İŞBANK

TÜRKİYE İŞ BANKASI A.Ş.
Issue of US$500,000,000 6.125% Notes due 2024
(to be consolidated and form a single series with the US$750,000,000 6.125% Notes due 2024 issued on 25 April 2017)
under its US$7,000,000,000 Global Medium Term Note Programme
Issue price: 102.017% plus 166 days' deemed accrued interest in respect of the period
from (and including) 25 April 2017 to (but excluding) 11 October 2017

The US$500,000,000 6.125% Notes due 2024 (the "*New Notes*") are being issued by Türkiye İş Bankası A.Ş., a banking institution organised as a public joint stock company under the laws of the Republic of Turkey ("*Turkey*") and registered with the İstanbul Trade Registry under number 431112 (the "*Bank*" or the "*Issuer*") under its US$7,000,000,000 Global Medium Term Note Programme (the "*Programme*"). The New Notes will be consolidated and form a single series with the US$750,000,000 6.125% Notes due 2024 (the "*Original Notes*" and, with the New Notes, the "*Notes*") issued on 25 April 2017 (the "*Original Issue Date*"): (a) in the case of the Regulation S Notes (as defined below), on the 41st day after the New Issue Date (as defined below), and (b) in the case of the Rule 144A Note(s) (as defined below), on the New Issue Date.

The New Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or the securities laws of any State or other jurisdiction of the United States 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) for sale in offshore transactions to persons who are not "U.S. persons" ("*U.S.* persons") as defined in, and in reliance upon, Regulation S under the Securities Act ("*Regulation S*"). For a description of certain restrictions on sale and transfer of investments in the New 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 NEW NOTES INVOLVES CERTAIN RISKS. SEE "*RISK FACTORS*" HEREIN.

The New Notes will: (a) be deemed to bear interest from (and including) the Original Issue Date to (but excluding) the New Issue Date and (b) bear interest from (and including) the New Issue Date to (but excluding) 25 April 2024 (the "*Maturity Date*") at a fixed rate of 6.125% *per annum*. Interest will be payable semi-annually in arrear in equal instalments 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 (defined herein). For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein. Reference to a "Condition" herein is to the corresponding paragraph of the 2016 Conditions (as defined below).

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 the New Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC ("*MiFID I*") and/or that are to be offered to the public in any member state of the European Economic Area (the "*EEA*"). Application has been made to the Irish Stock Exchange plc (the "*Irish Stock Exchange*") for the New 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 New Notes being "listed" (and all related references) shall mean that the New Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID I.

Application has been made to the Capital Markets Board (the "*CMB*") of Turkey, in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for the issuance and sale of the New Notes by the Bank outside of Turkey. The New Notes cannot be sold before the necessary approvals are obtained from the CMB. The final CMB approved issuance certificate and the CMB approval letter relating to the issuance of notes under the Programme based upon which the offering of the New Notes is conducted were obtained on 6 February 2017 and 7 February 2017, respectively, and (to the extent (and in the form) required by applicable law) a written approval of the CMB relating to the New Notes will also be obtained on or before 11 October 2017 (the "*New Issue Date*").

The Original Notes are rated "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*") and it is expected that the rating of the Notes will be the same immediately after the issuance of the New Notes. The Bank has also been rated by the Rating Agencies, as set out on page 137 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 New 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 International plc and Wells Fargo Securities International Limited (each an "*Joint Bookrunner*" and, collectively, the "*Joint Bookrunners*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (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 New Issue Date (*i.e.*, the fourth Business Day following the date of pricing of the New Notes; such settlement cycle being referred to herein as "*T+4*")), 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 New Issue Date.

Joint Bookrunners

Citigroup	**Emirates NBD Capital**	**Erste Group**	**HSBC**	**Mizuho Securities**	**Wells Fargo Securities**

The date of this Prospectus is 9 October 2017.

This Prospectus constitutes 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 into, 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 New 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 any of the documents (or portions thereof) 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 (including incorporated by reference into) 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 (including incorporated by reference into) this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the fullest extent permitted by law, none of the Joint Bookrunners accepts any responsibility for the information contained in (including incorporated by reference into) this Prospectus or any other information provided by the Issuer in connection with the New Notes or for any statement consistent with this Prospectus made, or purported to be made, by an Joint Bookrunner or on its behalf in connection with the Issuer or the issue and offering of the New Notes (or beneficial interests therein). Each Joint Bookrunner accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the New Notes or to advise any investor or potential investor in the New Notes of any information coming to their attention.

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

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

Neither this Prospectus nor, except to the extent explicitly stated therein, any other information supplied in connection with the New Notes or the issue of the New Notes constitutes an offer of, or an invitation by or on behalf of the Issuer or any of the Joint Bookrunners or their respective affiliates to any person to subscribe for or purchase, any New 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 New Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Joint Bookrunners.

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

The distribution of this Prospectus and/or the offer or sale of New Notes (or beneficial interests therein) might be restricted by law in certain jurisdictions. The Issuer and the Joint Bookrunners do not represent that this Prospectus may be lawfully distributed, or that the New 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 New Notes (or beneficial interests therein) or distribution of this Prospectus in any jurisdiction in which action for that purpose is required. Accordingly: (a) no New 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 except, in each case, under circumstances that will result in compliance with all applicable laws. Persons into whose possession this Prospectus or any New Notes (or beneficial interests therein) come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus, any advertisement or other offering material and the offering and sale of the New Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Prospectus and the offer and/or sale of the New Notes (or beneficial interests therein) in (*inter alia*) Turkey, the United States, the EEA (including the United Kingdom), Japan, Switzerland, the People's Republic of China (the "*PRC*") and the Hong Kong Special Administrative Region of the PRC. 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 New Notes, including the merits and risks involved. The New Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "*SEC*") or any other securities commission or other regulatory authority in the United States and, other than the approvals of the Banking Regulation and Supervision Agency (the "*BRSA*") and the CMB (*i.e.*, the Approvals) 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 Joint Bookrunners or the Issuer or any of their respective counsel or other representatives makes any representation to any actual or potential investor in the New Notes regarding the legality of its investment under any applicable laws. Any investor in the New Notes should ensure that it is able to bear the economic risk of an investment in the New Notes for an indefinite period of time.

The New Notes might not be a suitable investment for all investors. Each potential investor in the New 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 New Notes, the merits and risks of investing in the New Notes and the information contained in (including incorporated by reference into) this Prospectus or any supplement hereto,

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the New Notes and the impact its 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 New 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 New Notes and is familiar with the behaviour of financial markets, and

(e) is able to evaluate possible scenarios for economic, interest rate and other factors that might affect its investment in the New 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 New Notes (or beneficial interests therein) are legal investments for it, (b) its investments in the New Notes can be used by it as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any New 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 New Notes under any applicable risk-based capital or other rules. Each potential investor should consult its own advisers as to the legal, tax, business, financial and related aspects of an investment in the New Notes.

GENERAL INFORMATION

The New 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 New Note (or a beneficial interest therein), agrees (or will be deemed to have agreed) that the New Notes (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to a relevant exemption 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 New 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 New Notes (or a beneficial interest therein) that is not made in accordance with the transfer restrictions and all applicable laws might subject the transferor and/or transferee to certain liabilities under applicable securities laws.

The Issuer has obtained the CMB approval letter (dated 7 February 2017 and numbered 29833736-105.03.01.-E.1628) and the final CMB approved issuance certificate (*onaylanmış ihraç belgesi*) (dated 6 February 2017 and numbered 19/BA-152) (together, the "*CMB Approval*") and the BRSA approval letter (dated 18 January 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 New Notes. In addition to the Approvals, pursuant to Communiqué VII-128.8 on Debt Instruments of the CMB (the "*Debt Instruments Communiqué*"), the Issuer is required to apply to the CMB for approval via electronic signature on or before the New Issue Date in order to proceed with the sale and issuance of the New 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 New Issue Date, the written approval of the CMB in respect of the New Notes must be obtained by the Issuer from the CMB on or before the New Issue Date in order to proceed with the sale and issuance of the New Notes. As the Issuer is required to maintain all authorisations and approvals of the CMB necessary for the offer, sale and issue of notes under the Programme, 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 New Notes have been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Banking Law No. 5411 of 2005 (as amended from time to time, the "*Banking Law*") and related law, the Capital Markets Law No. 6362 and the Debt Instruments Communiqué and related law.

In addition, the New Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of the New Notes on the condition that no sale or offering of New Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decision No. 3665 dated 6 May 2010 and in accordance with Decree 32, residents of Turkey may purchase or sell New Notes (or beneficial interests therein) (as they are denominated in a currency other than Turkish Lira) 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 New Notes (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to 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 New Notes (or beneficial interests therein) and transfer the purchase price through such licensed banks.

Monies paid for the purchase of New Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) (the "*SDIF*") of Turkey.

Pursuant to the Debt Instruments Communiqué, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt İstanbul*) (trade name: Central Registry İstanbul (*Merkezi Kayıt İstanbul*)) ("*Central Registry İstanbul*") within three İstanbul business days from the New 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 New Notes and the country of issuance.

New 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) on the New Issue Date. New Notes offered and sold pursuant to Regulation S in offshore transactions to persons who are not U.S. persons (the "*Regulation S Notes*") will initially be represented by beneficial interests in a temporary global note in registered form (the "*Regulation S Temporary Global Note*") and, upon consolidation with the Original 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) and the Regulation S Temporary Global Note, the "*Global Notes*").

The Rule 144A Global Note(s) will be deposited on or about the New 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. The Temporary Regulation S Global Note will be deposited on or about the New 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. On the 41st day after the New Issue Date, the Regulation S Notes will cease to be represented by the Regulation S Temporary Global Note and will be represented by the Regulation S Global Note. Except as described in this Prospectus, beneficial interests in the Temporary Regulation S Global Note and the Regulation S Global Note will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

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, entities that are consolidated into the Bank).

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

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. 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 information published by that third party, 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.

STABILISATION

In connection with the issue of the New Notes, HSBC Bank plc (the "*Stabilisation Manager*") (or persons acting on behalf of the Stabilisation Manager) may over-allot New Notes or effect transactions with a view to supporting the market price of the New Notes at a level higher than that which might otherwise prevail; *however*, stabilisation action might not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the New 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 New Issue Date and 60 days after the date of the allotment of the New Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws.

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

ALTERNATIVE PERFORMANCE MEASURES

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

The APMs included in this Prospectus are not alternatives to measures prepared in accordance with the BRSA Accounting and Reporting Regulations and might be different from similarly titled measures reported by other companies. The Bank's management believes that this information, when considered in conjunction with measures reported under 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 and are not defined in the Base Prospectus) include (without limitation) the following (such terms being used in this Prospectus as defined below):

average interest rates on loans: As of a particular date, this is calculated by averaging 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, 31 December of the previous year) and each intervening month-end date).

average interest rates on total securities portfolio: As of a particular date, this is calculated by averaging 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, 31 December of the previous year) and each intervening month-end date).

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.

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.

non-performing loans to total cash and non-cash loans: As of a particular date, this is: (a) non-performing loans ("*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.

repo-to-deposit ratio: As of a particular date, this is: (a) funds provided under repurchase agreements ("*repos*") as of such date *divided by* (b) total deposits as of such date.

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.

total securities portfolio: As of a particular date, this is the sum of: (a) the trading securities portfolio and (b) the investment securities portfolio.

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 31 December 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, 31 December 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, 31 December 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, 31 December of the previous year) and each intervening month-end date.

investment securities portfolio: As of a particular date, this is the sum of: (a) the available-for-sale portfolio as of such date and (b) the held-to-maturity portfolio as of such date.

trading securities portfolio: As of a particular date, this is: (a) the financial assets held for trading as of such date *minus* (b) the derivative financial assets held for trading as of such date.

Please see "*Alternative Performance Measures*" in the Base Prospectus.

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RISK FACTORS

Prospective investors in the New 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 13 to 42 (inclusive) of the Base Prospectus (as supplemented through the date hereof) (the "*Programme Risk Factors*"), before making a decision to invest. In investing in the New Notes, investors assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the New 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 New 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 Programme Risk Factors a number of factors that might materially adversely affect its business and ability to make payments due under the New Notes.

In addition, a number of factors that are material for the purpose of assessing the market risks associated with the New Notes are also described in the Programme 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 Programme Risk Factors or herein are exhaustive or that other risks might not arise in the future.

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

In addition, for the purpose of the New Notes and this Prospectus only, the Programme 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 fifth 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 the first eight months of 2017, the Turkish Lira appreciated by 2.6% against the U.S. Dollar due to the Central Bank's supportive actions as well as global weakness of the U.S. Dollar against other currencies.

(b) The second paragraph of the risk factor titled "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Political Developments*" in the Base Prospectus is hereby deemed to be amended by the addition of the following at the end thereof:

On 25 September 2017, the Kurdish Regional Government in Northern Iraq held a referendum for the independence of the region administered by the Northern Iraqi Kurdish Regional Government. Turkish government officials announced that Turkey will not recognise the outcome of the referendum and might take punitive measures, including economic sanctions (*e.g.*, cutting off the pipeline that allows the transport of oil from Northern Iraq to third countries), closing its airspace and border crossing to Northern Iraq. On 29 September 2017, the Iraqi government ceased all international flights to and from the Northern Iraqi Kurdish region. As of 9 October 2017, the possible political and economic impact of such referendum is unknown.

(c) The second to last sentence of the third paragraph of the risk factor titled "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Political Developments*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced by the following:

As of 9 October 2017, investigations with respect to the attempted coup are on-going.

(d) 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 30 June 2017, 95.2% (approximately 95.5% as of 31 December 2016 and 95.4% as of each of 31 December 2015 and 2014) of the Group's total assets were in Turkey and the majority of the Group's operations are in Turkey.

(e) The second and third 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 September 2017, the government announced a three year medium-term economic programme from 2018 to 2020. Under this programme, the government set GDP growth targets of 5.5% for each year, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development.

(f) The third and fourth sentences of 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:

As of September 2017, annual consumer price inflation was 11.2% due to an increase in the price of food and energy and the lagged impact of the depreciation of the Turkish Lira, while annual producer price inflation was 16.3% due to the increase in commodity prices in terms of Turkish Lira. The consumer price inflation exceeded the Central Bank's medium-term inflation target of 5.0% in 2016. On 1 August 2017, the Central Bank raised its inflation forecast for the end of 2017 to 8.7%, whereas the inflation forecast for the end of 2018 remained unchanged at 6.4%.

(g) The third sentence of 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:

As of July 2017, the 12-month current account deficit was US$37.1 billion.

(h) The fourth sentence of 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:

In the first eight months of 2017, the net energy imports by Turkey posted an annual increase of 32.2% and reached US$20.4 billion.

(i) The last 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:

As of September 2017, the CPI-based real effective exchange rate was 90.3.

