Lira .....	126,462,376	10.42%	13,171,654	146,286,154	10.59%	15,489,364	157,111,619	11.41%	17,933,142
Foreign Currency .....	57,742,981	4.72%	2,728,057	97,542,431	3.65%	3,561,557	106,249,494	3.98%	4,226,632
<b>Average Non-Interest-Earning Assets</b>									
Cash and Balances with the Central Bank (non-interest earning portion) .....	22,341,957			2,643,991			3,248,773		
Derivative Financial Assets Held for Trading .....	1,011,390			1,404,961			1,385,304		
Equity participations .....	8,341,331			9,501,535			9,766,055		
Non-performing Loans net of Specific Provisions .....	503,840			707,626			1,021,366		
Tangible Assets.....	1,836,235			2,823,578			4,322,657		
Other Assets.....	2,860,373			3,737,968			5,514,331		
<b>Total for Average Non-Interest Earning Assets.....</b>	<b>36,895,126</b>			<b>20,819,659</b>			<b>25,258,486</b>		
<b>Total for Average Assets.....</b>	<b>221,100,483</b>			<b>264,648,244</b>			<b>288,619,599</b>		

(1) Calculated from daily balances and does not include interest accruals.

	2014			2015			2016		
	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense	Average Balance	Avg. Rate Paid	Interest Expense
<i>(TL thousands, except percentages)</i>									
<b>LIABILITIES</b>									
<b>Average Interest-Bearing Liabilities</b>									
<i>Deposits (other than demand deposits)</i>									
.....	101,756,937	5.58%	5,681,369	116,965,176	5.45%	6,378,023	126,217,391	6.00%	7,572,608
Turkish Lira.....	52,059,111	8.92%	4,644,437	56,348,262	9.47%	5,333,532	63,529,696	10.29%	6,534,322
Foreign Currency.....	49,697,826	2.09%	1,036,932	60,616,914	1.72%	1,044,491	62,687,695	1.66%	1,038,286
<b>Funds Borrowed</b> .....	<b>16,643,538</b>	<b>2.90%</b>	<b>482,494</b>	<b>26,457,904</b>	<b>2.85%</b>	<b>754,852</b>	<b>27,879,843</b>	<b>2.82%</b>	<b>787,204</b>
Turkish Lira.....	2,138,640	9.21%	196,867	2,827,664	9.86%	278,699	2,143,607	10.86%	232,719
Foreign Currency.....	14,504,898	1.97%	285,627	23,630,240	2.02%	476,153	25,736,236	2.15%	554,485
<i>Funds provided under repurchase agreements<sup>(1)</sup></i>									
.....	17,341,538	8.00%	1,387,341	20,336,285	8.20%	1,667,821	19,945,762	7.37%	1,470,074
Turkish Lira.....	14,478,756	9.32%	1,349,986	17,511,475	9.31%	1,630,801	16,469,895	8.58%	1,413,408
Foreign Currency.....	2,862,782	1.30%	37,355	2,824,810	1.31%	37,020	3,475,867	1.63%	56,666
<i>Marketable securities issued and subordinated debt</i>									
.....	15,934,948	6.40%	1,019,320	23,050,892	5.90%	1,359,913	23,635,280	6.22%	1,469,170
Turkish Lira.....	5,503,103	9.33%	513,391	5,754,857	9.22%	530,849	5,738,463	9.80%	562,229
Foreign Currency.....	10,431,845	4.85%	505,929	17,296,035	4.79%	829,064	17,896,817	5.07%	906,941
<b>Total for Average Interest-Bearing Liabilities</b> .....	<b>151,676,961</b>	<b>5.65%</b>	<b>8,570,524</b>	<b>186,810,257</b>	<b>5.44%</b>	<b>10,160,609</b>	<b>197,678,276</b>	<b>5.72%</b>	<b>11,299,056</b>
Turkish Lira.....	74,179,610	9.04%	6,704,681	82,442,258	9.43%	7,773,881	87,881,661	9.95%	8,742,678
Foreign Currency.....	77,497,351	2.41%	1,865,843	104,367,999	2.29%	2,386,728	109,796,615	2.33%	2,556,378
<b>Average Non-Interest-Bearing Liabilities</b>									
Demand Deposits.....	25,858,088			31,645,046			37,004,077		
Provisions.....	6,061,806			6,713,768			7,180,896		
Tax Liabilities.....	472,077			376,903			478,220		
Other Liabilities.....	10,554,961			10,387,192			13,092,851		
<b>Total for Average Non-Interest-Bearing Liabilities</b> .....	<b>42,946,932</b>			<b>49,122,909</b>			<b>57,756,044</b>		
<b>Total for Average Liabilities</b> .....	<b>194,623,893</b>			<b>235,933,166</b>			<b>255,434,320</b>		
<b>Total Average Shareholders' Equity and Net Profit</b> .....	<b>25,836,062</b>			<b>29,904,943</b>			<b>34,073,200</b>		

(1) Calculated from daily balances and does not include interest accruals.

## B. Net Interest Income Data

In addition to the average yield earned on interest-earning assets and average rate paid on interest-bearing liabilities shown above, the following table (derived from the Bank's management accounts) shows the Bank's net interest income, net interest margin and spread for each of the indicated years.

	2014	2015	2016
<i>(TL thousands, except percentages)</i>			
Net interest income.....	7,454,217	8,985,556	10,837,281
<i>Turkish Lira</i> .....	6,627,977	7,817,913	9,165,854
<i>Foreign Currency</i> .....	826,240	1,167,643	1,825,237
Net interest margin.....	4.1%	4.1%	4.5%
Spread.....	3.5%	3.4%	3.8%
<i>Turkish Lira</i> .....	3.8%	3.7%	3.9%
<i>Foreign Currency</i> .....	1.4%	1.7%	2.1%

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

The following tables (derived from the Bank's management accounts) provide a comparative analysis of changes in interest income and interest expense by reference to changes in average volume and rates for each of the indicated years. Changes in interest income and interest expense are attributed to either changes in average daily balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is received or interest-bearing liabilities on which interest is expensed. Volume change is calculated as the change in volume multiplied by the previous rate, while rate change is the change in rate multiplied by the previous volume. The rate volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

Average balances represent the average of the daily balances for the respective year. The Bank does not separately track short-term and long-term interest expense for purposes of calculating net interest income and interest expense. For purpose of the following tables, non-performing loans have been treated as non-interest-earning assets.

	<b>2016/2015</b>		
	<b>Increase (decrease) due to changes in</b>		
	<b>Volume</b>	<b>Rate</b>	<b>Net Change</b>
	<i>(TL thousands)</i>		
<b>Interest Income</b>			
<i>Total Performing Loans</i> .....	1,302,365	1,109,873	2,412,238
Performing Loans in Turkish Lira .....	831,903	1,027,162	1,859,065
Performing Loans in Foreign Currency .....	355,367	197,806	553,173
<i>Total Securities</i> .....	352,567	176,996	529,563
Securities in Turkish Lira .....	252,324	225,343	477,667
Securities in Foreign Currency .....	65,349	13,453	51,896
<b>Total interest income</b> .....	<b>1,654,932</b>	<b>1,286,869</b>	<b>2,941,801</b>
<b>Interest Expense</b>			
<i>Deposits (other than demand deposits)</i> .....	526,825	667,760	1,194,585
Deposits in Turkish Lira .....	45,922	485,984	1,200,790
Deposits in Foreign Currency .....	714,806	(52,127)	(6,205)
<i>Funds Borrowed</i> .....	40,050	(7,698)	32,352
Funds Borrowed in Turkish Lira .....	(79,209)	33,229	(45,980)
Funds Borrowed in Foreign Currency .....	44,089	34,243	78,332
<b>Total interest expense</b> .....	<b>566,874</b>	<b>660,063</b>	<b>1,226,937</b>
<b>Net change in net interest income</b> .....	<b>193,625</b>	<b>1,457,569</b>	<b>1,651,194</b>

