TÜRKİYE İŞ BANKASI A.Ş.
Issue of US$750,000,000 5.375% Notes due 2021
under its US$7,000,000,000 Global Medium Term Note Program
Issue price: 99.540%

The US$750,000,000 5.375% Notes due 2021 (the "*Notes*") are being issued by Türkiye İş Bankası A.Ş., a banking institution organized as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 431112 (the "*Bank*" or the "*Issuer*") under its US$7,000,000,000 Global Medium Term Note Program (the "*Program*").

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

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

The Notes will bear interest from (and including) April 6, 2016 (the "*Issue Date*") to (but excluding) October 6, 2021 (the "*Maturity Date*") at a fixed rate of 5.375% *per annum*. Interest will be payable semi-annually in arrear in equal installments on the 6th day of each April and October in each year (each an "*Interest Payment Date*") up to (and including) the Maturity Date; *provided* that if any such date is not a Payment Business Day (as defined in Condition 7.6), then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. Principal of the Notes is scheduled to be repaid on the Maturity Date, but may be repaid earlier under certain circumstances described herein and in the Base Prospectus. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein.

This prospectus (this "*Prospectus*") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("*EU*") law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the "*Irish Stock Exchange*") for the Notes to be admitted to its official list (the "*Official List*") and trading on its regulated market (the "*Main Securities Market*"); *however*, no assurance can be given that such application will be accepted. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the "*CMB*"), in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of the Republic of Turkey ("*Turkey*") relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. The Notes cannot be sold before the approved issuance certificate (*ihraç belgesi*) and the approved tranche issuance certificate (*tertip ihraç belgesi*) have been obtained from the CMB. The CMB issuance certificate relating to the issuance of notes under the Program based upon which the offering of the Notes is conducted was obtained on February 16, 2016 and the tranche issuance certificate bearing the approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance "BBB-" by Fitch Ratings Ltd. ("*Fitch*") and "Baa3" (negative outlook) by Moody's Investors Service Limited ("*Moody's*" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited, the "*Rating Agencies*"). The Bank has also been rated by the Rating Agencies, as set out on page 153 of the Base Prospectus (as supplemented). Each of the Rating Agencies is established in the EU and is registered under Regulation (EU) No 1060/2009, as amended (the "*CRA Regulation*"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered in reliance upon Rule 144A and Regulation S by each of Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., London Branch, J.P. Morgan Securities plc and Société Générale (each an "*Initial Purchaser*" and, collectively, the "*Initial Purchasers*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes will be made in book-entry form only through the facilities of The Depository Trust Company ("*DTC*"), against payment therefor in immediately available funds on the Issue Date (*i.e.*, the fifth Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as "*T+5*")), and (b) delivery of the Regulation S Notes will be made in book-entry form only through the facilities of Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking S.A. ("*Clearstream, Luxembourg*"), against payment therefor in immediately available funds on the Issue Date.

Joint Lead Managers

Deutsche Bank **HSBC** **ING** **J.P. Morgan** **Société Générale Corporate & Investment Banking**

The date of this Prospectus is April 5, 2016.

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

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

The Issuer confirms that: (a) this Prospectus (including the information incorporated herein by reference) contains all information that in its view is material in the context of the issuance and offering of the Notes (or beneficial interests therein), (b) the information contained in, or incorporated by reference into, this Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Prospectus (or 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 this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

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

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

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

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

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in, or incorporated by reference into, this Prospectus,

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

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

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

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

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

GENERAL INFORMATION

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

The Issuer has obtained the approved issuance certificate (*ihraç belgesi*) from the CMB (dated February 16, 2016 and numbered 29833736-100-E.1848 (the "*CMB Approval*") and the Banking Regulation and Supervision Agency (the "*BRSA*") approval dated January 14, 2016 and numbered 20008792-101.01[44]-E.531 (the "*BRSA Approval*" and, together with the CMB Approval, the "*Approvals*") required for the issuance of the Notes. In addition to the Approvals, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of the Notes is required to be obtained from the CMB by the Issuer on or before the Issue Date. As the Issuer is required to maintain all authorizations and approvals of the CMB necessary for the offer, sale and issue of notes under the Program, the scope of the Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time. Pursuant to the Approvals, the offer, sale and issue of the Notes have been authorized and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Banking Law numbered 5411 (the "*Banking Law*") and its related legislation, the Capital Markets Law numbered 6362 and

Communiqué II-31.1 on Debt Instruments of the CMB (the "*Communiqué on Debt Instruments*") and its related legislation. The tranche issuance certificate from the CMB relating to the approval of the issue of the Notes is expected to be obtained on or before the Issue Date.

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

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

In accordance with the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the "*CRA*") and the interests therein recorded in the CRA; *however*, upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside of Turkey. Further to the Issuer's submission of an exemption request to the CMB, such exemption has been granted by the CMB in the CMB Approval. As a result, this requirement will not be applicable to the Notes since they are being issued pursuant to the CMB Approval. Notwithstanding such exemption, the Issuer is required to notify the CRA within three Turkish business days from the Issue Date of the Tranche of Notes of the amount, Issue Date, ISIN code, interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

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

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

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "*Stabilization Manager*") (or persons acting on behalf of the Stabilization Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) will undertake any stabilization action. Any stabilization or over-allotment action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilization Manager (or persons acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules.