(j) The last two sentences 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 are hereby deemed to be deleted in their entirety and replaced with the following:

The Central Bank's average funding rate was 11.97% as of 6 October 2017 (8.31% as of 30 December 2016). In 2016, the Turkish Lira depreciated against the U.S. Dollar by 21.5% on a nominal basis whereas, during the first eight months of 2017, the Turkish Lira appreciated by 2.6% against the U.S. Dollar due to the Central Bank's supportive actions as well as global weakness of the U.S. Dollar against other currencies.

(k) 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 30 June 2017, 94.4% of the Group's total securities portfolio (15.8% of its total assets and equal to 142.4% of its shareholders' equity) (94.2%, 15.0% and 134.6%, respectively, as of 31 December 2016) was invested in government securities, primarily in securities issued by the Turkish government.

(l) The second to 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 are hereby deemed to be deleted in their entirety and replaced with the following:

The NPL ratio in the Turkish banking sector was 2.8% as of 31 December 2014, 3.1% as of 31 December 2015, 3.2% as of 31 December 2016 and 3.1% as of 30 June 2017 (1.6%, 2.0%, 2.3% 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.

(m) 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 30 June 2017, the top five banks by assets in Turkey (one of which is a state-controlled bank) held 55.4% of the banking sector's total loan portfolio (excluding participation banks) and 56.8% of total bank assets (excluding participation banks) in Turkey, according to the Banks Association of Turkey. As of 30 June 2017, the Bank: (a) was the largest private bank in Turkey in terms of shareholders' equity (12.5%), total assets (12.0%), total deposits (12.1%), Turkish Lira-denominated deposits (10.5%), demand deposits (15.1%), total loans (12.1%), Turkish Lira-denominated loans (11.3%), non-retail loans (12.0%) and the number of branches (12.8%) and (b) had the largest market shares of foreign currency-denominated loans (13.6%) and foreign currency-denominated deposits (13.9%) (source: BRSA data excluding participation banks, each as measured on a bank-only basis).

(n) 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:

The Bank's return on average total assets was 1.5%, 1.2%, 1.6% and 1.8% for 2014, 2015, 2016 and the first half of 2017 (compared to 1.3%, 1.2%, 1.5% and 1.8%, respectively, for the sector, according to figures published by the BRSA) and the return on average shareholders' equity was 13.1%, 10.4% 13.7% and 15.3% for 2014, 2015, 2016 and the first half of 2017 (compared to 11.6%, 10.7%, 13.3% and 16.0%, respectively, for the sector, according to figures published by the BRSA.

(o) The second sentence of the first paragraph 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, TL 99,358 million and TL 104,655 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, representing 38.9%, 40.3%, 44.3% and 42.3%, respectively, of the Group's total loans as of such dates.

(p) 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%, 58.6% and 61.6% of the aggregate amount of total operating income and profit/loss from associates accounted for using the equity method for 2014, 2015 and 2016 and the first half of 2017, respectively, and net interest margin (which is measured on a Bank-only basis) was 4.1%, 4.1%, 4.5% and 4.6%, 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 30 June 2017, 94.4% of the Group's total securities portfolio consisted of Turkish government debt securities, which accounted for 14.9% of the Group's total assets (94.2% and 15.0%, respectively, as of 31 December 2016 and 94.1% and 15.2%, respectively, as of 31 December 2015). As a result, a large portion of the Group's total assets is exposed to interest rate risk.

(q) 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 10.2% as of June 2017 according to TurkStat.

(r) The last 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:

The Group's non-deposit funding as of 30 June 2017 was equivalent to 29.8% of the Group's consolidated assets (30.2% and 29.6%, respectively, as of 31 December 2015 and 2016). The Group's cash loan-to-deposit ratio was 126.8% as of 30 June 2017 (125.1% and 125.0%, respectively, as of 31 December 2015 and 2016).

(s) 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 30 June 2017, 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) equaled 20.1% of its consolidated assets (19.6% and 20.7%, respectively, as of 31 December 2015 and 2016).

(t) 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 30 June 2017, 94.0% (97.3% and 96.3%, respectively, as of 31 December 2015 and 2016) of the Group's aggregate amount of foreign-currency denominated funds borrowed and subordinated debt was sourced from international banks, multilateral institutions, international eurobonds and "diversified payment rights" transactions.

(u) 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 30 June 2017, 47.8% of the Bank's loan portfolio consisted of retail loans and loans to SMEs (according to the BRSA SME Definition). As of the same date, retail loans accounted for 23.9% of the Bank's loan portfolio (*i.e.*, 19.0% consumer loans and 4.9% retail credit card loans), loans to SMEs (according to the BRSA SME Definition) accounted for 24.0% and the remaining 52.2% of the Bank's loan portfolio consisted of loans to corporates (according to the Corporate Definition). As of 31 December 2016, 46.7% of the Bank's loan portfolio consisted of retail loans and loans to SMEs (according to the BRSA SME Definition). As of the same date, retail loans accounted for 24.9% of the Bank's loan portfolio, loans to SMEs (according to the BRSA SME Definition) accounted for 21.8% and the remaining 53.3% of the Bank's loan portfolio consisted of loans to corporates (according to the Corporate Definition) (26.4%, 23.8% and 49.7%, respectively, as of 31 December 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, 2016 and the first half of 2017 were 1.6%, 2.0%, 2.3% and 2.3%, respectively. On a Bank-only basis, SMEs (as defined by the BRSA SME Definition) accounted for 36.2%, 32.6%, 32.4% and 32.5% of total NPLs as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Retail loans (which consist of consumer loans, overdrafts and credit cards) accounted for 38.4%, 37.1%, 31.1% and 28.9%, respectively, as of such dates. The Bank's NPL ratios for SME loans were 2.3%, 2.7%, 3.5% and 3.3%, respectively, as of such dates, while its NPL ratios for retail loans were 2.1%, 2.8%, 2.9% 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.

(v) 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 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, 2016 and the first half of 2017 accounting for 22.1%, 19.1%, 18.3% and 18.2%, respectively, of its total interest income (and 15.0%, 13.6%, 13.1% and 13.4%, respectively, of its gross operating income). The Bank also has obtained large recognised gains from the sale of securities in the available-for-sale portfolio. The CPI-linked securities in the Bank's investment securities portfolio provided high real yields compared to other government securities in 2016 and the first half of 2017, benefiting from the high inflation environment, but their impact on the Bank's earnings might vary as inflation rates change.

(w) The second paragraph of 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:

The auditors' audit and review reports (as applicable) included in the BRSA Financial Statements include: (a) a qualification related to the free provision as of 31 December 2014 amounting to TL 1,000 million allocated by the Bank's management, all of which had been recognised 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 31December 2015 amounting to TL 800 million allocated by the Bank's management, all of which had been recognised as an expense in prior periods, (c) a qualification related to the free provision as of 31 December 2016 amounting to TL 800 million allocated by the Bank's management, all of which had been recognised as an expense in prior periods, (d) a qualification related to the free provision as of 30 June 2016 amounting to TL 800 million allocated by the Bank's management, all of which had been recognised as an expense in prior periods, and (e) a qualification related to the free provision as of 30 June 2017 amounting to TL 800 million allocated by the Bank's management, all of which had been recognised as an expense in prior periods. See also the audit and review 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.

(x) 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 68.04% of the Bank's outstanding share capital as of 30 June 2017, might not be aligned with the interests of the investors in the Notes

As of 30 June 2017, 39.95% 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 investors in the Notes.

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 into, and form part of, this Prospectus:

(a) the sections of the Base Prospectus of the Bank dated 16 June 2017 (the "*Original Base Prospectus*") as supplemented on 10 August 2017 (the "*Base Prospectus*") relating to the Programme and titled as set out in the table below (*it being understood* that 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 supplement):

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(b) the section of the Base Prospectus of the Bank dated 16 June 2016 (the "*Original 2016 Base Prospectus*") entitled "Terms and Conditions of the Notes" (the "*2016 Conditions*"),

(c) the audited consolidated BRSA financial statements of the Group as of and for each of the years ended 31 December 2014, 2015 and 2016 (including any notes thereto and the independent auditor's reports thereon) (the "*BRSA Consolidated Annual Financial Statements*"),

(d) the audited unconsolidated BRSA financial statements of the Bank as of and for each of the years ended 31 December 2014, 2015 and 2016 (including any notes thereto and the independent auditor's reports thereon) (the "*BRSA Unconsolidated Annual Financial Statements*" and, with the BRSA Consolidated Annual Financial Statements, the "*BRSA Annual Financial Statements*"),

(e) the independent auditors' review reports and unaudited consolidated and unconsolidated BRSA financial statements of the Bank as of and for each of the six month periods ended

30 June 2016 and 2017 (including any notes thereto and the independent auditors' reports thereon) (the "*BRSA Interim Financial Statements*" and, with the BRSA Annual Financial Statements, the "*BRSA Financial Statements*"), and

(f) the audited consolidated IFRS financial statements of the Group as of and for each of the years ended 31 December 2014, 2015 and 2016 (including any notes thereto and the independent auditor's report thereon) (the "*IFRS Financial Statements*").

With respect to each of the BRSA Financial Statements and IFRS Financial Statements, please see "*Other General Information – Independent 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 New 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.

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.

Copies of documents (or parts thereof) incorporated by reference into 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-2017/Pages/usd-7billion-global-medium-term-note-program-2017.aspx (with respect to the Original Base Prospectus), and

(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-16-2017/Pages/first-supplement-to-the-base-prospectus-dated-june-16-2017.aspx (with respect to the first supplement dated 10 August 2017 to the Original Base Prospectus),

(c) 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 BRSA Financial Statements and IFRS Financial Statements), and

(d) 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 2016 Base Prospectus).

Where only parts of a document are being incorporated by reference, the non-incorporated parts of that document are either not material for an investor in the New 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 (except for the documents incorporated by reference into this Prospectus to the extent set out on any such website) referenced in this Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Prospectus.

OVERVIEW OF THE OFFERING

The following overview (the "Overview") does not purport to be complete but sets out certain information relating to the offering of the New Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, the 2016 Conditions set out on pages 82 - 118 of the Original 2016 Base Prospectus. Terms used in this Overview and not otherwise defined herein shall have the meanings given to them in the 2016 Conditions.

Issue:	US$500,000,000 6.125% Notes due 2024 (*i.e.*, the New Notes) issued under the US$7,000,000,000 Global Medium Term Note Programme of the Bank. The New Notes will be consolidated and form a single series with the Original Notes: (a) in the case of the Regulation S Notes, on the 41st day after the New Issue Date, and (b) in the case of the Rule 144A Note(s), on the New Issue Date.
Interest and Interest Payment Dates:	The New Notes will: (a) be deemed to bear interest from (and including) the Original Issue Date (*i.e.*, 25 April 2017) to (but excluding) the New Issue Date and (b) bear interest from (and including) the New Issue Date at the rate of 6.125% *per annum*, payable semi-annually in arrear in equal instalments on each Interest Payment Date (*i.e.*, 25 April and 25 October in each year); *provided* 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 on the Notes, representing a full six month 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.e.*, 25 April 2024).
Use of Proceeds:	The net proceeds of the offering of the New Notes will be used by the Bank for general corporate purposes.
Status:	The Notes constitute (or, in the case of the New Notes, will constitute) direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank *pari passu*, 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 Condition 4 in the 2016 Conditions.

Certain Covenants:

The Bank has agreed (or, with respect to the New Notes, will agree) to certain covenants, including covenants limiting transactions with affiliates. See Condition 5 in the 2016 Conditions 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*" in the Base Prospectus and Condition 9 in the 2016 Conditions.

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 9 October 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 9 October 2017, and

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

Events of Default:

The Notes are (or, with respect to the New Notes, will be), subject to customary grace periods and exceptions set out in Condition 11, 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 Condition 11 in the 2016 Conditions.

Form, Transfer and Denominations:	New Notes offered and sold in reliance upon Regulation S will be: (a) represented by beneficial interests in the Temporary Regulation S Global Note, which will be deposited on or about the New Issue Date with the Common Depositary and registered in the name of a nominee of the Common Depositary, and (b) upon consolidation with the Original Notes, represented by beneficial interests in the Regulation S Global Note, in registered form, without interest coupons attached, deposited with the Common Depositary and registered in the name of a nominee of the Common Depositary. New 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 and the Temporary 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 New 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 New 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 New 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 New Notes (or beneficial interests therein) is also subject to restrictions in the European Economic Area (including the United Kingdom), 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 fulfil its obligations under the New Notes. The material of these are set out under "*Risk Factors*" in the Base Prospectus (as deemed updated hereby) 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 New Notes, including certain market risks. See

	"*Risk Factors*" in the Base Prospectus.
Issue Price:	102.017% of the principal amount of the Notes *plus* 166 days' deemed accrued interest in respect of the period from (and including) the Original Issue Date to (but excluding) the New Issue Date.
Yield:	5.750% *per annum*
Regulation S Temporary Global Note Security Codes:	ISIN: XS1686847549 Common Code: 168684754
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 31 December 2014, 2015 and 2016 and the first six months of 2016 and 2017. 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.

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, political and regulatory 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 30 June 2017, 44 banks were operating in Turkey (excluding participation banks). Thirty-one 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 20 were private foreign banks. As of 30 June 2017, the Bank had the largest nationwide branch network and the largest ATM network among private sector banks in Turkey, with 1,349 domestic branches (covering every city in Turkey), 23 international branches and 6,542 domestic ATMs (sources for comparative data: Banks Association of Turkey and Interbank Card Center).

As of 30 June 2017, the Group's capital adequacy ratio was 15.3% (12.6% when calculated using Tier 1 capital only) calculated in accordance with Basel III rules. See "*–Capital Adequacy*" below. As of the same date, the Group's shareholders' equity was TL 45,645 million and its cash loan-to-deposit ratio was 126.8% (125.1% and 125.0%, respectively, as of 31 December 2015 and 2016). The Group's net operating income was TL 5,012 million in 2014, TL 4,575 million in 2015, TL 7,019 million in 2016 and TL 3,865 million in the first half of 2017 (TL 2,951 million in the first half of 2016) while its net period profit from continuing operations was TL 4,020 million in 2014, TL 3,740 million in 2015, TL 5,683 million in 2016 and TL 3,070 million in the first half of 2017 (TL 2,436 million in the first half of 2016).