	<b>2015/2014</b>		
	<b>Increase (decrease) due to changes in</b>		
	<b>Volume</b>	<b>Rate</b>	<b>Net Change</b>
	<i>(TL thousands)</i>		
<b>Interest Income</b>			
<i>Total Performing Loans</i> .....	2,707,852	317,884	3,025,736
Performing Loans in Turkish Lira .....	1,958,058	374,596	2,332,654
Performing Loans in Foreign Currency .....	634,581	58,501	693,082
<i>Total Securities</i> .....	265,169	(200,702)	64,466
Securities in Turkish Lira .....	669,808	(716,913)	(47,105)
Securities in Foreign Currency .....	110,174	1,398	111,572
<b>Total interest income</b> .....	<b>2,973,021</b>	<b>117,182</b>	<b>3,090,202</b>
<b>Interest Expense</b>			
<i>Deposits (other than demand deposits)</i> .....	825,624	(128,970)	696,654
Deposits in Turkish Lira .....	396,062	293,033	689,095
Deposits in Foreign Currency .....	36,458	(28,899)	7,559
<i>Funds Borrowed</i> .....	279,882	(7,524)	272,358
Funds Borrowed in Turkish Lira .....	67,104	14,727	81,831
Funds Borrowed in Foreign Currency .....	183,728	6,799	190,527
<b>Total interest expense</b> .....	<b>1,105,506</b>	<b>(136,494)</b>	<b>969,012</b>
<b>Net change in net interest income</b> .....	<b>1,867,515</b>	<b>253,676</b>	<b>2,121,190</b>

#### D. Certain Group Information

The following table presents certain selected financial ratios of the Group for each of the indicated years.

	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands, except percentages)</i>		
Net income .....	4,020,417	3,739,671	5,682,858
Average total assets <sup>(1)</sup> .....	259,346,186	301,286,102	343,630,429
Average shareholders' equity <sup>(1)</sup> .....	25,840,079	30,520,662	34,562,674
Average shareholders' equity as a percentage of average total assets <sup>(1)</sup> .....	9.96%	10.13%	10.06%
Return on average total assets <sup>(1)</sup> .....	1.55%	1.24%	1.65%
Return on average shareholders' equity <sup>(1)</sup> .....	13.64%	10.91%	14.46%
Dividend pay-out ratio (Bank-only).....	20.67%	25.00%	25.00%

(1) The figures for 2014 and 2015 are not comparable with 2016 as the figures are calculated on quarterly averages for 2016 and on annual averages for each of 2014 and 2015 due to a change in the Group's accounting policy. See "Presentation of Financial and Other Information - Accounting Policy Changes" in the Base Prospectus.

## II. Investment Securities Portfolio

The Group's securities portfolio comprises trading securities portfolio (*i.e.*, debt and equity securities that the Group principally holds for the purpose of short-term profit taking, which are reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities portfolio (*i.e.*, held-to-maturity securities and available-for-sale securities). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. Dollars and euro.

As of December 31, 2016, the size of the Group's total securities portfolio increased by 13.4% to TL 59,622 million from TL 52,558 million as of December 31, 2015, which in turn increased by 8.9% from TL 48,248 million as of December 31, 2014. In 2014, the Bank continued to change the composition of the asset side of the balance sheet in favor of the loan portfolio in order to meet the increasing demand for loans arising from the continued growth in GDP. In 2015 and 2016, the Bank's asset structure maintained a similar composition.

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 19,914 million as of December 31, 2016, TL 24,682 million as of December 31, 2015 and TL 21,452 million as of December 31, 2014, comprising 33.4%, 47.0% and 44.5%, respectively, of the Group's total securities portfolio on such dates. Such securities are included in the tables in this section.

### A. Book Value of Investments

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

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands)</i>		
Investment securities portfolio.....	47,068,989	51,506,759	58,528,130
<i>Available-for-sale portfolio</i> .....	45,677,129	47,009,342	51,770,372
<i>Held-to-maturity portfolio</i> .....	1,391,860	4,497,417	6,757,758
Trading securities portfolio.....	1,179,099	1,051,450	1,093,978
<b>Total securities portfolio</b> .....	<b>48,248,088</b>	<b>52,558,209</b>	<b>59,622,108</b>

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

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands)</i>		
Turkish Lira-denominated securities .....	39,938,683	40,915,762	45,604,780
Foreign currency-denominated and indexed securities..	8,309,405	11,642,447	14,017,328
<b>Total securities</b> .....	<b>48,248,088</b>	<b>52,558,209</b>	<b>59,622,108</b>

The following table sets out the Group's total securities portfolio by type of investment as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands)</i>		
Turkish government debt securities <sup>(1)</sup> .....	45,676,050	49,483,163	56,172,673
Other marketable debt securities.....	2,401,630	2,646,398	3,132,735
Equity shares.....	170,408	428,648	316,700
<b>Total securities</b> .....	<b>48,248,088</b>	<b>52,558,209</b>	<b>59,622,108</b>

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

#### *Investment Securities Portfolio*

As noted above, the investment securities portfolio comprises held-to-maturity securities and available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof, though such can be re-classified if the intention of management later changes.

As of December 31, 2016, the size of the Group's investment securities portfolio increased by 13.6% to TL 58.5 billion from TL 51.5 billion as of December 31, 2015, which itself was an increase of 9.4% from TL 47.1 billion as of December 31, 2014. In 2016, the loan growth was 16.1% compared to 15.1% in 2015 whereas the total securities portfolio increased by 13.4% compared to 8.9% in 2015. As of December 31, 2016, the loan portfolio represented 65.1% of the Bank's total assets, compared to 64.2% and 65.3%, respectively, as of December 31, 2015 and 2014 (59.9%, 59.3% and 60.5%, respectively, for the Group). As of December 31, 2016, the Group's investment securities portfolio represented 15.7% of the Group's total assets, compared to 15.8% and 17.0%, respectively, as of December 31, 2015 and 2014.

*Available-for-Sale Portfolio.* The Group's portfolio of available-for-sale securities consists of Turkish government bonds and treasury bills, Turkish private sector bonds and eurobonds, foreign eurobonds and equity shares. The following table sets out certain information relating to the Group's portfolio of available for-sale securities as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities <sup>(1)</sup> ..	43,878,530	96.06%	44,771,775	95.24%	49,217,464	95.07%
Other marketable securities <sup>(2)</sup> .....	1,698,034	3.72%	1,888,407	4.02%	2,377,604	4.59%
Equity shares.....	100,565	0.22%	349,160	0.74%	175,304	0.34%
<b>Total available-for-sale portfolio .....</b>	<b>45,677,129</b>	<b>100.00%</b>	<b>47,009,342</b>	<b>100.00%</b>	<b>51,770,372</b>	<b>100.00%</b>

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

(2) Includes private sector debt securities and mutual funds.

As of December 31, 2016, the size of the Group's available-for-sale securities portfolio increased by 10.1% to TL 51,770,372 thousand from TL 47,009,342 thousand as of December 31, 2015, itself an increase of 2.9% from TL 45,677,129 thousand as of December 31, 2014.

The average interest rates on the Group's available-for-sale securities portfolio as of December 31, 2016 were: (a) for Turkish Lira-denominated securities, 9.15% (9.20% and 8.90%, respectively, as of December 31, 2015 and 2014), (b) for U.S. Dollar-denominated securities, 4.41% (4.33% and 4.74%, respectively, as of December 31, 2015 and 2014), and (c) for euro-denominated securities, 3.56% (4.08% and 4.64%, respectively, as of December 31, 2015 and 2014).