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

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

In this Prospectus, all references to "*Turkish Lira*" and "*TL*" refer to the lawful currency for the time being of the Republic of Turkey, "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended and "*U.S. Dollars*", "*US$*" and "*$*" refer to United States dollars.

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

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

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RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents (or parts thereof) that are incorporated herein by reference, and in particular should consider all the risks inherent in making such an investment, including the information under the heading "*Risk Factors*" on pages 13 to 44 (inclusive) of the Base Prospectus (as supplemented through the date hereof) (the "*Program Risk Factors*"), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur as the Issuer may not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in the Program Risk Factors a number of factors that could materially adversely affect its business and ability to make payments due under the Notes.

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

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

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

(a) the first sentence of the third paragraph of the risk factor entitled "*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:

Investors' interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general (for example, volatility in the emerging markets, monetary policies in the United States and the eurozone, continued violence in Syria and Iraq or a slowdown in China's growth).

(b) the second paragraph of the risk factor entitled "*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:

Beginning in 2013, Turkish politics have been particularly volatile, with political protests and disputes affecting market and economic conditions. Such political instability and related events, including investigations, might have resulted in increased perceptions of political risk for investors and companies operating in Turkey. These recent circumstances, which coincided with the U.S. Federal Reserve's decision to reduce monthly asset purchases, contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. While the Bank's management does not believe that these events have had a material long-term negative impact on Turkey's economy or the Group's business, financial condition and/or results of operation, it is possible that these or other political circumstances could have such a result and/or a negative impact on investors' perception of Turkey, the strength of the Turkish economy and/or the value and/or price of an investment in the Notes.

(c) the risk factor entitled "*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:

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

As of each of December 31, 2014 and 2015, approximately 95.4% of the Group's total assets were in Turkey and the majority of the Group's operations are in Turkey. As a result, the Group's business and results of operations are affected by general economic conditions in Turkey.

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded positively to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits, and high levels of unemployment. While the Turkish economy has been significantly stabilized due, in part, to support from the International Monetary Fund, Turkey might experience a further significant economic crisis in the future, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Since the implementation of fiscal and monetary measures in 2009, Turkey's GDP has been growing, albeit at lower levels in recent years (source: Turkstat). In January 2016, the government announced a three year medium-term economic program from 2016 to 2018. Under this program, the government set growth targets of 4.5% for 2016 and 5.0% for each of 2017 and 2018, as well as a gradual decrease in the net public debt to GDP ratio, according to the Ministry of Development. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy, the current account deficit and macroeconomic and political factors, such as changes in oil prices and uncertainty related with conflicts in Iraq and Syria (See "*Risks Relating with Turkey - Terrorism and Conflicts*"). Any of these developments might cause Turkey's economy to experience macro-economic imbalances, which might impair the Group's business strategies and/or have a material adverse effect on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "*-Global Financial Crisis and Eurozone Crisis*" below and the discussion of increases in interest rates in "*-High Current Account Deficit*" below.

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

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

Since July 2015, Turkey has been subject to a number of bombings, including in a tourist-focused center in İstanbul and in the city center in Ankara, which have resulted in several casualties. Such incidents may continue to occur.

(e) the fourth paragraph of the risk factor entitled "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Terrorism and Conflicts*" in the Base Prospectus is hereby deemed to be amended by the addition of the following at the end thereof:

In July 2015, following a suicide bombing in a Turkish town bordering Syria, Turkey began air strikes against the PKK in northern Iraq, which marked the beginning of a period of elevated tension. The PKK has since been suspected of further bombings in Turkey, and the clashes between Turkish security forces and the PKK have intensified in the southeastern part of Turkey. The intensifying conflict might negatively impact political and social stability in Turkey.

(f) the risk factor entitled "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Inflation Risk*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 73.2% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009 and 6.4% at the end of 2010, the lowest level in many years. Consumer price inflation was 10.4%, 6.2%, 7.4%, 8.2% and 8.8% in 2011, 2012, 2013, 2014 and 2015, respectively, with producer price inflation of 13.3%, 2.5%, 7.0%, 6.4% and 5.7% in 2011, 2012, 2013, 2014 and 2015, respectively. The annual consumer price inflation, which rose almost to double-digit levels in January 2016 due to exchange rate pass-throughs, an increase in food prices, adjustments to administered prices and increases in taxes, declined to 7.46% in March 2016 due principally to seasonal factors. Notwithstanding that the consumer price inflation exceeded the Central Bank's inflation target of 5.0%, the Central Bank has again set the inflation target at 5.0% for 2016. Inflation-related measures that may be taken by the Turkish government and the Central Bank could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

(g) the second paragraph of the risk factor entitled "*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:

The decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to US$63.6 billion in 2013 due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US$43.6 billion and US$32.1 billion in 2014 and 2015, respectively. Although a number of policy measures have been implemented to reduce the current account deficit, including macro-prudential measures issued by the BRSA to limit domestic demand and the Central Bank's tight monetary policy, poor economic conditions in Turkey's primary export customers and geopolitical risks (such as recent tensions between Turkey and Russia) might result in an increase in the current account deficit due to the possible impact on Turkey's foreign trade and tourism revenues.

(h) the first two sentences of the fifth paragraph of the risk factor entitled "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*" in the Base Prospectus are hereby deemed to be deleted in their entirety and replaced with the following:

Turkey is an energy import-dependent country and recorded US$37.8 billion of energy imports in 2015. It should be noted that energy imports, in general, exceed the country's current account deficit. The recent declines in the price of oil might be reversed.