As of 30 June 2017, the Bank: (a) was the largest private bank in Turkey in terms of shareholders' equity (12.5%), total assets (12.0%), total deposits (12.1%), Turkish Lira-denominated deposits (10.5%), demand deposits (15.1%), total loans (12.1%), Turkish Lira-denominated loans (11.3%), non-retail loans (12.0%) and the number of branches (12.8%) and (b) had the largest market shares of foreign currency-denominated loans (13.6%) and foreign currency-denominated deposits (13.9%) (source: BRSA data excluding participation banks, 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 12 December 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, which had been calculated in line with the former method. According to the revised figures, Turkey's real GDP grew by 8.5% in 2013, 5.2% in 2014, 6.1% in 2015 and 3.2% in 2016. In the first half of 2017, Turkey's real GDP grew by 5.1% on a year-over-year basis.

As of 30 June 2017, the Group had total assets of TL 410,424 million, an increase of 9.8% from TL 373,820 million as of 31 December 2016, which was an increase of 14.8% from TL 325,499 million as of 31 December 2015, itself an increase of 17.5% from TL 277,073 million as of 31 December 2014. As of 30 June 2017, the Group had total deposits of TL 195,025 million, an increase of 8.9% from TL 179,159 million as of 31 December 2016, which was an increase of 16.2% from TL 154,201 million as of 31 December 2015, itself an increase of 14.6% from TL 134,501 million as of 31 December 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 31 December 2014 to TL 177,037 million as of 31 December 2015, TL 203,144 million as of 31 December 2016 and TL 223,566 million as of 30 June 2017, a growth rate of 14.0% in 2015 and 14.7% in 2016. In the first half of 2017, the Bank's loan portfolio grew by 10.1%, which was largely due to loans extended by the Bank to SMEs under the Credit Guarantee Fund (*Kredi Garanti Fonu*) (the "*KGF*") programme. In the second half of 2017, the Bank's management expects the contribution of loans extended under the KGF programme on the growth of the Bank's loan portfolio to be relatively limited compared to the first half of 2017. See "*Risk Factors - Risks Relating to the Group and its Business - SME/Retail Concentration Risk.*"

The Bank's policy is to allocate specific provisions in accordance with the minimum provision rates required by regulation; *however*, due to the Bank's management's decision to apply more conservative policies, general provisions exceed the minimum level required by law. 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%, 2.4% and 2.4% as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively (see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations - Provisioning for Impaired Loans*").

As of 30 June 2017, 42.3% of the Group's performing loans and 54.1% 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. 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 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, there have been arrests of numerous individuals, including senior members of the military, police and judiciary, as well as suspensions, dismissals, travel bans and legal proceedings of and 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. Although the Group's operations have not been materially affected by the attempted coup, the political and social circumstances following the attempted coup and its aftermath (including ratings downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), the institutional and regulatory framework in Turkey and/or Turkey's international relations, which, in turn, might have an impact on the Group's financial condition and/or results of operations.

On 20 July 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 three months; *however*, this period may be extended. The state of emergency has been extended four times (most recently on 18 July 2017) for additional three month periods pursuant to Article 121 of the Turkish Constitution and might be further extended.

For additional information, see "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Political Developments*" in the Base Prospectus.

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 30 June 2017, 95.2% 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 (see "*Interest Rates*" and "*Exchange Rates*" below).

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

	2014	2015	2016	Interim 2017
Nominal GDP at current prices (TL millions)	2,044,466	2,338,647	2,608,526	2,797,151[5]
Real GDP growth[1]	5.2%	6.1%	3.2%	5.1%[6]
Deficit/surplus of consolidated budget/GDP	(1.1)%	(1.0)%	(1.1)%	(2.0)%[7]
Consumer Price Inflation[2]	8.2%	8.8%	8.5%	11.2%[8]
Producer Price Inflation[2]	6.4%	5.7%	9.9%	16.3%[8]
Central Bank overnight TL borrowing interest rate, period-end	7.50%	7.25%	7.25%	7.25%[8]
Central Bank weekly TL repo rate, period-end[3]	8.25%	7.50%	8.00%	8.00%[8]
Refinancing rate of the Central Bank, period-end	11.25%	10.75%	8.50%	9.25%[8]
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar[4]	(8.6)%	(25.4)%	(21.5)%	1.1%[8]
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	4.7%	(7.1)%	(5.6)%	(1.9)%[8]
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions)	**126,448**	**113,251**	**106,101**	**108,708[9]**

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 borrowing interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar, real effective exchange rate and total gross gold and international currency reserves.

(1) On 12 December 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for the previous periods that were calculated in line with the former method. The figures in this table reflect GDP growth revised in line with the calculations made with the new method.
(2) Annual percentage change of the applicable index.
(3) The Central Bank announces the weekly repo lending rate as the reference rate.
(4) Central Bank buying rates.
(5) The sum of the amounts as of each quarter-end date for the four consecutive quarters ended 30 June 2017.
(6) As of the first half of 2017 on a year-over-year basis.
(7) The sum of the budget deficit as of each month-end date for the 12 month period ended 30 June 2017 *over* the sum of the amounts as of each quarter-end date for the four consecutive quarters ended 30 June 2017.
(8) The figures are provided as of and for the nine months ended 30 September 2017.
(9) As of 30 June 2017.

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 public and private sector banks to raise or maintain interest rates on deposits in order to attract and retain depositors, the Group has utilised alternative sources for raising funds with lower costs compared to deposits, thereby mitigating this competitive pressure.

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio might increase and its interest margins on existing loans might 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 whilst ultimately being expected to result in increased interest income on additional assets included in this portfolio.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, 39.5%, 41.1%, 41.2% and 37.0% of the Bank's loans and 44.1%, 46.8%, 45.8% and 43.4% 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 11,154 million (76.7% of total interest income) in the first half of 2017, 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 2,653 million (18.2% of total interest income) in the first half of 2017, 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. As a portion of the foreign currency-denominated liabilities that the Group incurs is used to fund Turkish Lira-denominated assets, the Group frequently enters into derivative transactions to protect against exchange rate volatility. While the cost of these derivative transactions is accounted for as a trading cost, the Bank's management considers it as an integral cost of funding in foreign currency.

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 Turkish Lira borrowing rate to 8.00% from 3.50%, its one-week repo rate to 10.00% from 4.50% and its overnight Turkish Lira lending rate to 12.00% from 7.75%. In the Monetary Policy Committee's April 2014 meeting, the late liquidity window facility lending rate was reduced from 15.00% to 13.50% (though such rate has little application on market practice). While such increases resulted in a limited increase in the Group's short-term funding costs and negatively affected the Bank's net interest margin, they also contributed to an increase in rates earned by the Group on its assets and, as a result, the impact on the Bank's net interest margin was limited.

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

In December 2015, the U.S. Federal Reserve raised interest rates by 0.25%. Instead of responding to the U.S. Federal Reserve's actions by changing Turkish interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. On 24 March 2016, the Central Bank took its first step towards normalisation and reduced its upper limit of the interest rate corridor by 25 basis points to 10.50%, which action reduced some volatility, permitting the Turkish Lira 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 10.50% in March 2016 to 8.25% in September 2016 due to the policy simplification measures announced in the second half of 2015. 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. As a result of the significant depreciation of the Turkish Lira against the U.S. Dollar starting in 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. At a meeting held on 24 January 2017, the Central Bank maintained the one week repo rate at 8.00%, while raising the upper band of the interest rate corridor by 75 basis points to 9.25% and increasing the interest rate for late liquidity window facility by 100 basis points to 11.00%. On 16 March and 26 April 2017, the Central Bank increased the late liquidity window lending rate further to 11.75% and 12.25%, respectively, whilst keeping the overnight Turkish Lira borrowing interest rates and one-week repo rate unchanged. Therefore, the weighted average cost of funding from the Central Bank reached 11.97% as of 6 October 2017 from 8.31% at the end of 2016. As of such date, the majority of the funding provided to the system by the Central Bank was provided via the late liquidity window facility.

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 less expensive funding sources, including repo transactions. In 2016, the net interest margin of the Bank was 4.5% (4.6% in the first half of 2017).

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, 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 foreign exchange or gold in order to seek to decrease the total cost of its Turkish Lira reserve requirements; *however*, the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, increased risk weights of foreign currency claims on the Central Bank in the form of required reserves from 0%

to 50%, whilst Turkish Lira-denominated claims on the Central Bank continued to be subject to preferential treatment of a 0% risk weight. On 24 February 2017, the BRSA published a decision that also enables banks to use a 0% risk weight for foreign currency reserves required to be held with the Central Bank.

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 30 June 2017, 39.5% of the Group's total assets and 47.2% of the Group's total liabilities were denominated in foreign currencies.

Whilst 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. During the first half of 2017, the Group recorded net foreign exchange gains of TL 415 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 63,933 million as of 30 June 2017. Of this amount, TL 9,452 million, or 14.8%, 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 1,046 million as of 30 June 2017. Interest income derived from the Group's trading securities portfolio and investment securities portfolio amounted to TL 2,653 million for the first half of 2017 (accounting for 18.2% of total interest income for the period), TL 4,589 million for 2016 (accounting for 18.3% of total interest income for the year), 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 15.8% of total assets as of 30 June 2017, 15.9% of total assets as of 31 December 2016, 16.1% as of 31 December 2015 and 17.4% as of 31 December 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. In the first half of 2017, the Turkish Lira yield curve increased approximately 160 basis points in the short-end and decreased approximately 90 basis points in the long-end. During such period, the Group followed a 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.

Branch Network

As of 30 June 2017, 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: Banks Association of Turkey). 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 eight months of 2017 (three domestic branches were consolidated with other branches 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. Given the size of the Group's existing network of branches, the Group's current strategy regarding its branch network is to optimise its existing branch network by merging underperforming branches or changing branch locations whilst continuing to open new branches in profitable locations. As a result, the Group expects to continue to expand its domestic branch network at a significantly 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 regulation; *however*, due to the Bank's management's more conservative policies, general provisions exceed the minimum level required by law. 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 maximising recovery rates and returns. The most recent such sale was in December 2016, at which time the Bank sold TL 403 million of NPLs.

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 recognised in the "Other Operating Income" account. For further information on the Group's internal loan provision requirements, see Section Three, VIII of the Group's BRSA Financial Statements as of and for the six months ended 30 June 2017.

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 Group's BRSA Financial Statements as of and for the six months ended 30 June 2017. 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 entities that are controlled by the Bank, but only if they are 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 31 March 2017, 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 30 June 2017. 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.

An associate is an entity in which the Bank owns capital and over which it has a significant influence but no control, whether established at home or abroad. Significant influence is the power to participate in the financial and operating policy of the investee. If the Bank holds qualified shares in the associate, then it is presumed that the Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence. A qualified share is 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, 2016 and the first half of 2017, 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 realise short term profit regardless of the purpose of acquisition.

Financial assets held for trading are presented in the balance sheet with their fair values and are subject to valuation at fair values after the initial recognition. While measuring the fair values, the Group (within the scope of TFRS 13 Fair Value Measurement) uses market prices, quoted prices, prices set by the Central Bank and published in the Official Gazette and values derived from alternative models.

Any gains or losses resulting from such valuation are recorded in the profit and loss accounts. As per the explanations of the Uniform Code of Accounts (UCA), any positive difference between the historical cost and amortised cost of financial assets is recognised under the “Interest Income” account, and in case the fair value of the asset is over the amortised cost, the positive difference is recognised in the “Gains on Securities Trading” account. If the fair value is less than the amortised cost, then the negative difference is recognised under the “Losses on Securities Trading” account. Any profit or loss resulting from the disposal of those assets before their maturity date is recognised within the framework of the same principles.

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

Financial Assets Available for Sale. Financial assets available for sale are non-derivative financial assets other than loans and receivables, held to maturity investments and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based upon the fair value including transaction costs. The amount arising from the difference between cost and amortised value is recognised through the income statement by using the internal rate of return. Dividend income from equity securities, which are classified under “Available for Sale Financial Assets,” are reflected under the income statement. While measuring the fair values, the Group (within the scope of TFRS 13 Fair Value Measurement), market prices, quoted prices, prices set by the Central Bank and published in the Official Gazette and values derived from alternative models. Unrealised gains and losses arising from changes in fair value of the financial assets available for sale are not recognised in the income statement but rather in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or incurring loss of those assets. Fair value differences recognised 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 fulfilment of such intention, including funding ability, and for which there are fixed or determinable payments with fixed maturity, which investments are recognised at fair value at initial recognition. Held to maturity investments with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment. Interest income from held to maturity investments is recognised in the income statement as an interest income.

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

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

Impairment of Financial Assets

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

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

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

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

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

According to Turkish law, the Council of Ministers is authorised to determine the date for pension funds, such as the İşbank 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. At the time of this transfer, an actuarial calculation will be conducted to establish if a bank's fund's assets are sufficient to meet its liabilities. 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 Organisation, BRSA and SDIF, one representative from each pension fund and one representative from the organisation employing pension fund contributors, related to the transferred persons, the cash value of the liabilities of a pension fund as of the transfer date will be calculated by considering its income and expenses in terms of the lines of insurance within the context of the related law, and a technical interest rate of 9.8% will be used in the actuarial calculation of the value in cash, and

- after the transfer of the pension fund, the fund's beneficiaries' unfunded social rights and payments will continue to be covered by the pension funds and the employers of the pension fund contributors.

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

Besides the Bank, Milli Reasürans T.A.Ş. and TSKB also obtained an actuarial report as of 31 December 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 31 December 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 recognised on an accrual basis by using the effective interest method (the rate that equalises the future cash flows of a financial asset or liability to its present net book value) in conformity with TAS 39 ("Financial Instruments: Recognition and Measurement"). In accordance with the relevant legislation, realised and unrealised interest accruals on NPLs are reversed and interest income related to these loans are recorded as interest income only when they are collected.

Fee and Commission Income and Expenses

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

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) 31 December			As of (or for the six month period ended) 30 June	
Ratios	**2014**	**2015**	**2016**	**2016**	**2017**
Net interest margin	4.1%	4.1%	4.5%	4.3%	4.6%
Cost-to-income ratio	50.2%	51.6%	42.3%	45.8%	42.5%
Tier 1 ratio(1)	13.3%	12.8%	12.4%	13.1%	12.6%
Capital adequacy ratio(2)	15.7%	15.1%	14.3%	15.1%	15.3%
Coverage ratio	74.3%	73.8%	76.1%	76.4%	80.2%
Return on average total assets(3)	1.6%	1.2%	1.7%	1.5%	1.6%
Return on average shareholders' equity(3)	13.6%	10.9%	14.5%	12.8%	14.4%

(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 calculated in accordance with BRSA guidelines. 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 calculated in accordance with BRSA guidelines. See "*Capital Adequacy*" below.