*Held-to-Maturity Portfolio.* The Group's portfolio of held-to-maturity securities consists principally of Turkish Lira-denominated Turkish government bonds and treasury bills, foreign private sector bonds and corporate eurobonds. The following table sets out certain information relating to the Group's portfolio of held-to-maturity securities as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities <sup>(1)</sup> .....	1,307,192	93.92%	4,310,652	95.85%	6,448,990	95.43%
Other marketable debt securities .....	84,668	6.08%	186,765	4.15%	308,768	4.57%
<b>Total held-to-maturity portfolio .....</b>	<b>1,391,860</b>	<b>100.00%</b>	<b>4,497,417</b>	<b>100.00%</b>	<b>6,757,758</b>	<b>100.00%</b>

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

As of December 31, 2016, the size of the Group's held-to-maturity securities portfolio increased by 50.3% to TL 6,757,758 thousand from TL 4,497,417 thousand as of December 31, 2015, itself an increase of 223.1% from TL 1,391,860 thousand as of December 31, 2014. The increase in the held-to-maturity portfolio in 2016 primarily resulted from the reclassification of government bonds that were classified under the available-for-sale investments portfolio.

The average interest rates on the Group's held-to-maturity securities portfolio as of December 31, 2016 were: (a) for Turkish Lira-denominated securities, 9.30% (9.54% and 10.31%, respectively, as of December 31, 2015 and 2014), (b) for U.S. Dollar-denominated securities, 4.43% (5.32% and 0.70%, respectively, as of December 31, 2015 and 2014), and (c) for euro-denominated securities, 1.28% (1.74% and 2.13%, respectively, as of December 31, 2015 and 2014).

#### *Trading Securities Portfolio*

As noted above, trading securities are debt and equity securities that the Group principally holds for the purpose of short-term profit taking. The Group's trading securities portfolio principally comprises Turkish government debt, investment participation bills and equity. The Bank acts as a primary dealer for Turkish government debt securities.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. Changes in the estimated fair value are included in the Group's BRSA Financial Statements of income included elsewhere in this Prospectus within gains less losses from securities. In determining estimated fair value, trading securities are valued at the last trade price (if quoted on an exchange

(e.g., Borsa İstanbul)). When market prices are not available, fair value is determined by the internal rate of return method.

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

	2014		2015		2016	
	<i>(TL thousands, except percentages)</i>					
Turkish government debt securities <sup>(1)</sup> ...	490,328	41.58%	400,736	38.11%	506,219	46.27%
Other marketable debt securities.....	618,928	52.49%	571,226	54.33%	446,363	40.80%
Equity shares.....	69,843	5.92%	79,488	7.56%	141,396	12.93%
<b>Trading securities portfolio.....</b>	<b>1,179,099</b>	<b>100.00%</b>	<b>1,051,450</b>	<b>100.00%</b>	<b>1,093,978</b>	<b>100.00%</b>

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

As of December 31, 2016, the size of the Group's trading portfolio increased by 4.0% to TL 1,093,978 thousand from TL 1,051,450 thousand as of December 31, 2015, itself a decrease of 10.8% from TL 1,179,099 thousand as of December 31, 2014. The change in the trading portfolio is attributable to the actions taken by the Group to benefit from price or rate changes and to meet demand from clients.

The average interest rates on the Group's trading portfolio as of December 31, 2016 were: (a) for Turkish Lira-denominated securities, 10.64% (11.45% and 8.12%, respectively, as of December 31, 2015 and 2014), (b) for U.S. Dollar-denominated securities, 5.90% (5.36% and 4.66%, respectively, as of December 31, 2015 and 2014), and (c) for euro-denominated securities, 1.78% (1.67% and 1.93%, respectively, as of December 31, 2015 and 2014).

#### B. Maturities of Investments

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

	As of December 31, 2016				
	1 year or less	After 1 year through 5 years	After 5 years through 10 years <i>(TL thousands)</i>	After 10 years	Total
Available-for-sale securities.....	6,329,488	22,435,499	18,734,122	3,684,977	51,184,086
Held-to-maturity securities.....	1,369,062	3,797,724	1,404,233	186,739	6,757,758
Trading securities portfolio.....	395,726	282,419	17,860	39,177	735,181
<b>Total.....</b>	<b>8,094,276</b>	<b>26,515,642</b>	<b>20,156,215</b>	<b>3,910,893</b>	<b>58,677,025</b>

#### C. Investment Concentrations

As of December 31, 2016, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of December 31, 2016, the Group's TL 56,173 million of Turkish government securities represented 134.6% of the Group's shareholders' equity.

#### D. Investments in Subsidiaries and Associates

For a description of the members of the Group that have been included in the BRSA Financial Statements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies – Consolidation of Subsidiaries and Associates." Further information on the Bank's subsidiaries and associates is included in "Business of the Group – Subsidiaries and Affiliates" in the Base Prospectus.

Under the line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Bank on a line-by-line basis. The book

value of the Bank's investment in each of the subsidiaries and the Group's portion of equity of each subsidiary are eliminated. All significant transactions and balances between the Bank and its consolidated subsidiaries are eliminated reciprocally. Non-controlling interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's shareholders' equity. Non-controlling interests are presented separately in the balance sheet and in the income statement.

Arap Türk Bankası A.Ş. is the only associate that was, during 2014, 2015 and 2016, consolidated using the equity method. The equity method is an evaluation method for associates, by which the book value of the Bank's share in the associate's equity is increased or decreased by the proportional share of the Bank in the change in the associate company's equity and the dividends received by the Bank are deducted.

### III. Loan Portfolio

Loans and advances to customers represent the largest component of the Group's assets. As of December 31, 2016, the Group's total cash loans net of allowance for possible losses equaled TL 225,296 million, or 60.3% of total assets (when including non-cash loans, TL 65,948 million, representing 77.9% of total assets). In addition to loans, the Group had outstanding as of December 31, 2016 guarantees amounting to TL 48,979 million, acceptances amounting to TL 2,580 million and letters of credit amounting to TL 12,983 million. As discussed below, there are several important characteristics of the Group's loan portfolio, including diversification based upon sector, type of borrower, maturity, currency and geography.

As of December 31, 2016, the Group's net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 225.3 billion, which represented 60.3% of the Group's total assets, compared to TL 193.9 billion (59.6% of the Group's total assets) as of December 31, 2015 (TL 168.3 billion as of December 31, 2014). The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 16.2% as of December 31, 2016, compared to year-end 2015 after having increased by 15.2% in 2015. The increases in 2015 and 2016 were driven mainly by the growth in Turkish Lira-denominated loans – foreign currency-denominated loans grew by 19.0% and 27.9% in 2015 and 2016, respectively, whereas Turkish Lira-denominated loans grew by 12.8% and 8.3% in 2015 and 2016, respectively. When the impact of the depreciation in foreign exchange is excluded, the foreign currency-denominated loans decreased by 0.4% in 2015 and grew by 5.8% in 2016.

As of December 31, 2016, the average effective interest rates charged to borrowers were 5.60% for U.S. Dollars, 4.15% for euro and 13.78% for Turkish Lira (5.00%, 4.23% and 13.33% and 4.57%, 4.80% and 12.28% as of December 31, 2015 and 2014, respectively).

#### A. Types of Loans

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

*Types of Borrowers.* The following table sets forth the Group's cash loans, including accrued interest, by type of loan and the percentage contribution to the total loan portfolio, as of the dates indicated.

	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Public Sector Loans.....	1,884,217	1.12%	1,823,235	0.94%	1,962,199	0.87%
Private Sector Loans.....	166,443,871	98.88%	192,114,592	99.06%	223,333,463	99.13%
<b>Total Loans.....</b>	<b>168,328,088</b>	<b>100.00%</b>	<b>193,937,827</b>	<b>100.00%</b>	<b>225,295,662</b>	<b>100.00%</b>

Loans to the public sector comprise mainly project finance loans representing long-term loans extended in relation to infrastructure construction under the management and guarantee of the Undersecretariat of the Treasury of the Republic of Turkey. The Group is within the limits imposed by Turkish banking regulations with respect to its exposure to any one borrower or group of borrowers, including to Group companies. According to the Banking Law, the single exposure limit is set at 20% of a bank's own funds in the case of a related party group and 25% of a bank's own funds in the case of a non-related party group.