(i) the first and second paragraphs of the risk factor entitled "*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:

Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile. Since February 2001 the Central Bank has applied a floating exchange rate policy that has arguably resulted in increased volatility in the value of the Turkish Lira. In 2012, the Turkish PPI increased by 2.5% while during the same period the Turkish Lira appreciated (in nominal terms) against the US Dollar by 6.5%, according to the Central Bank. According to the Central Bank, the CPI-based real effective exchange rate decreased from 110.3 as of December 31, 2012 to 100.3 as of December 31, 2013, indicating a 9.1% real depreciation, then increased to 104.9 as of December 31, 2014, indicating a 4.6% real appreciation and then decreased to 97.7 as of December 31, 2015, indicating a 6.9% real depreciation. The CPI-based real effective exchange rate slightly increased to 99.5 as of February 2016, indicating a limited appreciation in the Turkish Lira.

In 2013, in nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 19.7% compared to year-end 2012; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was only a 9.1% real depreciation compared to year-end 2012. In particular, from June 2013 until the end of 2013, the value of the Turkish Lira depreciated against major currencies largely due to the increased risk perception in global markets regarding the market's expectation of U.S. Federal Reserve reductions in its quantitative easing program (and its ultimate decision to do so) and the Taksim Square protests and other political events described above. Against these developments, the Central Bank first implemented additional monetary tightening and held intra-day foreign exchange selling auctions, and raised the upper limit of the interest rate corridor, in order to manage the volatility of the Turkish Lira. The Turkish Lira continued to decline in value, falling 9.8% in nominal terms against the U.S. Dollar year-to-date through January 28, 2014. In response, the Central Bank significantly increased policy interest rates on January 28, 2014 and, from that date until April 30, 2014, the Turkish Lira appreciated against the U.S. Dollar by 9.6%. Due to such improvement, on May 22, 2014, the Central Bank reduced its one-week repo rate by 50 basis points to 9.5% and, in the following months, further reduced the one-week repo rate from 9.5% on June 24, 2014 to 7.5% on February 24, 2015. In nominal terms, between December 31, 2014 and December 31, 2015, the Turkish Lira depreciated against the U.S. Dollar by 25.4%. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalization reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. Having declined to 7.62% in March 2015, the Central Bank's average funding rate increased to 9.02% in September 2015, before declining to 8.81% as of the end of 2015. The Central Bank's average funding rate further increased to 9.14% in February 2016, but then subsequently decreased to below 9% in March 2016 due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting.

The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey. As global conditions have been volatile in the beginning of 2016, including as a result of, among other factors, expectations regarding slower growth in China and low commodity and oil prices, monetary policy remains subject to uncertainty. On March 24, 2016, the Central Bank took its first step towards normalization and reduced its upper limit of the interest rate corridor by 25 basis points to 10.50% due to the reduction in the need for a wide interest rate corridor in line with the easing of global volatility. The Central Bank held its one-week repo rate at 7.50% and its overnight borrowing rate at 7.25%. The Central Bank announced that it plans to maintain its tight liquidity stance as a result of the improving trend in the underlying core inflation rate. The fluctuations of foreign currency exchange rates and increased volatility of the Turkish Lira might adversely affect the Group's customers and the Turkish economy in general; thus these might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

(j) the risk factor entitled "*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:

Government Default – The Group has a significant portion of its assets invested in Turkish government debt or lent to governmental entities, making it highly dependent upon the continued credit quality of, and payment of its debts by, the Turkish government

The Group has a significant exposure to Turkish governmental and state-controlled entities. As of December 31, 2015, 94.1% of the Group's total securities portfolio (15.2% of its total assets and equal to 134.9% of its shareholders' equity) was invested in securities issued by the Turkish government and 0.6% of the Group's total assets were used to make loans to Turkish governmental and state-controlled entities (94.7%, 16.5%, 138.4% and 0.7% respectively, as of December 31, 2014). In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or a possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and might have a material adverse effect on the Group's business, financial condition and/or results of operations. Similarly, enforcing rights against governmental entities might be subject to structural, political or practical limitations.

(k) the last sentence of the last paragraph of the risk factor entitled "*Risk Factors –Risks Relating to the Group and its Business – Global Financial Crisis and Eurozone Crisis*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

In addition, any withdrawal by a Member State from the EU and/or the European Monetary Union, any significant changes to the structure of the European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur might have a material adverse effect on the Group's business, financial condition and/or results of operations, including as a result of volatility in European economies, the euro and/or the potential deterioration of the European institutions.

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

The ratio of NPLs to total loans in the Turkish banking sector was 2.8% as of December 31, 2013, 2.9% as of December 31, 2014 and 3.1% as of December 31, 2015 (1.7%, 1.6% and 2.0%, 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 entitled "*Risk Factors –Risks Relating to the Group and its Business – Competition in the Turkish Banking Sector*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

The Group faces significant and continuing competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. As of September 30, 2015, the top five banks in Turkey (one of which is a state-controlled bank) held 55.6% of the banking sector's total loan portfolio (excluding participation banks) and 57.6% of the total bank assets (excluding participation banks) in Turkey, according to the Turkish Banks Association. As of December 31, 2015, the Bank: (a) was the largest bank in Turkey in terms of foreign currency-denominated loans and foreign currency-denominated deposits, (b) was the largest private bank in Turkey in terms of its shareholders' equity and (c) had the largest market shares of total assets, total loans, Turkish Lira-denominated loans, total deposits, Turkish Lira-denominated deposits and demand deposits among private sector banks (sources: BRSA and Interbank Card Center), each as measured on a bank-only basis.