(3) The figures for 2014 and 2015 are not comparable with 2016 and the first half of 2016 and 2017 as the figures are calculated on quarterly averages for 2016 and the first halves of 2016 and 2017 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 six months ended 30 June 2016 and 2017 and the years ended 31 December 2014, 2015 and 2016

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

Consolidated Income Statement Data	2014	2015	2016	For the six months ended 30 June 2016	For the six months ended 30 June 2017
		(TL thousands, except where indicated)			
Interest Income	**17,752,690**	**21,406,966**	**25,061,299**	**11,890,916**	**14,547,099**
Interest Income on Loans	13,311,666	16,488,975	19,086,934	9,050,426	11,153,835
Interest Received from Reserve Deposits	5,918	65,919	222,716	87,788	147,805
Interest Received from Banks	194,568	258,602	522,260	221,590	233,785
Interest Received from Money Market Placements	15,067	96,233	164,069	90,433	39,427
Interest Received from Marketable Securities Portfolio	3,931,245	4,082,312	*4,588,942*	2,214,544	2,652,795
Financial Assets Held for Trading	*127,104*	*80,532*	*95,993*	47,460	49,344
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-
Financial Assets Available for-Sale	*3,118,955*	*3,880,470*	*4,039,556*	1,957,642	2,228,748
Held to Maturity Investments	*685,186*	*121,310*	*453,393*	209,442	374,703
Finance Lease Income	186,632	262,798	283,575	134,751	170,936
Other Interest Income	107,594	152,127	192,803	91,384	148,516
Interest Expense	**9,282,281**	**11,211,101**	**12,639,534**	**6,145,061**	**7,331,797**
Interest on Deposits	5,603,036	6,281,969	7,398,882	3,578,786	4,112,282
Interest on Funds Borrowed	780,549	1,151,669	1,250,190	609,862	718,524
Interest on Money Market Funds	1,762,400	2,151,312	2,098,326	1,057,489	1,337,834
Interest on Securities Issued	1,071,177	1,589,475	1,860,738	879,517	1,140,329
Other Interest Expense	65,119	36,676	31,398	19,407	22,828
Net Interest Income/Expense	**8,470,409**	**10,195,865**	**12,421,765**	**5,745,855**	**7,215,302**
Net Fees and Commissions Income/Expense	**1,505,183**	**1,807,881**	**2,148,533**	**1,043,058**	**1,296,297**
Fees and Commissions Received	2,434,577	2,881,717	3,460,257	1,651,796	1,999,750
Non-cash Loans	301,802	399,422	460,630	219,898	286,371
Other	2,132,775	2,482,295	2,999,627	1,431,898	1,713,379
Fees and Commissions Paid	929,394	1,073,836	1,311,724	608,738	703,453
Non-cash Loans	8,117	7,373	10,832	4,112	9,688
Other	921,277	1,066,463	1,300,892	604,626	693,765
Dividend Income	**292,047**	**256,696**	**318,223**	**317,685**	**228,500**
Trading Income (net)	**664,128**	**(325,160)**	**(417,002)**	**(622,343)**	**(414,705)**
Gains/Losses on Securities Trading	570,339	412,464	266,715	186,605	177,111
Derivative Financial Transactions Gains/Losses	(614,744)	(897,945)	(187,206)	(1,081,085)	(1,006,949)
Foreign Exchange Gains/Losses	708,533	160,321	(496,511)	272,137	415,133
Other Operating Income	**5,109,980**	**5,869,814**	**6,713,708**	**3,326,367**	**3,371,566**
Total Operating Income / Expense	**16,041,747**	**17,805,096**	**21,185,227**	**9,810,622**	**11,696,960**
Provision for Loans and Other Receivables	1,530,113	2,289,722	2,835,495	1,461,659	1,543,824
Other Operating Expenses	**9,499,378**	**10,940,293**	**11,330,291**	**5,397,754**	**6,287,791**
Net Operating Income	**5,012,256**	**4,575,081**	**7,019,441**	**2,951,209**	**3,865,345**
Profit/Loss From Associates Using the Equity Method	14,778	14,818	12,871	6,725	7,908
Profit/Loss On Continuing Operations Before Tax	**5,027,034**	**4,589,899**	**7,032,312**	**2,957,934**	**3,873,253**
Tax Provision For Continuing Operations	1,006,617	850,228	1,349,454	522,333	802,919
Current Tax Provision	1,293,016	528,501	1,119,041	837,741	1,058,678
Deferred Tax Provision	(286,399)	321,727	230,413	(315,408)	(255,759)
Net Period Profit/Loss From Continuing Operations	**4,020,417**	**3,739,671**	**5,682,858**	**2,435,601**	**3,070,334**
Group's profit/loss	3,523,719	3,330,740	4,998,956	2,153,602	2,759,612
Minority shares	496,698	408,931	683,902	281,999	310,722
Earnings Per Share(1)	0.031321320	0.029605986	0.044434276	0.019142746	0.024529394

(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.

As noted in the "*Presentation of Financial and Other Information – Alternative Performance Measures*" section of the Base Prospectus, the Group's cost-to-income ratio for a period is calculated as: (a) the cost, which is the total operating expenses excluding insurance expenses and impairment losses, net, for such period *as a percentage of* (b) the income, which is calculated as the total operating income for such period *minus* insurance expenses for such period. The calculation of the Group's cost-to-income ratio for the indicated periods is as follows:

				For the six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
		(TL thousands, except percentages)			
Other operating expenses	9,499,378	10,940,293	11,330,291	5,397,754	6,287,791
Insurance and reinsurance companies' expenses	(2,912,558)	(3,611,428)	(4,117,676)	(1,661,801)	(2,287,191)
Total Costs	**6,586,820**	**7,328,865**	**7,212,615**	**3,735,953**	**4,000,600**
Total operating income	16,041,747	17,805,096	21,185,227	9,810,622	11,696,960
Insurance and reinsurance companies' expenses	(2,912,558)	(3,611,428)	(4,117,676)	(1,661,801)	(2,287,191)
Total Income	**13,129,189**	**14,193,668**	**17,067,551**	**8,148,821**	**9,409,769**
Cost-to-income ratio	50.2%	51.6%	42.3%	45.8%	42.5%

Results of Operations for the six months ended 30 June 2016 and 2017

Interest Income

The Group's interest income increased by 22.3% from TL 11,891 million in the six months ended 30 June 2016 to TL 14,547 million in the six months ended 30 June 2017.

The Group's interest income is primarily derived from interest on loans and interest on total securities. For the six months ended 30 June 2017, interest income from loans totaled TL 11,154 million (76.7% of total interest income) and interest income from total securities totaled TL 2,653 million (18.2% of total interest income), compared to TL 9,050 million (76.1%) and TL 2,215 million (18.6%), respectively, in the same period of the previous year. With respect to interest income derived from the Bank's loan portfolio, the Bank's average interest rates on loans to customers remained stable at 9.6% for the six months ended 30 June 2017 compared to the same period of the previous year. The Bank's monthly average balance of loans during the six months ended 30 June 2017 increased to TL 216,924 million from TL 178,134 million in the same period of the previous year (an increase of 21.8%) as a result of growth mainly in Turkish Lira-denominated commercial and corporate loans, which growth was largely due to loans extended by the Bank under the KGF programme. As a result, interest income from total loans in the first six months of 2017 increased by 21.6% from the same period of the previous year. The average interest rates on total securities portfolio increased from 8.1% in the six months ended 30 June 2016 to 8.5% in the six months ended 30 June 2017, in part due to higher rates applicable to total securities portfolio, while the monthly average balance of total securities portfolio in the six months ended 30 June 2017 increased to TL 54,427 million as compared to TL 46,774 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 22.7% 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 19.3% from TL 6,145 million in the six months ended 30 June 2016 to TL 7,332 million in the six months ended 30 June 2017. This increase was due to 14.9%, 29.7%, 17.8% and 26.5% year-on-year increase in interest expenses on deposits, marketable securities issued, funds borrowed and repos and money market transactions, respectively. These increases were primarily driven by higher funding costs due to the rising interest rate environment. As of 30 June 2017, the Group had TL 18,254 million in funding through repos and TL 195,025 million in deposits, a repo-to-deposit ratio of 9.4% (for 30 June 2016, TL 19,458 million, TL 164,255 million and 11.8%, respectively).

Net Interest Income

The Group's net interest income increased by 25.6% from TL 5,746 million in the six months ended 30 June 2016 to TL 7,215 million in the six months ended 30 June 2017. This increase was mainly due to a 23.2% increase in interest income from loans, which primarily resulted from the increases in both the volume and yield of loans, and a 19.8% increase in income from total securities due to higher volume and interest rates on securities). The total impact was partially offset by an increase in interest expense (primarily driven by interest paid on deposits). The Bank's annualised net interest margin in the six months ended 30 June 2017 was 4.6%, compared to 4.3% in the same period of the previous year. The increase in the net interest margin was achieved due to the volume expansion in the loan portfolio and the increasing yield contribution from the securities portfolio.

The increase in the Bank's monthly average balance of loans was offset by higher funding costs, particularly for deposits due to increased competition for deposits as a result of the increase in KGF-driven lending growth in the first six months of 2017 as well as by increased interest rates in the market due to reduced risk appetite for emerging markets, global liquidity concerns, tight liquidity conditions maintained by the Central Bank and the political uncertainty that existed 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*."

Net Fees and Commission Income

The Group's net fees and commission income increased by 24.3% from TL 1,043 million in the six months ended 30 June 2016 to TL 1,296 million in the six months ended 30 June 2017. This increase was a result of the increase in non-cash loans, point of sales (POS) transactions, cash loans, insurance, money transfers and investment funds' commissions.

Dividend Income

The Group's dividend income decreased by 28.0% from TL 318 million in the six months ended 30 June 2016 to TL 229 million in the six months ended 30 June 2017.

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 improved from a loss of TL 622 million in the six months ended 30 June 2016 to a loss of TL 415 million in the six months ended 30 June 2017. This change was primarily driven by the valuation of derivative transactions executed for hedging purposes, largely to hedge interest rate risk arising from the Group's incurrence of foreign currency-denominated liabilities.

Other Operating Income

The Group's other operating income increased by 1.4% from TL 3,326 million in the six months ended 30 June 2016 to TL 3,372 million in the six months ended 30 June 2017. Contribution from operations of the Group's insurance/reinsurance companies to the Group's other operational income was TL 2,213 million and TL 2,536 million in the six months ended 30 June 2016 and 2017, respectively.

A significant component of the Group's other operating income in the six months ended on each of 30 June 2016 and 2017 has been its collections of NPLs. During the six months ended 30 June 2017, the Group collected TL 860 million, or 16.3%, of its NPLs as of 31 December 2016, as compared to TL 663 million, or 16.9%, of its NPLs as of 31 December 2015 collected during the six months ended 30 June 2016.

Provisioning for Loans and other Receivables

The Bank's policy is to allocate specific provisions in accordance with the minimum provision rates required by regulation; *however*, due to the Bank's management's more conservative policies, general provisions exceed the minimum level required by law. The Group's provisioning for loans and other receivables increased by 5.6% from TL 1,462 million in the six months ended 30 June 2016 to TL 1,544 million in the six months ended 30 June 2017. This increase was principally attributable to a 5.4% increase in specific provisions as a result of an increase in the coverage ratio from 76.4% as of 30 June 2016 to 80.2% as of 30 June 2017. The NPL ratio was 2.3% as of 30 June 2017, compared to 2.4% as of 30 June 2016 and 2.3% as of 31 December 2016 as the net NPL formation decreased from TL 890 million in the six months ended 30 June 2016 to TL 617 million in the six months ended 30 June 2017. In the six months ended 30 June 2016 and 2017, the Bank did not sell any NPLs.

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

	As of 30 June	
	2016	**2017**
	(*TL thousands*)	
Specific Provisions for Loans and Other Receivables[1]	**1,093,025**	**1,151,772**
Group III Loans and Receivables[2]	150,691	144,467
Group IV Loans and Receivables[2]	417,341	473,774
Group V Loans and Receivables[2]	524,993	533,531
General Loan Provision Expenses	**120,013**	**295,713**
Provision Expenses for Potential Risks	-	-
Marketable Securities Impairment Losses	**25,627**	**5,614**
Financial Assets at Fair Value through Profit and Loss	18,054	3,180
Financial Assets Available for Sale	7,573	2,434
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other	**222,994**	**90,725**
Total	**1,461,659**	**1,543,824**

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA 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 – 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 16.5% from TL 5,398 million in the six months ended 30 June 2016 to TL 6,288 million in the six months ended 30 June 2017. This change was principally attributable to an increase in personnel expenses (largely due to an increase in employee salaries), amortisation expenses of intangible assets and other expenses related to operations. Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 1,662 million and TL 2,287 million of the Group's other operating expenses in the six months ended 30 June 2016 and 2017, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 26.0% from TL 2,436 million in the six months ended 30 June 2016 to TL 3,070 million in the six months ended 30 June 2017. This increase in net profit was primarily due to a 25.6% increase in net interest income, a 24.3% increase in net fees and commissions income and a 33.4% decrease in net trading loss (net).

For the six months ended 30 June 2017, the Bank's annualised return on average total assets was 1.8% and the annualised return on average shareholders' equity was 15.3%, compared to 1.6% and 13.7%, respectively, for the six months ended 30 June 2016.

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, 31 December 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, 31 December 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 the 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 31 December 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 Şişe ve Cam Fabrikaları A.Ş. ("*Şişecam*"), Anadolu Hayat Emeklilik A.Ş. and TSKB.

Trading Income/(Loss)(Net)

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 TL 1,649 million, or 42.1%, of its NPLs as of 31 December 2015, as compared to TL 1,208 million, or 44.7%, of its NPLs as of 31 December 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 31 December 2016, compared to 2.0% as of 31 December 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.

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

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA 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, amortisation 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 31 December 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 Camiş Yatırım Holding A.Ş compared to 2014, which are the Group's non-financial subsidiaries.

Trading Income/(Loss)(Net)

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 TL 1,208 million, or 44.7%, of its NPLs as of 31 December 2014, as compared to TL 1,203 million, or 48.6%, of its NPLs as of 31 December 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 31 December 2015 as compared to 1.6% as of 31 December 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.

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

(1) For a description of the changes in the allowance policy for specific provisions, see Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA 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.

Business Segments

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 BRSA 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 30 June 2016, see "*Business of the Group – Subsidiaries and Affiliates – Non-Financial Participations*" in the Base Prospectus (which lists remained the same as of 30 June 2017).