As of December 31, 2016, the Bank's loan portfolio comprised 53.3% corporate (as defined by the Corporate Definition), 21.8% SME (as defined by the BRSA SME Definition), 19.6% consumer and 5.3% retail credit card loans.

*Geographic Region of Loans.* For 2014, 2015 and 2016, the share of domestic Turkish loans was 98.0%, 98.0% and 97.0%, respectively, of the Group's total loans. Of the loans made to borrowers outside Turkey, there was no material concentration in any one country over these periods. The following table shows the geographic distribution of the Group's loan portfolio (by location of the branch/subsidiary) as of the dates indicated:

	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
Aegean Region.....	17,207,030	10.26%	20,506,824	10.63%	23,525,406	10.50%
Black Sea Region.....	6,499,975	3.88%	7,094,855	3.68%	7,381,399	3.29%
Central Anatolia Region.....	34,184,303	20.39%	40,751,796	21.12%	46,544,766	20.78%
Eastern Anatolia Region.....	3,155,399	1.88%	3,535,767	1.83%	3,589,575	1.60%
Marmara Region.....	76,580,506	45.69%	88,507,079	45.88%	107,134,595	47.82%
Mediterranean Region.....	14,225,324	8.49%	15,795,464	8.19%	16,770,646	7.49%
Southeastern Anatolia Region.....	7,732,038	4.61%	8,872,685	4.60%	9,752,883	4.35%
International.....	8,048,717	4.80%	7,844,989	4.07%	9,337,013	4.17%
<b>Total Performing Loans.....</b>	<b>167,633,292</b>	<b>100.00%</b>	<b>192,909,459</b>	<b>100.00%</b>	<b>224,036,283</b>	<b>100.00%</b>
Non-Performing Loans.....	2,699,501		3,920,231		5,273,481	
<b>Total Loans.....</b>	<b>170,332,793</b>		<b>196,829,690</b>		<b>229,309,764</b>	
Allowance for Loan Losses.....	2,004,705		2,891,863		4,014,102	
<b>Total Net Loans.....</b>	<b>168,328,088</b>		<b>193,937,827</b>		<b>225,295,662</b>	

*Currency of Loans.* As of December 31, 2016, foreign currency risk-bearing loans comprised 47.4% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 43.1% as of December 31, 2015 and 42.0% as of December 31, 2014.

The following table sets out an analysis by currency of the exposure of the Group's loan portfolio (including interest and other accruals) as of the dates indicated:

	As of December 31					
	2014	2015		2016		
	<i>(TL thousands, except percentages)</i>					
<b>Cash Loans</b>						
Turkish Lira.....	103,048,356	48.38%	116,229,454	47.09%	125,891,447	43.23%
Foreign Currency.....	65,279,732	30.65%	77,708,373	31.48%	99,404,215	34.13%
U.S. Dollars.....	44,390,756	20.84%	50,948,185	20.64%	61,858,039	21.24%
Euro.....	18,927,164	8.89%	24,536,535	9.94%	35,256,007	12.11%
Other.....	1,961,812	0.92%	2,223,653	0.90%	2,290,169	0.79%
<b>Total Cash Loans.....</b>	<b>168,328,088</b>	<b>79.03%</b>	<b>193,937,827</b>	<b>78.57%</b>	<b>225,295,662</b>	<b>77.36%</b>
<b>Non-cash Loans</b>						
Letters of Guarantee.....	34,649,566	16.27%	39,841,608	16.14%	48,978,718	16.82%
Turkish Lira.....	18,080,951	8.49%	20,561,735	8.33%	22,237,636	7.64%
Foreign Currency.....	16,568,615	7.78%	19,279,873	7.81%	26,741,082	9.18%
Acceptance Credits.....	1,229,731	0.58%	955,580	0.39%	2,579,744	0.89%
Turkish Lira.....	9,813	0.00%	4,821	0.00%	-	0.00%
Foreign Currency.....	1,219,918	0.57%	950,759	0.39%	2,579,744	0.89%
Letters of Credit.....	7,763,406	3.64%	10,906,494	4.42%	12,983,418	4.46%
Turkish Lira.....	-	0.00%	5,655	0.00%	10,351	0.00%
Foreign Currency.....	7,763,406	3.64%	10,900,839	4.42%	12,973,067	4.45%
Other Guarantee.....	1,020,610	0.48%	1,208,583	0.49%	1,405,754	0.48%
Turkish Lira.....	236,717	0.11%	277,342	0.11%	324,324	0.11%
Foreign Currency.....	783,893	0.37%	931,241	0.38%	1,081,430	0.37%
<b>Total Non-cash Loans.....</b>	<b>44,663,313</b>	<b>20.97%</b>	<b>52,912,265</b>	<b>21.43%</b>	<b>65,947,634</b>	<b>22.64%</b>
<b>Total Loans.....</b>	<b>212,991,401</b>	<b>100.00%</b>	<b>246,850,092</b>	<b>100.00%</b>	<b>291,243,296</b>	<b>100.00%</b>

In 2016, the U.S. Dollar exchange rate continued to increase and the foreign currency risk-bearing loans of the Group increased their share in the Group's total loans. The growth rate of total cash and non-cash loans in 2016 was 18.0% (the retail loans growth rate was 8.1% and the commercial & corporate loans growth rate was 18.7%), which was 16% in 2015.

#### B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The Group provides financing for various purposes, although the majority of loans are retail loans and loans for working capital purposes. On a Bank-only basis, the average maturity for Turkish Lira-denominated retail loans was 51.8 months as of December 31, 2016; however, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of December 31, 2016, the Group's loans with remaining maturities over one year but through five years and over five years composed 39.3% and 12.1%, respectively, of the Group's total loans and advances to customers.

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

	After 1 year through 5 years				Fixed Rate Loans %	Floating Rate Loans %
	1 year or less	After 1 year through 5 years	After 5 years	Total		
<i>Cash Loans</i> <sup>(1)</sup>	<i>(TL thousands)</i>					
December 31, 2014.....	84,903,279	67,411,170	17,446,848	169,761,297	58.65%	41.35%
December 31, 2015.....	95,592,680	77,165,796	23,130,629	195,889,105	57.18%	42.82%
December 31, 2016.....	110,783,694	89,827,822	27,669,703	228,281,219	57.51%	42.49%

(1) Includes factoring receivables.

	<u>1 year or less</u>	<u>After 1 year</u>	<u>Total</u>
<i>Guarantees</i> <sup>(1)</sup>		(TL thousands)	
December 31, 2014 .....	37,915,598	6,747,715	44,663,313
December 31, 2015 .....	43,654,793	9,257,472	52,912,265
December 31, 2016 .....	56,383,079	9,564,555	65,947,634

(1) Includes acceptance credits, letters of credit and export commitments.

In line with its lending strategy, typically the Group does not lend frequently on terms with a maturity in excess of one year except for mortgages and project financings. Although the Group's loans have a relatively short maturity, many are rolled over at the end of their maturity.

### C. Risk Elements

If the collectability of any loan or receivable is identified as limited or doubtful by the Group's management, then the Group provides general and specific provisions in accordance with the applicable law (see "Turkish Regulatory Environment – Loan Loss Reserves" in the Base Prospectus).

The Bank allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations (see "Turkish Regulatory Environment – Loan Loss Reserves" in the Base Prospectus). As of December 31, 2016, 13.67%, 23.64% and 62.69% of the Bank's non-performing loan portfolio was categorized in Groups III, IV and V, respectively. The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

Non-performing loans amounted to 2.30% of the sum of loans and receivables (performing) and non-performing loans (*i.e.*, the NPL ratio) of the Group as of December 31, 2016 (1.99% as of December 31, 2015).