(n) the fourth paragraph of the risk factor entitled "*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:

To address this competition, the Bank plans to continue expanding its branch network and operations, although at a slower pace compared to the expansion in recent years, and/or redistribute its existing branches while continuing its focus on financial strength and performance. Risks associated with the implementation of such strategy might include higher than anticipated costs of opening new branches, an inability to deploy profitably assets acquired or developed through expansion, new business operations (including the deployment of new products) having less profit potential (or none at all) and demonstrating lower overall growth than the Bank anticipates, pressure on profits owing to the time lag between the incurrence of expansion costs and any related future increases in income, a likely increase in the Bank's cost base and a potential negative impact on its margins. The Bank opened 59 domestic branches in 2013 (one branch was consolidated with another branch during 2013), 47 domestic branches in 2014 (three branches were consolidated with other branches during 2014) and 26 domestic branches in 2015 (five branches were consolidated with other branches during 2015). Moreover, as competition in the Turkish banking sector continues to intensify, the Group might seek to further expand internationally through acquisitions or the establishment of branches, which might lead to additional risks and uncertainties relating to the geographic, political, regulatory and economic environment into which the Group seeks to expand.

(o) the third sentence of the fifth paragraph of the risk factor entitled "*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:

While interest rates increased significantly in early 2014 due to the Central Bank actions described elsewhere herein; through a series of Central Bank decisions beginning in May 2014, interest rates declined thereafter through the first two months of 2015 and then remained unchanged through December 31, 2015.

(p) the last sentence of the risk factor entitled "*Risk Factors – Risks Relating to the Group and its Business – Pressure on Profitability*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

For 2015, the Bank's return on average total assets (*i.e.*, net income for the period as a percentage of quarterly average total assets) was 1.2% (same for the sector) and the return on its average equity (*i.e.*, net income for the period as a percentage of quarterly average shareholders' equity) was 10.4% (compared to 11.3% for the sector) (1.5% and 13.1%, respectively, for the Bank and 1.3% and 12.3%, respectively, for the sector for 2014).

(q) the second sentence of the risk factor entitled "*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 56,328 million, TL 65,270 million and TL 77,693 million as of December 31, 2013, 2014 and 2015, respectively, representing 38.8%, 38.9% and 40.3%, respectively, of the Group's total loans at such dates.

(r) 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 53.4%, 52.8% and 57.3% of operating income for 2013, 2014 and 2015, respectively, and net interest margin as measured on a Bank-only basis was 4.2%, 4.1% and 4.1%, 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 actions described elsewhere herein. In addition, as of December 31, 2015, 94.1% of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 15.2% of the Group's total assets (94.7% and 16.5%, respectively, as of December 31, 2014). As a result, a large portion of the Group's total assets is exposed to interest rate risk.

(s) the third paragraph of "*Risk Factors – Risks Relating to the Group and its Business – Liquidity Risk*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

In addition to deposits, the Group also relies upon non-deposit funding (which includes repos and money market, funds borrowed and marketable securities issued), which as of December 31, 2015 accounted for 28.9% of the Group's total liabilities (27.1% as of December 31, 2014). The Group's cash loan-to-deposit ratio (the Group's total amount of cash loans excluding NPLs (as defined below), divided by total deposits) (the "*Cash Loan-to-Deposit Ratio*") was 125.1% as of December 31, 2015 (119.2% and 124.6%, respectively, as of December 31, 2013 and 2014). If growth in the Group's deposit portfolio continues to not keep pace with growth in its loan portfolio, then the Group will become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets. If conditions in the international capital markets or interbank lending market, or the Group's credit ratings, were to deteriorate, then the Group might be unable to secure funding through sources such as its current syndicated loan facilities or future transactions in the international capital markets.

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

As of December 31, 2015, the Group's total foreign currency-denominated borrowings constituted 19.6% of its consolidated assets (17.3% as of December 31, 2014).

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

As of December 31, 2015, approximately 97.3% (approximately 97.4% as of December 31, 2014) of the Group's foreign currency-denominated borrowing (excluding senior eurobonds but, as they are accounted for as loans, including subordinated eurobonds) was sourced from international banks, multilateral institutions and "future flow" transactions.

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

As of December 31, 2015, 50.3% of the Bank's loan portfolio consisted of retail loans and loans to SMEs (as defined by the BRSA SME Definition), with retail loans accounting for 26.4% of the Bank's total loan portfolio, and loans to SMEs (as defined by the BRSA SME Definition) accounting for 23.8% (51.1%, 27.3% and 23.8%, respectively, as of December 31, 2014). 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 each of 2013, 2014 and 2015 were 1.7%, 1.6% and 2.0%, respectively. On a Bank-only basis, in each of the periods mentioned, the Bank's NPLs to SMEs (as defined by the BRSA SME Definition) accounted for a significantly higher percentage of total NPLs (2.3%, 2.3% and 2.7%, respectively, as of December 31, 2013, 2014 and 2015). The Group's NPL ratios for retail loans (which consist of consumer loans, overdrafts and credit cards) were 2.2%, 2.3% and 2.8%, respectively, as of December 31, 2013, 2014 and 2015. A negative impact on the financial condition of the Group's retail or SME customers could have a material adverse effect on the Group's business, financial condition and/or results of operations.