The following table sets forth certain information regarding the Group's business segments as of and for the six months ended 30 June 2017:

	As of (or for the six months ended) 30 June 2017						
	Corporate	**Commercial**	**Retail**	**Private**	**Treasury/ Investment**	**Unallocated**	**Total**
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	***3,207,306***	***5,334,993***	***2,856,925***	***9,251***	***3,073,937***	***64,687***	***14,547,099***
Interest Income from Loans	3,037,164	5,202,208	2,856,925	9,251	-	48,287	11,153,835
Interest Income from Banks	-	-	-	-	233,785	-	233,785
Interest Income from Money Market Placements	-	-	-	-	39,427	-	39,427
Interest Income from Securities	-	-	-	-	2,652,795	-	2,652,795
Finance Lease Income	70,859	100,077	-	-	-	-	170,936
Other Interest Income	99,283	32,708	-	-	147,930	16,400	296,321
Interest Expense	***774,589***	***872,895***	***1,838,289***	***519,014***	***2,997,726***	***329,284***	***7,331,797***
Interest Expense on Deposits	575,618	872,895	1,838,289	519,014	-	306,466	4,112,282
Interest Expense on Funds Borrowed	198,971	-	-	-	519,553	-	718,524
Interest Expense on Money Market Funds	-	-	-	-	1,337,834	-	1,337,834
Interest Expense on Securities Issued	-	-	-	-	1,140,329	-	1,140,329
Other Interest Expense	-	-	-	-	10	22,818	22,828
Net Interest Income	**2,432,717**	**4,462,098**	**1,018,636**	**(509,763)**	**76,211**	**(264,597)**	**7,215,302**
Net Fees and Commissions Income	**48,792**	**867,919**	**581,044**	**6,892**	**52,320**	**(260,670)**	**1,296,297**
Fees and Commissions Received	239,258	1,041,636	581,150	6,892	84,737	46,077	1,999,750
Fees and Commissions Paid	190,466	173,717	106	-	32,417	306,747	703,453
Dividend Income	-	-	-	-	**228,500**	-	**228,500**
Trading Income/Loss (Net)	-	-	-	-	**(414,705)**	-	**(414,705)**
Other Income	**1,542,270**	**1,474,870**	**161,124**	**130**	**23,199**	**177,881**	**3,379,474**
Prov. for Loans and Other Receivables	**109,192**	**757,342**	**274,221**	**34**	**73**	**402,962**	**1,543,824**
Other Operating Expense	**1,013,284**	**1,855,637**	**886,332**	**5,621**	**183,444**	**2,343,473**	**6,287,791**
Income Before Tax	**2,901,303**	**4,191,908**	**600,251**	**(508,396)**	**-217,992**	**(3,093,821)**	**3,873,253**
Tax Provision	-	-	-	-	-	-	802,919
Net Period Profit	-	-	-	-	-	-	**3,070,334**
Group Profit/Loss	-	-	-	-	-	-	2,759,612
Non-controlling Interest	-	-	-	-	-	-	310,722
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	-	-	-	-	3,230,169	-	3,230,169
Banks and Other Financial Institutions	-	-	-	-	10,580,332	-	10,580,332
Money Market Placements	-	-	-	-	423,296	-	423,296
Financial Assets Available for Sale	-	-	-	-	54,480,714	-	54,480,714
Loans and Receivables	97,126,907	101,147,627	47,776,659	187,674	155,133	1,993,927	248,387,927
Held to Maturity Investments	-	-	-	-	9,452,110	-	9,452,110
Associates and Subsidiaries	-	-	-	-	7,176,236	-	7,176,236
Lease Receivables	2,293,503	1,755,919	-	-	8,585	-	4,058,007
Other	3,590,988	652,373	-	-	3,475,236	64,916,198	72,634,795
Total	**103,011,398**	**103,555,919**	**47,776,659**	**187,674**	**88,981,811**	**66,910,125**	**410,423,586**
SEGMENT LIABILITIES AND EQUITY							
Deposits	27,575,462	45,267,050	94,371,384	15,845,855	-	11,964,895	195,024,646
Derivative Financial Liabilities Held for Trading	-	-	-	-	1,257,625	-	1,257,625
Funds Borrowed	18,797,421	-	-	-	34,722,206	-	53,519,627
Money Market Funds	-	-	-	-	29,395,399	-	29,395,399
Securities Issued(1)	-	-	-	-	39,344,254	-	39,344,254
Other Liabilities	90,814	-	-	-	780,389	29,444,923	30,316,126
Provisions	-	-	-	-	-	15,920,984	15,920,984
Shareholders' Equity	-	-	-	-	-	45,644,925	45,644,925
Total	**46,463,697**	**45,267,050**	**94,371,384**	**15,845,855**	**105,499,873**	**102,975,727**	**410,423,586**

(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 31 December 2016:

	As of (or for the year ended) 31 December 2016						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	***5,201,759***	***9,131,353***	***5,082,432***	***17,529***	***5,498,464***	***129,762***	***25,061,299***
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
Interest Expense	***1,435,734***	***1,326,660***	***3,380,580***	***1,064,572***	***4,860,596***	***571,392***	***12,639,534***
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
Net Interest Income	**3,766,025**	**7,804,693**	**1,701,852**	**(1,047,043)**	**637,868**	**(441,630)**	**12,421,765**
Net Fees and Commissions Income	**(47,900)**	**1,477,325**	**1,049,617**	**10,905**	**77,231**	**(418,645)**	**2,148,533**
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
Dividend Income	-	-	-	-	**318,223**	-	**318,223**
Trading Income/Loss (Net)	-	-	-	-	**(417,002)**	-	**(417,002)**
Other Income	**2,981,765**	**2,626,421**	**221,180**	**5**	**448,188**	**449,020**	**6,726,579**
Prov. for Loans and Other Receivables	**222,203**	**1,210,647**	**600,231**	**23**	**151,193**	**651,198**	**2,835,495**
Other Operating Expense	**1,773,391**	**3,251,400**	**1,742,426**	**10,083**	**302,050**	**4,250,941**	**11,330,291**
Income Before Tax	**4,704,296**	**7,446,392**	**629,992**	**(1,046,239)**	**611,265**	**(5,313,394)**	**7,032,312**
Tax Provision	-	-	-	-	-	-	1,349,454
Net Period Profit	-	-	-	-	-	-	**5,682,858**
Group Profit/Loss	-	-	-	-	-	-	4,998,956
Non-controlling Interest	-	-	-	-	-	-	683,902
SEGMENT ASSETS							
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
Total	**93,628,427**	**90,919,615**	**45,588,264**	**186,679**	**81,133,292**	**62,363,987**	**373,820,264**
SEGMENT LIABILITIES AND EQUITY							
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(1)	-	-	-	-	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
Total	**44,172,401**	**38,086,855**	**86,305,569**	**17,918,532**	**93,799,629**	**93,537,278**	**373,820,264**

(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 31 December 2015:

	As of (or for the year ended) 31 December 2015						
	Corporate	**Commercial**	**Retail**	**Private**	**Treasury/ Investment**	**Unallocated**	**Total**
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	**4,350,004**	**7,712,169**	**4,663,280**	**17,330**	**4,503,066**	**161,117**	**21,406,966**
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
Interest Expense	**1,118,363**	**1,077,368**	**2,853,037**	**987,963**	**4,495,639**	**678,731**	**11,211,101**
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
Net Interest Income	**3,231,641**	**6,634,801**	**1,810,243**	**(970,633)**	**7,427**	**(517,614)**	**10,195,865**
Net Fees and Commissions Income	**(64,661)**	**1,157,410**	**942,235**	**10,606**	**71,796**	**(309,505)**	**1,807,881**
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
Dividend Income	-	-	-	-	**256,696**	-	**256,696**
Trading Income/Loss (Net)	-	-	-	-	**(325,160)**	-	**(325,160)**
Other Income	**2,494,606**	**2,182,391**	**167,071**	**168**	**287,560**	**752,836**	**5,884,632**
Prov. for Loans and Other Receivables	**154,475**	**766,285**	**530,867**	**5**	**2,308**	**835,782**	**2,289,722**
Other Operating Expense	**1,970,847**	**2,967,602**	**1,565,086**	**9,639**	**407,192**	**4,019,927**	**10,940,293**
Income Before Tax	**3,536,264**	**6,240,715**	**823,596**	**(969,503)**	**(111,181)**	**(4,929,992)**	**4,589,899**
Tax Provision	-	-	-	-	-	-	850,228
Net Period Profit	-	-	-	-	-	-	**3,739,671**
Group Profit/Loss	-	-	-	-	-	-	3,330,740
Non-controlling Interest	-	-	-	-	-	-	408,931
SEGMENT ASSETS							
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
Total	**73,952,456**	**80,751,038**	**41,347,465**	**196,007**	**69,891,772**	**59,360,234**	**325,498,972**
SEGMENT LIABILITIES AND EQUITY							
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(1)	-	-	-	-	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
Total	**38,072,452**	**32,497,741**	**71,351,942**	**16,194,848**	**82,983,862**	**84,398,127**	**325,498,972**

(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 31 December 2014:

	As of (or for the year ended) 31 December 2014						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	***3,292,772***	***6,078,528***	***3,931,362***	***23,248***	***4,146,798***	***279,982***	***17,752,690***
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
Interest Expense	***996,863***	***931,037***	***2,434,589***	***1,034,964***	***3,316,071***	***568,757***	***9,282,281***
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
Net Interest Income	**2,295,909**	**5,147,491**	**1,496,773**	**(1,011,716)**	**830,727**	**(288,775)**	**8,470,409**
Net Fees and Commissions Income	**(100,300)**	**934,018**	**898,522**	**11,742**	**66,854**	**(305,653)**	**1,505,183**
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
Dividend Income	-	-	-	-	**292,047**	-	**292,047**
Trading Income/Loss (Net)	-	-	-	-	**664,128**	-	**664,128**
Other Income	**2,426,119**	**1,534,369**	**224,677**	**241**	**254,964**	**684,388**	**5,124,758**
Prov. for Loans and Other Receivables	**22,415**	**431,642**	**495,132**	**190**	**3**	**580,731**	**1,530,113**
Other Operating Expense	**2,104,486**	**1,999,594**	**1,413,959**	**11,930**	**323,470**	**3,645,939**	**9,499,378**
Income Before Tax	**2,494,827**	**5,184,642**	**710,881**	**(1,011,853)**	**1,785,247**	**(4,136,710)**	**5,027,034**
Tax Provision							1,006,617
Net Period Profit							**4,020,417**
Group Profit/Loss							3,523,719
Non-controlling Interest							496,698
SEGMENT ASSETS							
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
Total	**64,294,137**	**65,934,211**	**36,942,468**	**250,548**	**62,626,972**	**47,024,896**	**277,073,232**
SEGMENT LIABILITIES AND EQUITY							
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(1)	-	-	-	-	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
Total	**31,382,120**	**27,546,652**	**59,404,916**	**17,447,516**	**65,755,517**	**75,536,511**	**277,073,232**

(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 31 December			As of 30 June
	2014	2015	2016	2017
	(TL thousands)			
ASSETS				
Cash And Balances with the Central Bank	**25,143,547**	**32,489,976**	**33,233,131**	**33,360,829**
Financial Assets At Fair Value Through Profit And Loss (Net)	**2,260,170**	**2,503,449**	**3,435,744**	**3,230,169**
Financial Assets Held for Trading	2,260,170	2,503,449	3,435,744	3,230,169
Government Debt Securities	490,328	400,736	506,219	215,107
Share Certificates	69,843	79,488	141,396	209,265
Derivative Financial Assets Held for Trading	1,081,071	1,451,999	2,341,766	2,184,489
Other Marketable Securities	618,928	571,226	446,363	621,308
Banks	**6,006,457**	**6,376,094**	**9,257,793**	**10,580,332**
Money Market Placements	**263,559**	**1,308,203**	**466,838**	**423,296**
Interbank Money Market Placements	-	-	191,138	-
İstanbul Stock Exchange Money Market Placements	210,109	1,287,534	261,286	304,713
Receivables from Reverse Repurchase Agreements	53,450	20,669	14,414	118,583
Financial Assets Available For Sale (Net)	**45,677,129**	**47,009,342**	**51,770,372**	**54,480,714**
Share Certificates	100,565	349,160	175,304	205,654
Government Debt Securities	43,878,530	44,771,775	49,217,464	52,018,919
Other Marketable Securities	1,698,034	1,888,407	2,377,604	2,256,141
Loans	**168,328,088**	**193,937,827**	**225,295,662**	**248,387,927**
Loans	167,633,292	192,909,459	224,036,283	247,220,973
Loans to the Bank's Risk Group	445,226	326,211	221,231	170,053
Other	167,188,066	192,583,248	223,815,052	247,050,920
Non-Performing Loans	2,699,501	3,920,231	5,273,481	5,899,624
Specific Provisions (-)	2,004,705	2,891,863	4,014,102	4,732,670
Factoring Receivables	**1,433,209**	**1,951,278**	**2,985,557**	**3,834,213**
Held To Maturity Investments (Net)	**1,391,860**	**4,497,417**	**6,757,758**	**9,452,110**
Government Debt Securities	1,307,192	4,310,652	6,448,990	9,118,313
Other Marketable Securities	84,668	186,765	308,768	333,797
Investments In Associates (Net)	**800,199**	**166,792**	**176,074**	**197,277**
Associates Accounted for Using the Equity Method	111,422	126,240	134,584	155,758
Unconsolidated Associates	688,777	40,552	41,490	41,519
Financial Investments	-	-	-	-
Non-Financial Investments	*688,777*	*40,552*	41,490	41,519
Investments In Subsidiaries (Net)	**4,810,446**	**4,779,842**	**5,831,815**	**6,976,699**
Unconsolidated Financial Subsidiaries	-	-	-	-
Unconsolidated Non-Financial Subsidiaries	4,810,446	4,779,842	5,831,815	6,976,699
Jointly Controlled Entities (Joint Ventures) (Net)	**510**	**2,260**	**2,260**	**2,260**
Jointly Controlled Entities Accounted for Using the Equity Method	-	-	-	-
Unconsolidated Jointly Controlled Entities	510	2,260	2,260	2,260
Jointly Controlled Financial Entities	-	-	-	-
Jointly Controlled Non-Financial Entities	510	2,260	2,260	2,260
Lease Receivables	**2,746,199**	**3,199,311**	**3,802,242**	**4,058,007**
Finance Lease Receivables	3,219,001	3,680,006	4,332,500	4,622,385
Operating Lease Receivables	2,352	2,776	7,878	8,585
Unearned Income (-)	475,154	483,471	538,136	572,963
Derivative Financial Assets Held for Risk Management	-	**4,093**	**272**	**14,387**
Fair Value Hedges	-	4,093	272	14,387
Cash Flow Hedges	-	-	-	-
Hedges of Net Investment In A Foreign Operation	-	-	-	-
Tangible Assets (Net)	**2,383,688**	**5,868,662**	**5,861,299**	**5,898,493**
Intangible Assets (Net)	**381,497**	**506,761**	**579,483**	**767,053**
Goodwill	35,974	35,974	35,974	35,974
Other	345,523	470,787	543,509	731,079
Investment Property (Net)	**2,698,312**	**2,962,675**	**3,373,451**	**3,475,236**
Tax Assets	**660,972**	**653,987**	**637,605**	**624,378**
Current Tax Asset	33,736	62,126	45,921	52,969
Deferred Tax Asset	627,236	591,861	591,684	571,409
Assets Held For Sale	**65,993**	**67,319**	**106,814**	**125,401**
Other Assets	**12,021,397**	**17,213,684**	**20,246,094**	**24,534,805**
Total Assets	**277,073,232**	**325,498,972**	**373,820,264**	**410,423,586**