#### 1. Nonaccrual, Past Due and Restructured Loans

The following table sets out the composition of the Group's total non-performing loans, past due but not impaired loans and loans with revised contract terms as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
		(TL thousands)	
Non-performing .....	2,699,501	3,920,231	5,273,481
Past due but not impaired.....	1,074,791	1,473,453	2,077,198
Loans with revised contract terms .....	5,370,967	5,681,249	7,707,668
<b>Total</b> .....	<b>9,145,259</b>	<b>11,074,933</b>	<b>15,058,347</b>

A loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date. A loan is categorized as past due but not impaired when interest, fees or principal remain unpaid 31 to 90 days after the due date. A non-performing loan can be restructured (*i.e.*, "loans with revised contract terms") and transferred to the "Renewed and Restructured Loans Account" when it meets the following conditions: (a) 15% of the total receivable amount has been repaid, (b) it has been monitored in the non-performing loans account for at least 6 months and (c) interest, fees and principal are paid on a regular and timely basis. If the borrower fails to comply with the terms of the restructuring agreement, then the loan can be restructured one additional time on condition that at least 20% of the remaining principal is collected every year.

On December 14, 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of

loans and other receivables and to the delay periods within the state of emergency. The Provisional Article 12 states that (among other things) the loans and other receivables classified as non-performing loans by the banks may be restructured up to two times until December 31, 2017. Such restructured loans may be classified under Group II if: (a) in case of the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made timely and in full, and (b) in case of the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made timely and in full. Loans and other receivables classified under Group II after the restructuring are monitored under “Renewed/Restructured Loans Account.” Information regarding renewed/restructured loans and other receivables shall be disclosed in the financial reports that are made publicly available at the end of each year and in the interim periods.

The amount of NPLs restructured and transferred to the “Renewed and Restructured Loans Account” as of December 31, 2016, 2015 and 2014 totaled TL 29.9 million, TL 34.0 million and TL 44.9 million, respectively.

## *2. Potential Problem Loans*

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

## *3. Loan Concentrations*

As of December 31, 2016, the Group’s loan portfolio did not contain any concentration of credits that exceeded 10% of its total loans that are not otherwise already disclosed as a category of loans pursuant to “*Types of Loans*” above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of December 31, 2016, the gross cash loans to the Bank’s ten largest group customers represented approximately 12.3% of its gross loan portfolio, compared to 10.6% as of December 31, 2015 and 11.9% as of December 31, 2014.

## *D. Other Interest-Earning Assets*

As of December 31, 2016, the Group’s other interest-earning assets did not include any non-loan assets that would be included in III.C.1. (“*Nonaccrual, Past Due and Restructured Loans*”) or III.C.2. (“*Potential Problem Loans*”) above if such assets were loans.

## **IV. Summary of Loan Loss Experience**

The Bank’s credit monitoring department provides monthly reports to the Bank’s board of directors detailing all aspects of its credit activity, including the number of new problem loans, the status of existing non-performing loans and collections. The Bank’s senior management pays close attention to the timeliness of debt repayments and the classified loans and contingent liabilities. Prompt action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued interest repayment problems arise. Any overall deterioration in the quality of the Group’s loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank’s board of directors.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower’s turnover in accounts held by the Group,

changes to the borrower’s economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information.

The Group classifies its loan portfolio in accordance with current Turkish banking regulations in its BRSA Financial Statements. See “*Turkish Regulatory Environment*” in the Base Prospectus. In accordance with the applicable regulations, the Group makes specific allowances for possible loan losses. Minimum ratios of special provisions for loans with limited recovery, suspicious recovery and that are considered as loss are 20%, 50% and 100%, respectively. Collateral can also be taken into consideration in the calculation of special provisions. As noted above, a loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date.

The Group generally does not write-off non-performing loans, regardless of the amount of time they have been outstanding (write-offs typically occur when an unrecoverable loss is identified). When a loan is placed on non-performing status, interest income ceases to accrue. A non-performing loan might 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 collateralized by cash or marketable securities and actions have commenced to foreclose on the collateral; *however*, more typically the Group seeks to collect on non-performing loans and close its commitments.

Turkish regulations require Turkish banks to provide a certain amount of loan loss reserves (see “*Turkish Regulatory Environment - Loan Loss Reserves*” in the Base Prospectus).

The Group’s non-performing loans amounted to TL 2,699,501 thousand, TL 3,920,231 thousand and TL 5,273,481 thousand as of December 31, 2014, 2015 and 2016, respectively. The Group’s NPL ratio and ratio of non-performing loans to total cash and non-cash loans were 1.6% and 1.3%, 2.0% and 1.6% and 2.3% and 1.8%, respectively, as of December 31, 2014, 2015 and 2016. The Group sold TL 272,517 thousand, TL 189,224 thousand and TL 403,338 thousand of non-performing loans for TL 44,017 thousand, TL 29,091 thousand and TL 34,482 thousand in 2014, 2015 and 2016, respectively.

#### *NPL Loan Portfolio by Loan Type*

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>(TL thousands)</i>	
Corporate <sup>(1)</sup> /SME <sup>(2)</sup> .....	1,412	2,170	3,332
Consumer .....	514	722	872
Credit Card.....	421	618	625
Overdraft <sup>(3)</sup> .....	19	31	39
Other/Miscellaneous Receivables.....	55	63	76
<b>Total</b> .....	<b>2,421</b>	<b>3,604</b>	<b>4,944</b>

(1) As defined by the Corporate Definition.

(2) As defined by the BRSA SME Definition.

(3) Retail portion only.

#### *Analysis of the Allowance for Loan Losses*

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
		<i>(TL thousands)</i>	
<b>Balances at beginning of year</b> .....	<b>1,929,981</b>	<b>2,004,705</b>	<b>2,891,863</b>
Additions.....	977,444	1,474,489	2,056,969
Collections .....	529,583	404,969	526,320
Write-offs.....	373,137	182,362	408,410
<b>Balances at end of year</b> .....	<b>2,004,705</b>	<b>2,891,863</b>	<b>4,014,102</b>

The following table sets out certain information relating to the Group's provisions for losses on cash and non-cash credit exposure, which form a majority of the general loan loss provisions, as of the dates indicated:

	<u>As of December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
		<i>(TL thousands)</i>	
Cash .....	2,242,008	2,729,233	2,930,661
Non-cash commitments and contingencies.....	153,972	168,605	213,336
<b>Total</b> .....	<b>2,395,980</b>	<b>2,897,838</b>	<b>3,143,997</b>

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

	<u>As of December 31,</u>								
	<u>2014</u>			<u>2015</u>			<u>2016</u>		
	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>	<u>NPLs</u>	<u>Total Provision</u>	<u>% Reserved</u>
	<i>(TL thousands, except percentages)</i>								
Risk Category									
Doubtful.....	384,519	78,619	20.45%	569,563	116,801	20.51%	712,358	144,220	20.25%
Substantial.....	533,476	269,293	50.48%	924,153	465,980	50.42%	1,187,005	603,320	50.83%
Loss.....	1,781,506	1,656,793	93.00%	2,426,515	2,309,082	95.16%	3,374,118	3,266,562	96.81%
<b>Total loans classified</b> .....	<b>2,699,501</b>	<b>2,004,705</b>	<b>74.26%</b>	<b>3,920,231</b>	<b>2,891,863</b>	<b>73.77%</b>	<b>5,273,481</b>	<b>4,014,102</b>	<b>76.12%</b>
Gross loans.....	170,332,793			196,829,690			229,309,764		
Cash loans, net ....	168,328,088			193,937,827			225,295,662		

## V. Deposits

Historically, customer deposits have been the Bank's principal source of funding, which has provided the Group with a competitive advantage in cost of funds and has contributed to the liquidity in the Group's balance sheet. The Bank's ability to obtain customer deposits is supported by its extensive branch network. With expansion of its deposit base and growth of the share of its demand deposits among the Bank's top priorities, Turkish Lira deposits from individuals constituted 70.4% of the Bank's total Turkish Lira deposits as of December 31, 2016. Other sources of funding include (*inter alia*) deposits from banks, obligations under repurchase agreements and, to a lesser extent, overnight bank deposits.