(w) the first sentence of the risk factor entitled "*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 securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2014 and 2015 accounting for 22.1% and 19.1%, respectively, of its total interest income (and 15.0% and 13.6%, respectively, of its gross operating income before deducting interest expense and fee and commission expense).

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

The CPI-linked securities in the Bank's investment portfolio provided high real yields compared to other government securities until year-end 2015, benefiting from the high inflation environment, but their impact on the Bank's earnings may vary as inflation rates change.

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

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

The Group's audit reports based upon BRSA Principles for 2013, 2014 and 2015 include a qualification about a free provision allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions. The Group might have similar qualifications in the future. The auditor's statements on such qualification can be found in its letters attached to each of such BRSA Financial Statements. The independent auditors' reports for the IFRS Financial Statements incorporated by reference herein also include a qualification about a free provision allocated by the Group for the same purposes.

The audit reports for both consolidated and unconsolidated financial statements prepared in accordance with BRSA Principles for the years ended December 31, 2015, 2014 and 2013 include: (a) a qualification related to the free provision as of December 31, 2015 amounting to TL 800 million allocated by the Bank's management, all of which had been recognized as an expense in prior periods, (b) a qualification related to the free provision as of December 31, 2014 amounting to TL 1,000 million allocated by the Bank's management, all of which had been recognized as an expense in prior periods, and (c) a qualification related to the free provision as of December 31, 2013 amounting to TL 1,000 million allocated by the Bank's management, all of which had been recognized as an expense in prior periods. See also the audit reports for the consolidated and unconsolidated BRSA Financial Statements in the BRSA Financial Statements incorporated by reference herein. The Bank's management expects that similar qualifications will be included in the corresponding audit or review reports for future fiscal periods.

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

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

Large Shareholders –The interests of the İşbank Personnel Supplementary Pension Fund and the CHP, which together held 68.24% of the Bank's outstanding share capital as of December 31, 2015, might not be aligned with the interests of the investors in the Notes

As of December 31, 2015, 40.15% of the Bank's shares were held by the İşbank Personnel Supplementary Pension Fund and 28.09% (Atatürk's shares) were owned by the CHP. The interests of such shareholders might not be aligned with the interests of the investor in the Notes.

(aa) the risk factor entitled "*Risk Factors Risks Relating to the Market Generally Financial Transaction Tax*" in the Base Prospectus is hereby deemed to be deleted in its entirety and replaced with the following:

Financial Transaction Tax

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

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution might be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a Participating Member State; *however*, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear as of the date of this Base Prospectus. Additional EU Member States might decide to participate. Prospective investors in the Notes are advised to seek their own professional advice in relation to the FTT and its potential impact on the Notes.

ADDITIONAL INFORMATION

For purposes of the Notes, the section entitled "Taxation - The Proposed Financial Transaction Tax ("*FTT*")" is deemed to be deleted in its entirety and replaced with the following:

The Proposed Financial Transaction Tax ("*FTT*")

On February 14, 2013, the European Commission published the Commission's Proposal for a Directive for a common FTT in the Participating Member States. The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution might be, or be deemed to be, "established" in a

Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a Participating Member State; however, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear as of the date of this Base Prospectus. Additional EU Member States might decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT and its potential impact on 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 in, and form part of, this Prospectus:

(a) the sections of the Base Prospectus of the Bank dated June 16, 2015 (the "*Original Base Prospectus*") as supplemented on August 6, 2015, October 9, 2015, November 13, 2015 and February 18, 2016 (the "*Base Prospectus*"), relating to the Program, entitled as set out in the table below (*it being understood* that each such supplement is also incorporated by reference herein and the sections of the Original Base Prospectus set out in the table below should be read in conjunction with such supplements):

(b) the independent auditors' audit reports and audited consolidated BRSA financial statements of the Group as of and for each of the years ended December 31, 2013, 2014 and 2015,

(c) the independent auditors' audit reports and audited unconsolidated BRSA financial statements of the Bank as of and for each of the years ended December 31, 2013, 2014 and 2015,

(d) the independent auditors' audit reports and audited consolidated IFRS financial statements of the Group as of and for each of the years ended December 31, 2013 and 2014 (the "*IFRS Annual Financial Statements*"), and

(e) the independent auditors' review report and unaudited consolidated IFRS financial statements of the Group as of and for the six month period ended June 30, 2015 (together with the *IFRS Annual Financial Statements*, the "*IFRS Financial Statements*").

With respect to each of the BRSA financial statements and IFRS Financial Statements noted in clauses (b) through (e) above, please see "*Other General Information – Auditors*" below.