	As of 31 December			As of 30 June
	2014	2015	2016	2017
			(TL thousands)	
LIABILITIES & EQUITY				
Deposits	**134,501,226**	**154,201,290**	**179,159,438**	**195,024,646**
Deposits from the Bank's Risk Group	3,199,237	3,496,383	3,881,747	4,040,673
Other	131,301,989	150,704,907	175,277,691	190,983,973
Derivative Financial Liabilities Held for Trading	**749,841**	**1,206,148**	**1,305,085**	**1,257,625**
Funds Borrowed	**34,060,007**	**45,468,534**	**52,166,079**	**53,519,627**
Money Market Funds	**22,304,769**	**24,624,433**	**24,974,003**	**29,395,399**
Interbank Money Market Funds	-	-	3,861,679	7,250,719
İstanbul Stock Exchange Money Market Funds	2,291,363	1,788,893	3,099,024	3,891,013
Funds Provided Under Repurchase Agreements	20,013,406	22,835,540	18,013,300	18,253,667
Marketable Securities Issued (Net)	**18,597,092**	**24,079,558**	**28,660,681**	**31,606,110**
Bills	6,901,441	9,388,557	6,781,301	6,734,963
Bonds	11,695,651	14,691,001	21,879,380	24,871,147
Funds	**39,081**	**30,677**	**5,317**	**25,848**
Miscellaneous Payables	**14,395,500**	**17,841,623**	**22,393,901**	**24,490,099**
Other Liabilities	**3,197,979**	**2,869,727**	**3,010,243**	**4,854,437**
Derivative Financial Liabilities Held For Risk Management	-	**5,799**	**51,433**	**30,916**
Fair Value Hedges	-	5,799	51,433	30,916
Cash Flow Hedges	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-
Provisions	**12,083,515**	**13,562,294**	**14,918,935**	**15,920,984**
General Loan Loss Provision	2,479,770	3,015,392	3,286,093	3,561,530
Reserves for Employee Benefits	523,976	615,649	698,771	773,168
Insurance Technical Reserves (Net)	5,287,399	6,130,540	6,940,983	7,542,387
Other Provisions	3,792,370	3,800,713	3,993,088	4,043,899
Tax Liability	**754,807**	**732,394**	**518,271**	**914,826**
Current Tax Liability	748,231	726,495	495,278	889,335
Deferred Tax Liability	6,576	5,899	22,993	25,491
Subordinated Debt	**3,384,849**	**4,192,969**	**4,930,016**	**7,738,144**
Shareholders' Equity	**33,004,566**	**36,683,526**	**41,726,862**	**45,644,925**
Paid-in Capital	4,500,000	4,500,000	4,500,000	4,500,000
Capital Reserves	5,078,348	5,562,634	5,703,692	7,888,214
Share Premium	33,941	33,941	33,941	33,941
Marketable Securities Revaluation Reserve	3,439,122	1,236,211	1,415,547	3,564,556
Tangible Assets Revaluation Reserve	-	2,709,044	2,669,508	2,705,021
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,606,464	1,584,617	1,585,875	1,585,875
Profit Reserves	15,925,056	18,748,096	21,380,383	25,008,386
Legal Reserves	2,511,627	2,774,889	3,043,282	3,454,539
Statutory Reserves	64,234	71,201	81,638	94,223
Extraordinary Reserves	13,300,346	15,797,306	17,965,162	21,229,943
Other Profit Reserves	48,849	104,700	290,301	229,681
Profit or Loss	3,415,578	3,311,612	5,092,395	2,918,468
Prior Years' Profit/Loss	(108,141)	(19,128)	93,439	158,856
Current Year Profit/Loss	3,523,719	3,330,740	4,998,956	2,759,612
Non-Controlling Interest	4,085,584	4,561,184	5,050,392	5,329,857
Total Liabilities and Equity	**277,073,232**	**325,498,972**	**373,820,264**	**410,423,586**

Assets

As of 30 June 2017, the Group had total assets of TL 410,424 million, an increase of 9.8% from TL 373,820 million as of 31 December 2016, which was an increase of 14.8% compared to TL 325,499 million as of 31 December 2015, itself an increase of 17.5% from TL 277,073 million as of 31 December 2014. The overall increase in the Group's total assets was primarily attributable to increases in loans and total securities (10.3% and 9.0%, respectively, during the first half of 2017, 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 30 June 2017, 95.2% 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 30 June 2017, the Group's cash and balances with the Central Bank was TL 33,361 million, an increase of 0.4% from TL 33,233 million as of 31 December 2016, which was an increase of 2.3% compared to TL 32,490 million as of 31 December 2015, itself an increase of 29.2% from TL 25,144 million as of 31 December 2014. A significant amount of these balances represents 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) utilising the Central Bank's Reserve Option Mechanism, which gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements.

Loans, Leasing and Factoring Receivables

As of 30 June 2017, the Group had loans, leasing and factoring receivables of TL 255,113 million, an increase of 10.5% from TL 230,824 million as of 31 December 2016, which was an increase of 16.5% compared to TL 198,060 million as of 31 December 2015, itself an increase of 15.3% from TL 171,813 million as of 31 December 2014. These increases in the Group's loans, leasing and factoring receivables were primarily attributable to increases in loans, principally due to the 15.2%, 12.6%, 8.2% and 14.3%, respectively, increases in Turkish Lira-denominated loans in 2014, 2015 and 2016 and the first half of 2017. The appreciation of foreign exchange rates was another factor in the increases in the Group's loans, leasing and factoring receivables in 2014, 2015 and 2016. Additional information regarding the Group's loan portfolio is set forth in "*Selected Statistical and Other Information – Loan Portfolio*."

Liabilities

As of 30 June 2017, the Group had total liabilities of TL 364,779 million, an increase of 9.8% from TL 332,093 million as of 31 December 2016, which was an increase of 15.0% compared to TL 288,815 million as of 31 December 2015, itself an increase of 18.3% from TL 244,069 million as of 31 December 2014. The increase in the Group's total liabilities in the first half of 2017 was primarily attributable to a 8.9% increase in total deposits and a 17.7% increase in repo and money market funds, whereas the increase in 2016 primarily arose from a 16.2% increase in 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 30 June 2017, the Group's shareholders' equity amounted to 11.1% of the Group's total assets, compared to 11.2% as of 31 December 2016, 11.3% as of 31 December 2015 and 11.9% as of 31 December 2014. TL 936 million, TL 841 million and TL 649 million allocated for dividend payments was deducted from shareholders' equity in the year ended 31 December 2016, 2015 and 2014, respectively, which in turn limited the growth in shareholders' equity. In the first half of 2017, the Bank allocated TL 1,472 million for dividend payments. Total shareholders' equity was TL 33,005 million, TL 36,684 million, TL 41,727 million and TL 45,645 million as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The shareholders' equity increased in each period due to current period profits.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements comprising guarantees, letters of credit and similar obligations totaled TL 73,565 million as of 30 June 2017, compared to TL 65,948 million as of 31 December 2016, TL 52,912 million as of 31 December 2015 and TL 44,663 million as of 31 December 2014. While there was a 24.6% decrease in total guarantees and suretyships in 2016 due to a 19.0% decrease in letters of credit, 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). In the first half of 2017, there was a 11.6% increase in total guarantees and suretyships due to a 12.0% increase in letters of guarantee. 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 1 January 2014, the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated 1 November 2006 regarding the capital of the banks through the end of 2013 has been replaced by the Regulation on Equities of Banks published in the Official Gazette No. 28756 and dated 5 September 2013 (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 1 January 2014: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "*other assets.*"

The BRSA published the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 and sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items. The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor's, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On 27 January 2017, Fitch (which the Bank has been using for such purposes) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank will now be subjected to a 0% risk weight, which amendment 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 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's capital adequacy ratio was 15.70%, 15.10%, 14.34% and 15.32%, respectively (16.02%, 15.65%, 15.17% and 16.53%, 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.

	As of 31 December			As of 30 June
	2014[1]	2015[2]	2016[2]	2017[1]
	(*TL thousands, except percentages*)			
Paid-in capital	4,500,000	4,500,000	4,500,000	4,500,000
Paid-in capital inflation adjustments	1,615,938	1,615,938	1,615,938	1,615,938
Profit reserves	15,408,830	18,269,105	20,686,195	24,153,193
Profit	3,523,719	3,330,740	5,092,395	2,918,468
Tier 1 Capital (I)	32,704,560	35,428,502	38,967,938	42,204,029
Tier 2 Capital (II)	6,010,973	6,272,154	6,174,579	9,136,589
Deductions (III)	62,146	46,019	49,993	85,267
Own Funds (I+II-III)	38,653,387	41,654,637	45,092,524	51,255,351
Risk Weighted Assets (including market and operational risk)	246,267,688	275,840,500	314,468,546	334,593,064
Capital Ratios:				
Tier 1 Ratio	13.3%	12.8%	12.4%	12.6%
Own Funds/Risk Weighted Assets	15.7%	15.1%	14.3%	15.3%

(1) As of 31 December 2014 and 2015, capital was calculated within the scope of the 2012 Capital Adequacy Regulation. As of 31 December 2016 and 30 June 2017, 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 30 June 2017, 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 neighbouring areas. The following table sets forth certain information regarding the 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.

Şişecam (Consolidated)

	As of (or for the six month period ended) 30 June	
	2016	2017
	(TL thousands)	
Total Assets	16,616,258	19,780,764
Total Liabilities	6,329,219	7,865,205
Profit/(loss) for the period	390,529	813,447

	As of (or for the year ended) 31 December		
	2014	2015	2016
	(TL thousands)		
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 30 June 2017		
	TL	**Foreign Currencies**	**Total**
		(TL thousands)	
Deposits	89,559,647	105,464,999	195,024,646
Money Market Funds	27,127,301	2,268,098	29,395,399
Funds Borrowed, Marketable Securities Issued and Subordinated Debt	12,784,995	80,078,886	92,863,881

	As of 31 December 2014			**As of 31 December 2015**			**As of 31 December 2016**		
	TL	**Foreign Currencies**	**Total**	**TL**	**Foreign Currencies**	**Total**	**TL**	**Foreign Currencies**	**Total**
					(TL thousands)				
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 48.5%, 47.4%, 47.9% and 47.5% of its total liabilities and shareholders' equity as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. As of 30 June 2017, the Group's deposits amounted to TL 195,025 million, an increase of 8.9% from TL 179,159 million as of 31 December 2016, which was an increase of 16.2% from TL 154,201 million as of 31 December 2015, itself an increase of 14.6% from TL 134,501 million as of 31 December 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 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, see Section Five, II.a of the Group's BRSA Financial Statements as of and for the year ended 31 December 2016 and the BRSA Interim Financial Statements as of and for the year ended 30 June 2017.

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%, 29.6% and 29.8% of the Group's consolidated assets as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. As of 30 June 2017, 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 20.1% 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 30 June 2017	
	TL	Foreign Currencies
	(TL thousands)	
Funds borrowed from domestic banks and institutions	1,994,838	3,401,615
Funds borrowed from foreign banks, institutions and funds	2,530,921	45,592,253
Marketable securities issued	8,259,236	23,346,874
Subordinated debt	-	7,738,144
Total	**12,784,995**	**80,078,886**

	As of 31 December					
	2014		2015		2016	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	(TL thousands)					
Funds borrowed from domestic banks and institutions	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
Total	**11,240,478**	**44,801,470**	**13,185,225**	**60,555,836**	**11,801,362**	**73,955,414**

The table below sets 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 31 December					
	2014		2015		2016	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
	(TL thousands)					
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
Total	**11,240,478**	**44,801,470**	**13,185,225**	**60,555,836**	**11,801,362**	**73,955,414**

	As of 30 June 2017	
	TL	Foreign Currencies
	(TL thousands)	
Short-term	9,151,848	5,839,913
Medium and long-term	3,633,147	74,238,973
Total	**12,784,995**	**80,078,886**

Borrowings from foreign banks and institutions include syndicated loans, "diversified payment rights" (DPR) future flow transactions, eurobonds and other fund-raisings. Details of the Bank's syndicated loans, future flow transactions and material eurobonds as of 30 June 2017 are as follows:

Outstanding Principal	**Final Maturity**	**Interest rate %**
€18 million DPR issuance	November 2018	Varies
€36.25 million DPR issuance	August 2024	Varies
€54.375 million DPR issuance	August 2024	Varies
$14.58 million DPR issuance(1)	August 2017	Varies
$4.17 million DPR issuance(1)	August 2017	Varies
$25 million DPR issuance	November 2018	Varies
€30 million DPR issuance	November 2018	Varies
€37.50 million DPR issuance	November 2018	Varies
€42.50 million DPR issuance	November 2025	Varies
$220 million DPR issuance	November 2028	Varies
$25 million DPR issuance	November 2019	Varies
$57 million DPR issuance	February 2022	Varies
$15 million DPR issuance	February 2030	Varies
$50.42 million DPR issuance	February 2020	Varies
$183.333 million DPR issuance	February 2020	Varies
$68.75 million DPR issuance	February 2020	Varies
$137.50 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
$296 million syndicated loan	May 2018	Libor + 1.15%
€989.5 million syndicated loan	May 2018	Euribor + 1.05%
$302 million syndicated loan(2)	September 2017	Varies
€661 million syndicated loan(2)	September 2017	Varies
$500 million eurobond	November 2017	3.875%
$1,000 million subordinated eurobond	October 2022	6.00%
$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%
$750 million eurobond	April 2024	6,125%
$500 million subordinated eurobond	June 2028	7.00%

(1) These were repaid in August 2017.

(2) These were repaid in September 2017 and replaced with syndicated loans with one year terms as follows: (a) a $352 million tranche with an interest rate of Libor + 1.05% and (b) a €656 million tranche with an interest rate of Euribor + 0.95%.

The Bank has also issued certain smaller and/or shorter tenor Series of notes under the Programme. The Bank may issue, from time to time, additional Series of notes under the Programme, which (as permitted by the Programme) 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 six months ended 30 June 2017.