The Bank's deposits increased by 15.3% in 2016 and amounted to TL 177.3 billion as of December 31, 2016.

As of December 31, 2016, the Group's customers in Turkey held more deposits with the Bank in foreign currency than in Turkish Lira, with 51.3% of the Group's total deposits being foreign currency deposits (30.0% denominated in U.S. Dollars (58.4% of total foreign currency deposits) and 16.8% denominated in euro (32.7% of total foreign currency deposits)). In 2014, following the Central Bank's significant rate increase on January 28, 2014, the Turkish Lira followed a relatively less volatile course than in 2013. As of December 31, 2014, the Turkish Lira had appreciated by 1.02% in nominal terms compared to its level recorded on January 28, 2014. As of December 31, 2015, the

Turkish Lira depreciated against the U.S. Dollar by 25.4% in nominal terms compared to the end of 2014 and, as of December 31, 2016, the Turkish Lira depreciated against the U.S. Dollar by a further 21.5% in nominal terms compared to the end of 2015. When the impact of the appreciation/depreciation in foreign exchange is excluded, the increase in foreign currency deposits was 6.4%, 11.2% in 2014 and 2015, respectively and the decrease was 8.0% in 2016.

The following table sets out the Group's deposits and other sources of funding as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	<i>(TL thousands, except percentages)</i>					
Turkish Lira deposits.....	72,045,192	33.9%	71,476,389	28.3%	87,276,252	30.11%
Foreign currency deposits.....	62,456,034	29.3%	82,724,901	32.8%	91,883,186	31.70%
Money market funds.....	22,304,769	10.5%	24,624,433	9.8%	24,974,003	8.61%
Funds borrowed, marketable securities issued and subordinated debt .....	56,041,948	26.3%	73,741,061	29.2%	85,756,776	29.58%
<b>Total .....</b>	<b>212,847,943</b>	<b>100.0%</b>	<b>252,566,784</b>	<b>100.0%</b>	<b>289,890,217</b>	<b>100.0%</b>

For further information on the Group's sources of funding, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding."

The Group's deposits consist of demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the Group. The Group's deposits from customers mainly comprise foreign currency deposits, savings, commercial deposits and obligations under repurchase agreements.

As of December 31, 2016, the Group's total deposits were TL 179,1 billion, as compared to TL 154.2 billion as of December 31, 2015 and TL 134.5 billion as of December 31, 2014. The following table sets out a breakdown of the Group's deposits from customers and financial institutions, and funds deposited under repurchase agreements, by composition as of the dates indicated:

	As of December 31					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	<i>(TL thousands, except percentages)</i>					
<b>Savings deposit in Turkish Lira .....</b>	<b>50,042,260</b>	<b>32.39%</b>	<b>52,568,820</b>	<b>29.69%</b>	<b>62,453,162</b>	<b>31.66%</b>
Demand.....	8,543,512		9,988,532		12,432,724	
Time.....	41,498,748		42,580,288		50,020,438	
<b>Foreign currency deposits<sup>(1)</sup>.....</b>	<b>58,665,888</b>	<b>37.96%</b>	<b>75,971,639</b>	<b>42.91%</b>	<b>85,670,452</b>	<b>43.45%</b>
Demand.....	13,662,403		17,413,605		20,856,935	
Time.....	45,003,485		58,558,034		64,813,517	
<b>Funds deposited under repurchase agreements .....</b>	<b>20,013,406</b>	<b>12.95%</b>	<b>22,835,540</b>	<b>12.90%</b>	<b>18,013,300</b>	<b>9.14%</b>
<b>Commercial deposits .....</b>	<b>13,641,503</b>	<b>8.83%</b>	<b>14,081,267</b>	<b>7.95%</b>	<b>20,439,804</b>	<b>10.37%</b>
Demand.....	6,385,381		6,280,106		7,958,931	
Time.....	7,256,122		7,801,161		12,480,873	
<b>Bank deposits.....</b>	<b>6,689,292</b>	<b>4.33%</b>	<b>7,922,036</b>	<b>4.47%</b>	<b>7,050,867</b>	<b>3.58%</b>
Demand.....	653,743		763,508		2,730,701	
Time.....	6,035,549		7,158,528		4,320,166	
<b>Other .....</b>	<b>5,462,283</b>	<b>3.54%</b>	<b>3,657,528</b>	<b>2.07%</b>	<b>3,545,153</b>	<b>1.80%</b>
Demand.....	856,820		793,597		622,320	
Time.....	4,605,463		2,863,931		2,922,833	
<b>Total .....</b>	<b>154,514,632</b>	<b>100.00%</b>	<b>177,036,830</b>	<b>100.00%</b>	<b>197,172,738</b>	<b>100.00%</b>

(1) Excluding bank deposits.

As of December 31, 2016, the average interest rates of the Group applied to customer deposits were 1.73% for U.S. Dollars, 0.75% for euro and 7.48% for Turkish Lira.

The following table sets out a breakdown of the Group's demand and time deposits from customers and funds deposited under repurchase agreements as of the dates indicated:

	<b>As of December 31</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
		<i>(TL thousands)</i>	
Demand deposits .....	30,101,859	35,239,348	44,601,611
Time deposits and funds deposited under repurchase agreements .....	124,412,773	141,797,482	152,571,127
<b>Total</b> .....	<b>154,514,632</b>	<b>177,036,830</b>	<b>197,172,738</b>

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

	<b>Up to 3 months<sup>(1)</sup></b>	<b>3 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
		<i>(TL thousands)</i>		
December 31, 2014 .....	120,439,539	8,079,054	5,982,633	134,501,226
December 31, 2015 .....	130,732,971	12,677,767	10,790,552	154,201,290
December 31, 2016 .....	154,371,005	12,022,298	12,766,135	179,159,438

(1) Includes demand deposits.

## VI. Return on Equity and Assets

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<i>(TL thousands, except percentages)</i>		
Net income.....	4,020,417	3,739,671	5,682,858
Average total assets <sup>(1)</sup> .....	259,346,186	301,286,102	343,630,429
Average shareholders' equity <sup>(1)</sup> .....	25,840,079	30,520,662	34,562,674
Average shareholders' equity as a percentage of average total assets <sup>(1)</sup> .....	9.96%	10.13%	10.06%
Return on average total assets <sup>(1)</sup> .....	1.55%	1.24%	1.65%
Return on average shareholders' equity <sup>(1)</sup> .....	13.64%	10.91%	14.46%

(1) The figures for 2014 and 2015 are not comparable with 2016 as the figures are calculated on quarterly averages for 2016 and on annual averages for each of 2014 and 2015 due to a change in the Group's accounting policy. See "Presentation of Financial and Other Information - Accounting Policy Changes" in the Base Prospectus.

## VII. Short-Term Borrowings

For information on the tenor of the Group's outstanding debt, see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Funding."

## 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 issue-specific terms set out below in this section. References in the Base Conditions to Final Terms shall be deemed to refer to the issue-specific terms of the Notes substantially in the form set out below.

21 April 2017

### TÜRKİYE İŞ BANKASI A.Ş.

**Issue of US\$750,000,000 6.125% Notes due 2024 (the “Notes”)  
under the US\$7,000,000,000  
Global Medium Term Note Program**

#### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “Conditions”) set forth in the Base Prospectus dated 16 June 2016 (as supplemented on 29 July 2016, 30 August 2016, 14 October 2016, 25 November 2016 and 21 February 2017) and the Prospectus dated 21 April 2017, which together in the manner described in such Prospectus constitute a prospectus (the “Prospectus”) for the purposes of the Prospectus Directive. This document constitutes the issue-specific 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 issue-specific terms and the Prospectus. The Prospectus has been published on the Issuer’s website (<http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/Pages/prospectuses-and-offering-circulars.aspx>).