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

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

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

(a) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/usd-7billion-global-medium-term-note-program/Pages/usd-7billion-global-medium-term-note-program.aspx (with respect to the Original Base Prospectus),

(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-16-2015/Pages/first-supplement-to-the-base-prospectus-dated-june-16-2015.aspx (with respect to the first supplement to the Base Prospectus dated August 6, 2015),

(c) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/second-supplement-to-the-base-prospectus-dated-June-16-2015/Pages/second-supplement-to-the-base-prospectus-dated-June-16-2015.aspx (with respect to the second supplement to the Base Prospectus dated October 9, 2015),

(d) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/third-supplement-to-the-base-prospectus-dated-june-16-2015/Pages/third-supplement-to-the-base-prospectus-dated-june-16-2015.aspx (with respect to the third supplement to the Base Prospectus dated November 13, 2015),

(e) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/fourth-supplement-to-the-base-prospectus-dated-june-16-2015/Pages/fourth-supplement-to-the-base-prospectus-dated-june-16-2015.aspx (with respect to the fourth supplement to the Base Prospectus dated February 18, 2016),

(f) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/fifth-supplement-to-the-base-prospectus-dated-june-16-2015/Pages/fifth-supplement-to-the-base-prospectus-dated-june-16-2015.aspx (with respect to the fifth supplement to the Base Prospectus dated April 4, 2016), and

(g) http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/financial-statements/Pages/financial-statements.aspx (with respect to each of the

Bank's and the Group's BRSA financial statements as of and for each of the years ended December 31, 2013, 2014 and 2015, the Group's IFRS financial statements as of and for each of the years ended December 31, 2013 and 2014 and the Group's IFRS financial statements as of and for the six month period ended June 30, 2015).

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

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

OVERVIEW OF THE OFFERING

The following overview does not purport to be complete but sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, "Terms and Conditions of the Notes" set out on pages 79 – 114 of the Original Base Prospectus.

Issue:	US$750,000,000 5.375% Notes due 2021 issued under the US$7,000,000,000 Global Medium Term Note Program of the Bank.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (*i.e.*, April 6, 2016) at the rate of 5.375% *per annum*, payable semi-annually in arrear in equal installments on each Interest Payment Date (*i.e.*, April 6 and October 6 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 (representing a full six months of interest) will be made on the first Interest Payment Date.
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their principal amount on the Maturity Date (*i.e.*, October 6, 2021).
Use of Proceeds:	The net proceeds of the offering of the Notes will be used by the Bank for general corporate purposes.
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank *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 ratably with the Relevant Indebtedness, (b) such Security Interest is terminated, (c) such other arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders or (d) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

See "*Terms and Conditions of the Notes – Condition 4*" in the Base Prospectus.

Certain Covenants:	The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "*Terms and Conditions of the Notes – Condition 5*" in the Base Prospectus for the details of such covenants and the exceptions to them.
Taxation (Payment of Additional Amounts):	All payments in respect of the Notes by or on behalf of the Bank will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*") imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions set out in Condition 9) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation – Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes – Condition 9*" in the Base Prospectus. All payments in respect of the Notes will be 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 principal amount (together with interest accrued to but excluding the date of redemption) if:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after April 5, 2016, on the next Interest Payment Date, the Bank would be required to:

(i) pay additional amounts as provided or referred to in Condition 9, and

(ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on April 5, 2016, and

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

Events of Default:

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

Form, Transfer and Denominations:

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

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

Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*" in the Base Prospectus.
Governing Law:	The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant are (or will be, as applicable) governed by, and construed in accordance with, English law.
Listing and Admission to Trading:	Application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.
Turkish Selling Restrictions:	The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in

	Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions - Turkey*" in the Base Prospectus.
Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the European Economic Area (including the United Kingdom), Turkey, Switzerland, Japan, Singapore, Thailand, the PRC and the Hong Kong Special Administrative Region of the PRC. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions*" in the Base Prospectus.
Risk Factors:	There are certain factors that might affect the Issuer's ability to fulfill its obligations under the Notes. The material of these are set out under "*Risk Factors*" in the Base Prospectus and include risks relating to the Group and its business, the Group's relationship with the Issuer's principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain other factors that are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See "*Risk Factors*."
Issue Price:	99.540% of the principal amount of the Notes.
Yield:	5.473% *per annum*.
Regulation S Global Notes Security Codes:	ISIN: XS1390320981 Common Code: 139032098
Rule 144A Global Notes Security Codes:	CUSIP: 900151AH4 ISIN: US900151AH41 Common Code: 139134796
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	"BBB-" by Fitch and "Baa3" (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 (Luxembourg) S.A.
United States Paying Agent and Transfer Agent:	The Bank of New York Mellon, New York Branch

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

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the financial years ended December 31, 2013, 2014 and 2015. Unless otherwise specified, the financial information presented in this discussion: (a) for the year ended December 31, 2013, has been extracted from the Bank’s and the Group’s respective BRSA financial statements as of and for the year ended December 31, 2013 and (b) for the years ended December 31, 2014 and 2015, has been extracted from the Bank’s and the Group’s respective BRSA financial statements as of and for the year ended December 31, 2015 (together with the Bank’s and the Group’s BRSA financial statements as of and for the years ended December 31, 2013 and 2014, the “*BRSA Financial Statements*”) without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the notes thereto 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 Principles*”) to the Base Prospectus.

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

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

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

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

Overview

The Group provides a full range of banking services, principally in Turkey, including corporate banking, commercial banking, retail banking, private banking and capital market operations. The Group operates in a highly-competitive banking market in Turkey. As of December 31, 2015, 46 banks were operating in Turkey (excluding participation banks and the banks under the administration of the SDIF). Thirty-three of these were deposit-taking banks (including the Bank) and the remaining banks were investment and development banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF. As of December 31, 2015, the Bank had the largest nationwide branch network among private sector banks in Turkey and the largest ATM network in Turkey, with 1,354 domestic branches, 23 international branches and over 6,500 domestic ATMs (sources for comparative data: Turkish Banks Association and Interbank Card Center).