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

	As of 31 December			As of 30 June
	2014	2015	2016	2017
		(TL thousands)		
Letters of guarantee	34,649,566	39,841,608	48,978,718	54,876,048
Acceptance credits	1,229,731	955,580	2,579,744	2,257,119
Letters of credit	7,763,406	10,906,494	12,983,418	14,730,391
Other guarantees(1)	1,020,610	1,208,583	1,405,754	1,701,349
Total	**44,663,313**	**52,912,265**	**65,947,634**	**73,564,907**

(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 30 June 2017					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(TL thousands)			
Forward foreign exchange contracts	2,459,355	6,553,762	9,013,117	2,641,970	6,402,340	9,044,310
Currency Swaps	9,340,511	48,327,884	57,668,395	31,593,605	24,564,736	56,158,341
Interest rate swaps	508,660	31,686,676	32,195,336	508,660	31,686,676	32,195,336
Currency options	2,562,600	6,333,753	8,896,353	2,419,742	6,422,363	8,842,105
Interest rate options	-	602,976	602,976	-	602,976	602,976
Marketable security and index options	20,906	-	20,906	31,537	-	31,537
Currency futures	117,126	91,907	209,033	92,080	129,237	221,317
Interest rate futures	-	-	-	-	-	-

	As of 31 December 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 31 December 2015					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
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 31 December 2014					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
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 31 December		
	2014	2015	2016
		(*TL thousands)*	
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(1)	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 Group's BRSA Financial Statements as of and for the year ended 31 December 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, 31 December 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**
				(TL thousands, except percentages)					
ASSETS									
Average Interest-Earning Assets									
Loans and Receivables (performing)	**141,243,906**	**8.87%**	**12,532,579**	**171,098,798**	**9.09%**	**15,558,315**	**184,908,413**	**9.72%**	**17,970,553**
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
Total Securities Portfolio	**38,245,634**	**8.75%**	**3,346,141**	**43,683,932**	**7.81%**	**3,410,608**	**48,053,615**	**8.20%**	**3,940,171**
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
Banks	**2,172,491**	**0.69%**	**15,037**	**1,702,666**	**1.01%**	**17,230**	**2,023,696**	**1.46%**	**29,622**
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
Balances with the Central Bank (interest-earning portion)	**2,542,361**	**0.23%**	**5,865**	**27,342,331**	**0.24%**	**64,684**	**28,374,429**	**0.77%**	**219,345**
Turkish Lira	2,542,361	0.23%	5,865	2,135,026	1.77%	37,840	3,055,746	4.59%	140,343
Money Market Placements(1)	**965**	**9.22%**	**89**	**858**	**9.79%**	**84**	**960**	**8.65%**	**83**
Turkish Lira	965	9.22%	89	858	9.79%	84	960	8.65%	83
Total for Average Interest-Earning Assets	**184,205,357**	**8.63%**	**15,899,711**	**243,828,585**	**7.81%**	**19,050,921**	**263,361,113**	**8.41%**	**22,159,774**
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
Average Non-Interest-Earning Assets									
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		
Total for Average Non-Interest Earning Assets	**36,895,126**			**20,819,659**			**25,258,486**		
Total for Average Assets	**221,100,483**			**264,648,244**			**288,619,599**		

(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**
				(TL thousands, except percentages)					
LIABILITIES									
Average Interest-Bearing Liabilities									
Deposits (other than demand deposits)	**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
Funds Borrowed	**16,643,538**	**2.90%**	**482,494**	**26,457,904**	**2.85%**	**754,852**	**27,879,843**	**2.82%**	**787,204**
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
Funds provided under repurchase agreements[(1)]	**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
Marketable securities issued and subordinated debt	**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
Total for Average Interest-Bearing Liabilities	**151,676,961**	**5.65%**	**8,570,524**	**186,810,257**	**5.44%**	**10,160,609**	**197,678,276**	**5.72%**	**11,299,056**
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
Average Non-Interest-Bearing Liabilities									
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		
Total for Average Non-Interest-Bearing Liabilities	**42,946,932**			**49,122,909**			**57,756,044**		
Total for Average Liabilities	**194,623,893**			**235,933,166**			**255,434,320**		
Total Average Shareholders' Equity and Net Profit	**25,836,062**			**29,904,943**			**34,073,200**		

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

	2016/2015		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Total Performing Loans	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
Total Securities	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
Total interest income	**1,654,932**	**1,286,869**	**2,941,801**
Interest Expense			
Deposits (other than demand deposits)	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)
Funds Borrowed	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
Total interest expense	**566,874**	**660,063**	**1,226,937**
Net change in net interest income	**193,625**	**1,457,569**	**1,651,194**

	2015/2014		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Total Performing Loans	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
Total Securities	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
Total interest income	**2,973,021**	**117,182**	**3,090,202**
Interest Expense			
Deposits (other than demand deposits)	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
Funds Borrowed	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
Total interest expense	**1,105,506**	**(136,494)**	**969,012**
Net change in net interest income	**1,867,515**	**253,676**	**2,121,190**

D. Certain Group Information

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

	2014	2015	2016
	(TL thousands, except percentages)		
Net income	4,020,417	3,739,671	5,682,858
Average total assets[(1)]	259,346,186	301,286,102	343,630,429
Average shareholders' equity[(1)]	25,840,079	30,520,662	34,562,674
Average shareholders' equity as a percentage of average total assets[(1)]	9.96%	10.13%	10.06%
Return on average total assets[(1)]	1.55%	1.24%	1.65%
Return on average shareholders' equity[(1)]	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 recognised in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. Dollars and euro.

As of 31 December 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 31 December 2015, which in turn increased by 8.9% from TL 48,248 million as of 31 December 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 31 December 2016, TL 24,682 million as of 31 December 2015 and TL 21,452 million as of 31 December 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:

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

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

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
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
Total securities	**48,248,088**	**52,558,209**	**59,622,108**

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

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Turkish government debt securities[1]....................	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
Total securities	**48,248,088**	**52,558,209**	**59,622,108**

(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 31 December 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 31 December 2015, which itself was an increase of 9.4% from TL 47.1 billion as of 31 December 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 31 December 2016, the loan portfolio represented 65.1% of the Bank's total assets, compared to 64.2% and 65.3%, respectively, as of 31 December 2015 and 2014 (59.9%, 59.3% and 60.5%, respectively, for the Group). As of 31 December 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 31 December 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 31 December					
	2014		2015		2016	
			(TL thousands, except percentages)			
Turkish government debt securities[1] ..	43,878,530	96.06%	44,771,775	95.24%	49,217,464	95.07%
Other marketable securities[2]	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%
Total available-for-sale portfolio	**45,677,129**	**100.00%**	**47,009,342**	**100.00%**	**51,770,372**	**100.00%**

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

As of 31 December 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 31 December 2015, itself an increase of 2.9% from TL 45,677,129 thousand as of 31 December 2014.

The average interest rates on the Group's available-for-sale securities portfolio as of 31 December 2016 were: (a) for Turkish Lira-denominated securities, 9.15% (9.20% and 8.90%, respectively, as of 31 December 2015 and 2014), (b) for U.S. Dollar-denominated securities, 4.41% (4.33% and 4.74%, respectively, as of 31 December 2015 and 2014), and (c) for euro-denominated securities, 3.56% (4.08% and 4.64%, respectively, as of 31 December 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 31 December					
	2014		2015		2016	
	(TL thousands, except percentages)					
Turkish government debt securities(1)	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%
Total held-to-maturity portfolio	**1,391,860**	**100.00%**	**4,497,417**	**100.00%**	**6,757,758**	**100.00%**

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

As of 31 December 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 31 December 2015, itself an increase of 223.1% from TL 1,391,860 thousand as of 31 December 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 31 December 2016 were: (a) for Turkish Lira-denominated securities, 9.30% (9.54% and 10.31%, respectively, as of 31 December 2015 and 2014), (b) for U.S. Dollar-denominated securities, 4.43% (5.32% and 0.70%, respectively, as of 31 December 2015 and 2014), and (c) for euro-denominated securities, 1.28% (1.74% and 2.13%, respectively, as of 31 December 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:

	As of 31 December					
	2014		2015		2016	
	(TL thousands, except percentages)					
Turkish government debt securities(1)	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%
Trading securities portfolio	**1,179,099**	**100.00%**	**1,051,450**	**100.00%**	**1,093,978**	**100.00%**

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

As of 31 December 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 31 December 2015, itself a decrease of 10.8% from TL 1,179,099 thousand as of 31 December 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 31 December 2016 were: (a) for Turkish Lira-denominated securities, 10.64% (11.45% and 8.12%, respectively, as of 31 December 2015 and 2014), (b) for U.S. Dollar-denominated securities, 5.90% (5.36% and 4.66%, respectively, as of 31 December 2015 and 2014), and (c) for euro-denominated securities, 1.78% (1.67% and 1.93%, respectively, as of 31 December 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 31 December 2016				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
			(TL thousands)		
Available-for-sale securities........	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
Total	**8,094,276**	**26,515,642**	**20,156,215**	**3,910,893**	**58,677,025**

C. Investment Concentrations

As of 31 December 2016, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of 31 December 2016, the Group's TL 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 31 December 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 31 December 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 31 December 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 31 December 2015 (TL 168.3 billion as of 31 December 2014). The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 16.2% as of 31 December 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 31 December 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 31 December 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.

	As of 31 December					
	2014		**2015**		**2016**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(*TL thousands, except percentages*)					
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%
Total Loans	**168,328,088**	**100.00%**	**193,937,827**	**100.00%**	**225,295,662**	**100.00%**

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 31 December 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**	**%**
			(TL thousands, except percentages)			
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%
Total Performing Loans	**167,633,292**	**100.00%**	**192,909,459**	**100.00%**	**224,036,283**	**100.00%**
Non-Performing Loans	2,699,501		3,920,231		5,273,481	
Total Loans	**170,332,793**		**196,829,690**		**229,309,764**	
Allowance for Loan Losses	2,004,705		2,891,863		4,014,102	
Total Net Loans	**168,328,088**		**193,937,827**		**225,295,662**	

Currency of Loans. As of 31 December 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 31 December 2015 and 42.0% as of 31 December 2014.

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

	As of 31 December					
	2014		2015		2016	
			(TL thousands, except percentages)			
Cash Loans						
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%
Total Cash Loans	**168,328,088**	**79.03%**	**193,937,827**	**78.57%**	**225,295,662**	**77.36%**
Non-cash Loans						
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%
Total Non-cash Loans	**44,663,313**	**20.97%**	**52,912,265**	**21.43%**	**65,947,634**	**22.64%**
Total Loans	**212,991,401**	**100.00%**	**246,850,092**	**100.00%**	**291,243,296**	**100.00%**

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 31 December 2016; *however*, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of 31 December 2016, the Group's loans with remaining maturities over one year but through five years and over five years composed 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.

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

(1) Includes factoring receivables.

	1 year or less	**After 1 year**	**Total**
Guarantees(1)		(*TL thousands*)	
31 December 2014..	37,915,598	6,747,715	44,663,313
31 December 2015..	43,654,793	9,257,472	52,912,265
31 December 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 31 December 2016, 13.67%, 23.64% and 62.69% of the Bank's non-performing loan portfolio was categorised 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 31 December 2016 (1.99% as of 31 December 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:

	As of 31 December		
	2014	**2015**	**2016**
		(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
Total	**9,145,259**	**11,074,933**	**15,058,347**

A loan is categorised as non-performing when interest, fees or principal remain unpaid 90 days after the due date. A loan is categorised 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 31 December 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 31 December 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 31 December 2016, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table for future years. See "*Summary of Loan Loss Experience*" below.

3. Loan Concentrations

As of 31 December 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 31 December 2016, the gross cash loans to the Bank's ten largest group customers represented 12.3% of its gross loan portfolio, compared to 10.6% as of 31 December 2015 and 11.9% as of 31 December 2014.

D. Other Interest-Earning Assets

As of 31 December 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 categorised 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 collateralised 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 31 December 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 31 December 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:

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

(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:

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

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

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

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

	As of 31 December								
	2014			2015			2016		
	NPLs	Total Provision	% Reserved	NPLs	Total Provision	% Reserved	NPLs	Total Provision	% Reserved
				(TL thousands, except percentages)					
Risk Category									
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%
Total loans classified	**2,699,501**	**2,004,705**	**74.26%**	**3,920,231**	**2,891,863**	**73.77%**	**5,273,481**	**4,014,102**	**76.12%**
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 31 December 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 31 December 2016.

As of 31 December 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 28 January 2014, the Turkish Lira followed a relatively less volatile course than in 2013. As of 31 December 2014, the Turkish Lira had appreciated by 1.02% in nominal terms compared to its level recorded on 28 January 2014. As of 31 December 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 31 December 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 31 December					
	2014		**2015**		**2016**	
	(TL thousands, except percentages)					
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%
Total	**212,847,943**	**100.0%**	**252,566,784**	**100.0%**	**289,890,217**	**100.0%**

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 31 December 2016, the Group's total deposits were TL 179.1 billion, as compared to TL 154.2 billion as of 31 December 2015 and TL 134.5 billion as of 31 December 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 31 December					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(TL thousands, except percentages)					
Savings deposit in Turkish Lira	**50,042,260**	**32.39%**	**52,568,820**	**29.69%**	**62,453,162**	**31.66%**
Demand	8,543,512		9,988,532		12,432,724	
Time	41,498,748		42,580,288		50,020,438	
Foreign currency deposits[(1)]	**58,665,888**	**37.96%**	**75,971,639**	**42.91%**	**85,670,452**	**43.45%**
Demand	13,662,403		17,413,605		20,856,935	
Time	45,003,485		58,558,034		64,813,517	
Funds deposited under repurchase agreements	**20,013,406**	**12.95%**	**22,835,540**	**12.90%**	**18,013,300**	**9.14%**
Commercial deposits	**13,641,503**	**8.83%**	**14,081,267**	**7.95%**	**20,439,804**	**10.37%**
Demand	6,385,381		6,280,106		7,958,931	
Time	7,256,122		7,801,161		12,480,873	
Bank deposits	**6,689,292**	**4.33%**	**7,922,036**	**4.47%**	**7,050,867**	**3.58%**
Demand	653,743		763,508		2,730,701	
Time	6,035,549		7,158,528		4,320,166	
Other	**5,462,283**	**3.54%**	**3,657,528**	**2.07%**	**3,545,153**	**1.80%**
Demand	856,820		793,597		622,320	
Time	4,605,463		2,863,931		2,922,833	
Total	**154,514,632**	**100.00%**	**177,036,830**	**100.00%**	**197,172,738**	**100.00%**

(1) Excluding bank deposits.