- |    |  |  |
|----|--|--|
| 1. | Issuer:  | Türkiye İş Bankası A.Ş.  |
| 2. | (a) Series Number:   | 2017-3   |
|    | (b) Tranche Number:  | 1  |
|    | (c) Date on which the Notes will be consolidated and form a single Series: | Not Applicable   |
| 3. | Specified Currency:  | U.S. Dollars or US\$   |
| 4. | Aggregate Nominal Amount:  |  |
|    | (a) Series:  | US\$750,000,000  |
|    | (b) Tranche:   | US\$750,000,000  |
| 5. | Issue Price:   | 100.00 <i>per cent.</i> of the Aggregate Nominal Amount of the Tranche |
| 6. | (a) Specified Denomination(s):   | US\$200,000 and integral multiples of US\$1,000 in excess thereof      |
|    | (b) Calculation Amount:  | US\$1,000  |

- |     |     |   |   |
|-----|-----|---|---|
| 7.  | (a) | Issue Date:   | 25 April 2017   |
|     | (b) | Interest Commencement Date:                         | Issue Date  |
| 8.  |     | Maturity Date:                                      | 25 April 2024   |
| 9.  |     | Interest Basis:                                     | 6.125 <i>per cent.</i> Fixed Rate<br><br>( <i>see paragraph 14 below</i> )  |
| 10. |     | Redemption Basis:                                   | Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 <i>per cent.</i> of their nominal amount |
| 11. |     | Change of Interest Basis:                           | Not Applicable  |
| 12. |     | Put/Call Options:                                   | Not Applicable  |
| 13. | (a) | Status of the Notes:                                | Senior  |
|     | (b) | Date Board approval for issuance of Notes obtained: | Not Applicable  |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |     |                                |  |
|-----|-----|--------------------------------|--|
| 14. |     | Fixed Rate Note Provisions:    | Applicable   |
|     | (a) | Rate(s) of Interest:           | 6.125 <i>per cent. per annum</i> payable in arrear on each Interest Payment Date |
|     | (b) | Interest Payment Date(s):      | 25 April and 25 October in each year up to and including the Maturity Date       |
|     | (c) | Fixed Coupon Amount(s):        | Not Applicable   |
|     | (d) | Broken Amount(s):              | Not Applicable   |
|     | (e) | Day Count Fraction:            | 30/360   |
|     | (f) | Determination Date(s):         | Not Applicable   |
|     | (g) | Modified Fixed Rate Notes:     | Not Applicable   |
| 15. |     | Floating Rate Note Provisions: | Not Applicable   |
| 16. |     | Zero Coupon Note Provisions:   | Not Applicable   |

**PROVISIONS RELATING TO REDEMPTION**

- |     |  |                                   |  |
|-----|--|-----------------------------------|--|
| 17. |  | Notice periods for Condition 8.2: | Minimum period: 30 days<br><br>Maximum period: 60 days |
| 18. |  | Issuer Call:                      | Not Applicable   |

- |     |  |                                  |
|-----|--|----------------------------------|
| 19. | Investor Put:  | Not Applicable                   |
| 20. | Final Redemption Amount:   | US\$1,000 per Calculation Amount |
| 21. | Early Redemption Amount payable on redemption for taxation reasons or on event of default: | US\$1,000 per Calculation Amount |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |   |   |
|-----|---|---|
| 22. | Form of Notes:  |   |
|     | (a) Form:   | Registered Notes:<br><br>Regulation S Global Note registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event<br><br>Rule 144A Global Note(s) registered in the name of a nominee for DTC exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event |
|     | (b) New Global Note:  | No  |
| 23. | Specified Financial Centre(s):                                | Not Applicable  |
| 24. | Talons for future Coupons to be attached to Definitive Notes: | No  |

Signed on behalf of **TÜRKİYE İŞ BANKASI A.Ş.**

By:.....

By:.....

*Duly authorised*

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange with effect from 25 April 2017; *however*, no assurance can be given that such application will be accepted.
- (b) Estimate of total expenses related to admission to trading: €3,290

### 2. RATINGS

- Ratings: The Notes to be issued are expected to be rated:
- “BB+ (stable outlook) by Fitch Ratings Ltd. (“*Fitch*”) and “Ba1” (negative outlook) by Moody’s Investors Service Limited (“*Moody’s*”).
- Each of Fitch and Moody’s is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

Save for any fees payable to the Initial Purchasers of the Notes (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 of the Notes. The Managers and/or their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

### 4. YIELD

- Indication of yield: 6.125 *per cent. per annum*
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (a) ISIN: US90016BAE83 for Rule 144A Global Note(s), XS1578203462 for Regulation S Global Note
- (b) Common Code: 157889117 for Rule 144A Global Note(s), 157820346 for Regulation S Global Note
- (c) CUSIP: 90016BAE8 for Rule 144A Global Note(s)

- (d) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
- (e) Delivery: Delivery against payment
- (f) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (g) Deemed delivery of clearing system notices for the purposes of Condition 15: Any notice delivered to Noteholders of Notes held through a clearing system will be deemed to have been given on the first business day after the day on which it was given to the relevant clearing system.
- (h) Intended to be held in a manner which would allow Eurosystem eligibility: No. Whilst the designation is specified as “no” at the date of these issue specific terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSD acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

## 6. DISTRIBUTION

- (a) Method of distribution: Syndicated
- (b) If syndicated, names of Managers: Citigroup Global Markets Limited  
Emirates NBD P.J.S.C.  
Erste Group Bank AG  
HSBC Bank plc  
Mizuho Securities USA LLC  
Wells Fargo Securities International Limited
- (c) Stabilisation Manager(s) (if any): HSBC Bank plc
- (d) If non-syndicated, name of relevant Dealer: Not Applicable
- (e) U.S. Selling Restrictions: Reg. S Compliance Category 2 and Rule 144A

## U.S. TAXATION

This is a general summary of certain U.S. federal tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. federal tax law or the laws of other jurisdictions (including the United Kingdom or any state or local tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction.**

### Certain U.S. Federal Income Tax Consequences

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a U.S. Holder (as defined below) whose functional currency is the U.S. Dollar that acquires the Note in this offering from the Initial Purchasers at a price equal to the issue price of the Notes and holds it as a capital asset. This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, among others, tax-exempt organizations, financial institutions, dealers and traders in securities or currencies, U.S. Holders that will hold a Note as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax and certain U.S. expatriates. In addition this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under any other U.S. federal tax laws (e.g., estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

As used herein, the term "*U.S. Holder*" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (a) an individual who is a citizen or resident of the U.S., (b) a corporation created or organized in or under the laws of the U.S., any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust that is subject to U.S. tax on its worldwide income regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a Note, then the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Therefore, a partnership holding a Note and its partners should consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note.

The discussion below is based upon the Code, U.S. Treasury regulations promulgated thereunder and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

The summary of the 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 the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

### *Payments of Interest*

Payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest paid on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. Subject to applicable restrictions and limitations, a U.S. Holder may be entitled to claim a U.S. foreign tax credit in respect of any Turkish withholding taxes imposed on interest received on the Notes. A U.S. Holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the U.S. Holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. U.S. Holders that are eligible for benefits under the double tax treaty between the United States and Turkey (the "*Double Tax Treaty*") or are otherwise entitled to a refund for the taxes withheld, under Turkish tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Turkish taxes withheld in excess of the maximum rate under the Double Tax Treaty or for those taxes that have been otherwise refunded to them under Turkish tax law. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own tax advisers regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Turkish taxes withheld from payment.