As of December 31, 2015, the Group's capital adequacy ratio was 15.1% (12.8% when calculated using Tier 1 capital only) calculated in accordance with Basel III rules that came into effect in Turkey on January 1, 2014. See "*–Capital Adequacy*" below. As of the same date, the Group's shareholders' equity was TL 36,684 million, its liquid asset ratio (being the total amount of cash and balances with banks, money market placements, trading securities and available-for-sale securities *divided by* the Group's total assets) was 27.1% and its cash loan to deposit ratio was 125.1%. The Group's net operating income was TL 5,012 million in 2014 and TL 4,575 million in 2015 while its net period profit from continuing operations was TL 4,020 million in 2014 and TL 3,740 million in 2015.

As of December 31, 2015, the Bank: (a) was the largest bank in Turkey in terms of foreign currency-denominated loans, foreign currency-denominated deposits, (b) was the largest private bank in Turkey in terms of shareholders' equity and (c) had the largest market shares of total assets, total loans, Turkish Lira-denominated loans, total deposits, Turkish Lira-denominated deposits and demand deposits among private sector banks (sources for comparative data: BRSA and Interbank Card Center), 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. After years of higher growth, real GDP growth was only 0.7% in 2008 and then declined by 4.8% in 2009, but significantly rebounded in 2010 (9.2%) and 2011 (8.8%); *however*, real GDP growth slowed to 2.1% in 2012 due in part to governmental efforts to slow the economy and the continuing impact of global macro-economic conditions. Turkey's real GDP grew by 4.2% in 2013, 2.9% in 2014 and 4.0% in 2015.

As of December 31, 2015, the Group had total assets of TL 325,499 million, an increase of 17.5% from TL 277,073 million as of December 31, 2014. As of December 31, 2015, the Group had total deposits of TL 154,201 million, an increase of 14.6% from TL 134,501 million as of December 31, 2014. Accordingly, 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 134,843 million as of December 31, 2013 to TL 155,315 million as of December 31, 2014 and TL 177,037 million as of December 31, 2015, a growth rate of 15.2% in 2014 and 14.0% in 2015. The Bank's policy is to allocate specific provisions in accordance with the minimum provision rates required by regulation. For additional information on regulatory requirements for provisioning, see "*Business of the Group – Loan Classification and Provisioning Policy*," "*Risk Factors – Banking Regulatory Matters*" and "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus. The Bank's NPL ratios were 1.6%, 1.5% and 2.0% as of December 31, 2013, 2014 and 2015, respectively (see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisioning for Impaired Loans*").

As of December 31, 2015, 40.3% of the Group's performing loans and 53.6% of the Group's total deposits were denominated in foreign currencies, principally U.S. Dollars and euro.

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

The Group's financial condition, results of operations and prospects depend significantly upon the macro economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors might vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "*Cautionary Statement Regarding Forward-Looking Statements*" in the Base Prospectus and "*Risk Factors.*" The following describes the most significant of such factors since the beginning of 2013.

Turkish Economy

The majority of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of December 31, 2015, 95.4% 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. The economic contraction in Turkey, beginning in 2008 and reaching its peak in 2009, limited lending growth and caused a decline in asset quality in the Turkish banking sector. Starting in 2010 there was a rapid recovery in lending growth and NPL ratios displayed a declining trend both for Turkish financial institutions as a whole and for the Group's operations in particular. In 2011, the Central Bank increased its funding rates and reserve requirement rates in order to suppress loan growth and moderate the growth of the Turkish economy. In 2012, Basel II took effect and had a similar impact due to the additional capital requirements applying to certain types of credit exposures and other controls imposed under Basel II.

After a mild economic slowdown, the Central Bank started to loosen monetary policy in the second half of 2012 and domestic demand started to recover in the first quarter of 2013; *however*, capital inflows have weakened since May 2013 due to uncertainties regarding global monetary policies (particularly those in the United States) and additional capital requirements of the Basel II rules, and, as a result, the Central Bank tightened monetary policy in order to support financial stability. The Central Bank continued to tighten the monetary policy with rate increases in June and August 2013 and then, in order to balance the risks associated with the increased volatility in capital flows observed at the end of 2013 due to domestic political concerns, the Central Bank held an interim meeting on January 28, 2014 and announced a significant rate increase. As a result of this tight monetary policy and other measures taken by the BRSA to dampen consumer lending, domestic demand weakened and a significant improvement was observed in the current account deficit in 2014 of US$43.6 billion compared to US$63.6 billion for 2013.

Along with a recent decline in uncertainties and the improvement in risk premium indicators, market interest rates fell across all maturities. In this context, the Central Bank cut its one week repo rate initially from 10% to 9.5% on May 22, 2014, and further to 8.75% on June 24, 2014, to 8.25% on July 17, 2014, to 7.75% on January 20, 2015 and then to 7.50% on February 24, 2015, while the overnight lending rate was reduced from 12% to 11.25% on August 27, 2014 and further to 10.75% on February 24, 2015. On August 18, 2015, the Monetary Policy Committee of the Central Bank kept its one week repo rate at 7.50%, its overnight borrowing rate at 7.25% and its overnight lending rate at 10.75%.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. dollar by 25.4%; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was only a 6.9% real depreciation compared to year-end 2014. In particular, the value of the Turkish Lira depreciated against major currencies in 2015 largely due to the increased risk perception in global markets regarding the market's expectation of U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey held on June 7, 2015 and November 1, 2015 and other political events described above. Against these developments, the

Central Bank prepared a roadmap to react to a possible rate hike by the U.S. Federal Reserve. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalization reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. The current account deficit declined notably in 2015, totaling US$32.1 billion due primarily to reduced global oil prices.