As of 31 December 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:

	As of 31 December		
	2014	2015	2016
	(TL thousands)		
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
Total	**154,514,632**	**177,036,830**	**197,172,738**

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

	Up to 3 months[(1)]	3 months to 1 year	Over 1 year	Total
	(TL thousands)			
31 December 2014	120,439,539	8,079,054	5,982,633	134,501,226
31 December 2015	130,732,971	12,677,767	10,790,552	154,201,290
31 December 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:

	2014	2015	2016
	(*TL thousands, except percentages*)		
Net income	4,020,417	3,739,671	5,682,858
Average total assets(1)	259,346,186	301,286,102	343,630,429
Average shareholders' equity(1)	25,840,079	30,520,662	34,562,674
Average shareholders' equity as a percentage of average total assets(1)	9.96%	10.13%	10.06%
Return on average total assets(1)	1.55%	1.24%	1.65%
Return on average shareholders' equity(1)	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 (as defined below) shall consist of the 2016 Conditions (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 (as defined below) substantially in the form set out below.

9 October 2017

TÜRKİYE İŞ BANKASI A.Ş.

Issue of US$500,000,000 6.125% Notes due 2024 (the "*Notes*")
(to be consolidated and form a single series with the US$750,000,000 6.125% Notes due 2024 issued on 25 April 2017 (the "*Original Notes*"))
under the US$7,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "*Conditions*") set forth in the Base Prospectus dated 16 June 2016 and the Prospectus dated 9 October 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:	2
	(c)	Date on which the Notes will be consolidated and form a single Series:	Upon exchange of the Regulation S Temporary Global Note (as defined below) for the Regulation S Permanent Global Note (as defined below) after the date that falls 40 days after the Issue Date (the "*Exchange Date*"), the Regulation S Notes shall be consolidated and form a single Series with the Original Notes. See paragraph 22(a) of these Final Terms below for further information. Notes represented by the Rule 144A Global Note(s) shall, from the Issue Date, be consolidated and form a single Series with the Original Notes.
3.	Specified Currency:		U.S. Dollars or US$

4.	Aggregate Nominal Amount:		
	(a)	Series:	US$1,250,000,000
	(b)	Tranche:	US$500,000,000
5.	Issue Price:		102.017 *per cent.* of the Aggregate Nominal Amount of the Tranche *plus* 166 days' deemed accrued interest in respect of the period from (and including) the 25 April 2017 (the "*Original Issue Date*") to (but excluding) the Issue Date.
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:	11 October 2017
	(b)	Interest Commencement Date:	Original Issue Date
8.	Maturity Date:		25 April 2024
9.	Interest Basis:		6.125 *per cent.* Fixed Rate (*see paragraph 14 below*)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 *per cent.* of their nominal amount
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 *per cent. per annum* 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 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: Regulation S Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event. The Notes offered and sold pursuant to Regulation S in offshore transactions to persons who are not U.S. persons (the "*Regulation S Notes*") will initially be represented by beneficial interests in a temporary global note in registered form (the "*Regulation S Temporary Global Note*") and, upon consolidation with the Original Notes on the Exchange Date, will be represented by beneficial interests in a permanent global note in registered form (the "*Regulation S Permanent Global Note*"). 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 11 October 2017; *however*, no assurance can be given that such application will be accepted. The Notes are to be consolidated and form a single series with the Original Notes, which are listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange.
(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 Joint Bookrunners 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:	5.750 *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), XS1686847549 for the Regulation S Temporary Global Note and, upon consolidation,

		XS1578203462 for the Regulation S Permanent Global Note
(b)	Common Code:	157889117 for Rule 144A Global Note(s), 168684754 for the Regulation S Temporary Global Note and, upon consolidation, 157820346 for the Regulation S Permanent 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 International plc 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
(f)	Prohibition of Sales to EEA Retail Investors	Not Applicable

U.S. TAXATION

This is a general summary of certain U.S. federal tax considerations in connection with an investment in the New 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 New Note by a U.S. Holder (as defined below) whose functional currency is the U.S. Dollar that acquires the New Note in this offering from the Joint Bookrunners at the price set forth in this Prospectus 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 organisations, financial institutions, dealers and traders in securities or currencies, U.S. Holders that will hold a New 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 New 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 an owner of a New 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 organised 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. References herein to a U.S. Holder holding a New Note shall also refer to the holding of a beneficial interest in a Global Note.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds a New 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 New 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. Investors in the New Notes should consult their tax advisers as to the particular tax consequences to them of owning investments in the New Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Qualified Reopening and Pre-Issuance Accrued Interest

It is anticipated, and the following discussion assumes, that the issuance of the New Notes will constitute a "qualified reopening" of the issuance of the Original Notes within the meaning of the applicable U.S. Treasury Regulations. Consequently, for U.S. federal income tax purposes, the issue price of the New Notes will be equal to the issue price of the Original Notes and the issue date of the New Notes will be considered to be the issue date of the Original Notes. Additionally, a portion of the price paid for the New Notes will be allocable to interest that "accrued" prior to the issuance of the New Notes (*i.e.*, "pre-issuance accrued interest"). To the extent a portion of a beneficial holder's purchase price is allocable to pre-issuance accrued interest, a portion of the first stated interest payment equal to the amount of pre-issuance accrued interest may be treated as a non-taxable return of such purchase price to the holder rather than as interest income and the following discussion assumes that it will be treated as such. Amounts treated as a return of purchase price will reduce a beneficial holder's adjusted tax basis in the New Notes by the corresponding amount.

Payments of Interest

Except as described above with respect to pre-issuance accrued interest, payments of interest on the New 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 New 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 New 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.

Amortisable Bond Premium

If a U.S. Holder purchases a Note for an amount in excess of its stated redemption price at maturity (excluding any amounts attributable to the pre-issuance accrued interest, as discussed above), such excess will be considered "amortisable bond premium." Generally, a U.S. Holder may elect to amortise such premium as an offset to interest, using a constant yield method, over the remaining term of such Note. To the extent the amount of amortisable bond premium attributable to the current accrual period exceeds the amount of interest income for the current accrual period, a U.S. Holder's ability to deduct such excess in that period is limited to the amount by which such holder's total interest inclusions on the Notes in prior accrual periods exceed the total amount such holder treated as a bond premium deduction in prior accrual periods. If any of the excess bond premium is not deductible in the current period, then that amount is carried forward to the next accrual period. If a U.S. Holder elects to amortise bond premium, then such holder must reduce its tax basis in the Notes by the amount of the premium used to offset interest income as set forth above.

U.S. Holders should consult their tax advisors about these rules. If a U.S. Holder makes the election to amortise bond premium, it will apply to all debt instruments (other than debt instruments the interest on which is excludible from gross income) that such holder holds at the beginning of the first taxable year to which the election applies or thereafter acquires, and the election may not be revoked without the consent of the U.S. Internal Revenue Service ("*IRS*").

Market Discount

If a U.S. Holder purchases a Note at a price below such Note's stated redemption price at maturity (excluding any amounts attributable to the pre-issuance accrued interest, as discussed above) reduced by 0.25% multiplied by the number of complete remaining years to such New Note's maturity, the Note will be treated as purchased at a market discount. Under the market discount rules, a U.S. Holder will be required to treat any principal payment on, or any gain on the sale, exchange, retirement or other disposition of, a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the holder to include such market discount. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election with respect to a particular note to accrue in accordance with a constant yield method based upon the compounding of interest and may revoke such election only with the permission of the IRS (a "*constant yield election*"). Such constant yield election will result in a deemed election for all market discount bonds acquired by the holder on or after the first day of the first taxable year to which such election applies.

Sale, Exchange and Redemption of New Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a New Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (*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 New Note. A U.S. Holder's tax basis in a New Note generally will equal the amount paid for the New Note decreased by any amount attributable to pre-issuance accrued interest. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of a New Note will be capital gain or loss and will be long-term capital gain or loss if the New Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a New Note generally will be U.S. source. As such, if the disposition of a Note by a U.S. Holder is subject to Turkish tax, the U.S. Holder generally will not be able to use the corresponding foreign tax credit against the income from such gain. U.S. Holders should consult their advisors with respect to the application of foreign tax credits to their particular circumstances.

Information Reporting and Backup Withholding

Information returns may be filed with 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 New 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 New 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 New Notes. U.S. Holders should consult their tax advisers regarding the effect, if any, of this tax on their investment in the New Notes.

PLAN OF DISTRIBUTION

The Bank intends to offer the New Notes through the Joint Bookrunners and their respective broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the New Notes entered into on 9 October 2017 among the Joint Bookrunners and the Bank (the "*Subscription Agreement*"), each of the Joint Bookrunners has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Joint Bookrunners, the principal amount of the New Notes set forth opposite each Joint Bookrunner's name below at the issue price of 102.017% of the principal amount of the Notes *plus* 166 days' deemed accrued interest in respect of the period from (and including) the Original Issue Date to (but excluding) the New Issue Date.

Joint Bookrunners	*Principal Amount of Notes*
Citigroup Global Markets Limited	US$83,333,000
Emirates NBD P.J.S.C.	US$83,333,000
Erste Group Bank AG	US$83,333,000
HSBC Bank plc	US$83,335,000
Mizuho International plc	US$83,333,000
Wells Fargo Securities International Limited	US$83,333,000
Total	**US$500,000,000**

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

The Bank has been informed that the Joint Bookrunners propose to resell beneficial interests in the New 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 New Notes are offered may be changed at any time without notice.

Offers and sales of the New Notes in the United States will be made by those Joint Bookrunners 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 New 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 New Notes have not been registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States 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 the expiration of a 40 day period after the New Issue Date (the "*Distribution Compliance Period*"), an offer or sale of New 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 Joint Bookrunner has agreed that it will send to each dealer to which it sells the Regulation S Temporary 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 New 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 the expiration of a 40 day period 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 New Notes to be admitted to the Official List and to trading on the Main Securities Market, the Notes have a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Joint Bookrunners 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 New 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 Joint Bookrunner(s) might purchase and sell New Notes (or beneficial interests therein) in the secondary market. These transactions might include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of New Notes (or beneficial interests therein) in excess of the principal amount of New Notes to be purchased by the Joint Bookrunners in their initial offering, which creates a short position for the Joint Bookrunners. Covering transactions involve the purchase of the New Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of New Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the New 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 New Notes (or beneficial interests therein). They might also cause the price of the New 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 Joint Bookrunners might conduct these transactions in the over-the-counter market or otherwise. If the Joint Bookrunners commence any of these transactions, then they might discontinue them at any time.

The Bank expects that delivery of interests in the New Notes will be made against payment therefor on the New Issue Date. Under Rule 15c6-l of the Exchange Act, trades in the secondary market through a broker or dealer in the United States generally are required to settle in two New York City business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the New 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 New Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the New 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 Joint Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Bookrunners or their respective affiliates 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 Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers 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 Joint Bookrunners 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 (or beneficial interests therein).

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

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

LEGAL MATTERS

Certain matters relating to the issuance of the New 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 of English and United States law will be passed upon for the Joint Bookrunners by Allen & Overy LLP, and certain matters of Turkish law will be passed upon for the Joint Bookrunners by Gedik & Eraksoy Avukatlık Ortaklığı (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorisation

The most recent update of the Programme and the further issue of notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer dated 24 June 2013, 28 December 2016 and 12 May 2017.

Listing of Notes

An application has been made to the Irish Stock Exchange for the New 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 New Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or before the New Issue Date, subject only to the issue of the New Notes. The Main Securities Market is a regulated market for the purposes of MiFID I. The expenses in connection with the admission of the New 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 New Notes and is not itself seeking admission of the New 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 BRSA Financial Statements,

(c) the IFRS Financial Statements,

(d) 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,

(e) 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

(f) a copy of this Prospectus, the Base Prospectus and the Original 2016 Base Prospectus.

With respect to each of the BRSA Financial Statements and IFRS Financial Statements, 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); ISIN: XS1686847549 and Common Code: 168684754 with respect to the Regulation S Temporary Global Note and upon consolidation 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 authorised 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: (a) no significant change in the financial or trading position of either the Bank or the Group since 30 June 2017, and (b) no material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 2016.

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Joint Bookrunners, so far as the Bank is aware, no natural or legal person involved in the issue of the New Notes has an interest, including a conflicting interest, material to the issue of the New 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 Annual 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 the 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 authorised by the BRSA to conduct independent audits of banks in Turkey. KPMG is located at İş Kuleleri, Kule 3, Kat:2-9, 34330, Levent, İstanbul, Turkey.

The BRSA Interim Financial Statements as of and for the six months ended 30 June 2016 were reviewed by KPMG, and KPMG's review reports included within such BRSA Interim Financial Statements note that: (a) a review of interim fınancial information: (i) consists of making inquiries primarily of persons responsible for fınancial reporting process, and applying analytical and other review procedures and (ii) is substantially less in scope than an independent audit performed in accordance with independent auditing standards and (b) it does not express an opinion. Accordingly, the degree of reliance upon their reports on such information should be restricted in light of the limited nature of the review procedures applied.

The BRSA Interim Financial Statements as of and for the six months ended 30 June 2017 were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) ("*EY*"), and EY's review reports included within such BRSA Interim Financial Statements note that: (a) a review of interim fınancial information: (i) consists of making inquiries primarily of persons responsible for fınancial reporting process, and applying analytical and other review procedures and (ii) is substantially less in scope than an independent audit performed in accordance with independent auditing standards and (b) it does not express an opinion. Accordingly, the degree of reliance upon their reports on such information should be restricted in light of the limited nature of the review procedures applied. EY is an independent auditor in Turkey and authorised by the BRSA to conduct independent audits of banks in Turkey. EY is located at, Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No: 27 Kat: 2-3-4 Daire: 54-57-59, 34485, Sarıyer, İstanbul, Turkey.

KPMG's audit reports included in the BRSA Annual Financial Statements and the IFRS Financial Statements, KPMG's review reports included in the BRSA Interim Financial Statements as of and for the six months ended 30 June 2016 and EY's review report included in the BRSA Interim Financial Statements as of and for the six months ended 30 June 2017 contain a qualification (see "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus, as deemed modified hereby for purpose of the Notes, for further information).

According to Turkish laws, the Bank is required to rotate its external auditors every seven years. KPMG was appointed as the Bank's external auditors as of 17 December 2009 for three years starting with fiscal year 2010, as of 29 March 2013 KPMG was appointed for three additional years (*i.e.*, for the financial years of 2013, 2014 and 2015), and as of 28 March 2016 KPMG was appointed for one further year. On 18 October 2016, the Bank's Board of Directors resolved to submit the appointment of EY as the Bank's external auditors for a period of three years (including the years 2017, 2018 and 2019) for the approval of the General Assembly. In the General Assembly meeting held on 31 March 2017, the Bank's shareholders approved the appointment of EY.

THE ISSUER

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İş Kuleleri
34330 Levent, İstanbul
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Dubai International Financial Centre
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Dubai
United Arab Emirates

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Austria

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Mizuho International plc
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London EC4M 7AU
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Wells Fargo Securities International Limited
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United Kingdom

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One Canada Square
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United Kingdom

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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2453 Luxembourg

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LISTING AGENT

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AUDITORS TO THE ISSUER

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EY
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