### *Sale, Exchange and Redemption of Notes*

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized (*i.e.*, the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which is treated like a payment of interest)) and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note generally will equal the amount paid for the Note. Gain or loss recognized by a U.S. Holder on the sale, exchange or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. The deductibility of capital losses is subject to significant limitations. U.S. Holders should consult their own advisers about the availability of U.S. foreign tax credits or deductions with respect to any Turkish taxes imposed upon a disposition of Notes.

### **Information Reporting and Backup Withholding**

Information returns may be filed with the U.S. Internal Revenue Service (the "*IRS*") (unless the U.S. Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes, and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, then a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any filing and reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

### *Medicare Tax*

Certain U.S. Holders who are individuals, estates or non-exempt trusts must pay an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable

disposition of Notes. U.S. Holders should consult their tax advisers regarding the effect, if any, of this tax on their investment in the Notes.

## PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers and their respective broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes expected to be entered into on April 21, 2017 among the Initial Purchasers and the Bank (the “*Subscription Agreement*”), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser’s name below at the issue price of 100.00% of the principal amount of the Notes.

<i>Initial Purchasers</i>	<i>Principal Amount of Notes</i>
Citigroup Global Markets Limited .....	US\$125,000,000
Emirates NBD P.J.S.C.....	US\$125,000,000
Erste Group Bank AG .....	US\$125,000,000
HSBC Bank plc .....	US\$125,000,000
Mizuho Securities USA LLC .....	US\$125,000,000
Wells Fargo Securities International Limited.....	US\$125,000,000
<b>Total.....</b>	<b><u>US\$750,000,000</u></b>

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers’ right to reject any order in whole or in part.

The Bank has been informed that the Initial Purchasers propose to resell beneficial interests in the Notes at the issue price set forth on the cover page of this Prospectus 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 Transfer and Selling Restrictions*” in the Base Prospectus. 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 Initial Purchasers or their respective affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), or in accordance with Rule 15a-6 thereunder. 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 Notes have not been registered under the Securities Act or any U.S. 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 Transfer and Selling Restrictions*” in the Base Prospectus. Accordingly, until 40 days after the Issue Date (the “*Distribution Compliance Period*”), an offer or sale of Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, any U.S. person 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.

Each Initial Purchaser has agreed that it will send to each dealer to which it sells the Regulation S Global Note (or beneficial interests therein) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”) and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except, in either case, in accordance with Rule 144A under the Securities Act or in an offshore transaction. Terms used above have the meanings given to them by Regulation S.”

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities Market, the Notes constitute a new class of securities 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 Initial Purchasers 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 Initial Purchaser(s) might purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions may include over-allotment, syndicate covering transactions and stabilizing 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 Initial Purchasers in their initial offering, which creates a short position for the Initial Purchasers. 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. Stabilizing 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 might have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They might 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 Initial Purchasers might conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, then they might discontinue them at any time.

The Bank expects that delivery of interests in the 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+3, 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 Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates might have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they might have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers or their respective affiliates might, 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 Initial Purchasers 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 Initial Purchasers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and might at any time hold long and short positions in such securities and instruments. Such investment and securities activities might involve securities and instruments of the Bank and/or other members of the Group. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes.

The Initial Purchasers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

The Bank will agree in the Subscription Agreement, in connection with the issue and offering of the Notes, to indemnify each Initial Purchaser against certain liabilities, or to contribute to payments that the Initial Purchasers are required to make because of those liabilities.

## **LEGAL MATTERS**

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP as to matters of United States law and by YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to English and United States law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Gedik & Eraksoy Avukatlık Ortaklığı (which will also pass upon matters of Turkish tax law).

## OTHER GENERAL INFORMATION

### Authorization

The most recent update of the Program and the further issue of notes thereunder have been duly authorized by resolutions of the Board of Directors of the Issuer dated June 24, 2013 and December 28, 2016.

### Listing of Notes

An application has been made to the Irish Stock Exchange for the Notes to be admitted to 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 listing on the Official List and to trading on the Main Securities Market will be granted on or before the Issue Date, subject only to the issue of the Notes. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (*MiFID*). The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €3,290.

### Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List 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 (as applicable, when published) be available in physical form for inspection at the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer,
- (b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group as of and for each of the years ended December 31, 2014, 2015 and 2016,
- (c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank as of and for each of the years ended December 31, 2014, 2015 and 2016,
- (d) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group as of and for each of the years ended December 31, 2014 and 2015,
- (e) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Accounting and Reporting Regulations on an annual basis, audited consolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Accounting and Reporting Regulations on a quarterly basis and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis,

- (f) the Agency Agreement, the Deed of Covenant and the Deed Poll and the forms of the Global Notes and the Notes in definitive form, and
- (g) a copy of this Prospectus and the Base Prospectus (including the supplements thereto).

With respect to each of the BRSA Financial Statements and IFRS Financial Statements noted in clauses (b) through (d) above, please see “*Independent Auditors*” below.

In addition, copies of this Prospectus and the documents incorporated by reference herein will also be available in electronic format on the Issuer’s website. See “*Documents Incorporated by Reference*” above. Such website does not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

### **Clearing Systems**

The Rule 144A Global Note(s) has/have 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: 90016BAE8, ISIN: US90016BAE83 and Common Code: 157889117, with respect to the Rule 144A Global Note(s) and ISIN: XS1578203462 and Common Code: 157820346, with respect to the Regulation S Global Note).

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, New York are authorized or required by law or executive order to close.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of either the Bank or the Group since December 31, 2016, and no material adverse change in the financial position or prospects of either the Bank or the Group, since December 31, 2016.

### **Interests of Natural and Legal Persons Involved in the Issue**

Except with respect to the fees to be paid to the Initial Purchasers, so far as the Bank is aware, no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, material to the issue of the Notes.

### **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 that are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus that may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

## **Independent Auditors**

The BRSA Financial Statements have been audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) (“*KPMG*”) in accordance with the Regulation on Independent Audit of Banks published by the BRSA and Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority, as stated in KPMG’s respective independent auditors’ reports incorporated by reference herein. The IFRS Financial Statements have been audited by KPMG in accordance with International Standards on Auditing. KPMG is an independent auditor in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. KPMG is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 29, 34805 Beykoz, İstanbul, Turkey. KPMG’s audit reports on the BRSA Financial Statements and the IFRS Financial Statements contain a qualification. See “*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*” in the Base Prospectus, as deemed amended hereby, for further information.

**THE ISSUER**

**Türkiye İş Bankası A.Ş.**  
İş Kuleleri  
34330 Levent, İstanbul  
Turkey

**INITIAL PURCHASERS**

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United Kingdom

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c/o Emirates NBD Capital  
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Dubai International Financial Centre  
P.O. Box 506710  
Dubai  
United Arab Emirates

**Erste Group Bank AG**  
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Austria

**HSBC Bank plc**  
8 Canada Square  
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United Kingdom

**Mizuho Securities USA LLC**  
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New York, NY 10022  
United States

**Wells Fargo Securities International Limited**  
1 Plantation Place  
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United Kingdom

**FISCAL AGENT AND  
PRINCIPAL PAYING 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**  
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2453 Luxembourg

**UNITED STATES PAYING AGENT AND TRANSFER AGENT**

**The Bank of New York Mellon, New York Branch**  
101 Barclay Street  
New York, New York  
USA

**LEGAL COUNSEL TO THE ISSUER  
AS TO ENGLISH AND UNITED STATES LAW**

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**Mayer Brown LLP**  
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**Gedik & Eraksoy Avukatlık Ortaklığı**  
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Büyükdere Caddesi, Bahar Sokak, No. 13  
Levent, 34394 İstanbul  
Turkey

**LISTING AGENT**

**Arthur Cox Listing Services Limited**  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2  
Ireland

**AUDITORS TO THE ISSUER**

**KPMG**  
**Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No:29  
34805 Beykoz-İstanbul  
Turkey