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

	2011	2012	2013	2014	2015
Nominal GDP at current prices (TL millions)	1,297,713	1,416,798	1,567,289	1,748,168	1,953,561
Real GDP growth	8.8%	2.1%	4.2%	3.0%	4.0%
Deficit/surplus of consolidated budget/GDP	(1.4)%	(2.1)%	(1.2)%	(1.3)%	(1.2)%
Consumer Price Inflation[(1)]	10.4%	6.2%	7.4%	8.2%	8.8%
Producer Price Inflation[(1)]	13.3%	2.5%	7.0%	6.4%	5.7%
Central Bank overnight TL interest rate, period-end[(2)]	5.00%	5.00%	3.50%	7.50%	7.25%
Central Bank weekly TL repo rate, period-end[(2)]	5.75%	5.50%	4.50%	8.25%	7.50%
Refinancing rate of the Central Bank, period-end[(2)]	12.5%	9.00%	7.75%	11.25%	10.75%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar[(3)]	(23.3)%	6.5%	(19.7)%	(8.6)%	(25.4)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	(13.8)%	7.3%	(9.1)%	4.6%	(6.9)%
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions)	88,218	120,290	132,874	126,448	113,251

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

(1) Annual percentage change of the applicable index.

(2) The Central Bank announces the weekly repo lending rate as the reference rate.

(3) Central Bank buying rates.

Interest Rates

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

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

As of December 31, 2013, 2014 and 2015, respectively, approximately 41.1%, 39.5% and 41.1% of the Bank's loans and 47.1%, 44.1% and 46.8% of the Bank's interest-earning assets were at floating rates. The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the composition of loans and deposits within a short period of time is limited. On the other hand, the Group tries to diversify its 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 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 securities portfolio (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 securities portfolio, see "*Securities Portfolio*."

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

Central Bank's Monetary and Exchange Rate Policy. Among the most significant indicators of the movements in interest rates as they affect the Group is the Central Bank's overnight borrowing interest rate. The Central Bank's overnight borrowing interest rate declined from 6.50% as of December 31, 2009 to 1.50% as of December 31, 2010 (at which time the overnight borrowing interest rate was no longer linked to the policy rate) in response to the effect of the global economic crisis on banks' liquidity. In August 2011, the rate increased to 5.00% where it remained as of December 31, 2012 before being gradually reduced to 3.50% as of December 31, 2013. In 2014, as described in "*Risk Factors - Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*" in the Base Prospectus (as supplemented hereby), the overnight borrowing interest rate was significantly increased to 8% at the Central Bank's interim meeting held on January 28, 2014 and then the overnight borrowing rate was reduced to 7.50% on July 17, 2014 and further to 7.25% on February 24, 2015. Although decreases in interest rates may result in decreases in margins for banks (including the Bank), and increases may 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, securities portfolio and various funding sources, as well as the timing of such impacts.

As a result of the depreciation in the value of the Turkish Lira (which in 2013 depreciated in nominal terms by 19.7% against the U.S. Dollar), in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.50% to 7.25% and then 7.75% and also announced that there will be no funding to banks via the primary dealer repo facility on additional monetary-tightening days. Moreover, in its November 2013 and December 2013 meetings, the Central Bank announced that one month repo auctions were terminated, that the maximum amount of funding via one-week repo was reduced from TL 10 billion to TL 6 billion and that the total amount of funding offered to primary dealer banks was reduced to approximately TL 6.5 billion. In addition to increasing the liquidity of the Turkish Lira, the Central Bank announced, as part of its monetary and exchange rate policy for 2014, that it will increase the funding needs of the financial system via foreign exchange auctions, through changes in reserve option mechanisms and by shortening the maturity of funding. The Central Bank also aimed to limit the growth of consumer loans as it believed that the excessive growth in consumer loans was one of the leading factors of the current account deficit in Turkey. In January 2014, to counter a significant depreciation in the Turkish Lira, the Central Bank held an interim Monetary Policy Committee meeting and increased its overnight TL borrowing rate to 8% from 3.5%, its one-week repo rate to 10% from 4.5% and its overnight lending rate to 12% from 7.75%. In the Monetary Policy Committee's April 2014 meeting, the late liquidity window facility lending rate was reduced from 15% to 13.5% (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 Group'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 Group's net interest margin was limited.

Following the Central Bank's significant rate increase and diminishing political uncertainties, the Turkish Lira recovered and appreciated by 10.7% in nominal terms against the U.S. Dollar as of May 30, 2014 compared to the level recorded on January 28, 2014. In this context, the Central Bank reduced its one week repo rate from 10.0% to 9.5% on May 22, 2014, to 8.75% on June 24, 2014, to 8.25% on July 17, 2014, to 7.75% on January 20, 2015 and then to 7.50% on February 24, 2015 (representing a total cut of 250 basis points). The Central Bank also reduced the overnight borrowing rate from 8.0% to 7.50% on July 17, 2014 and further to 7.25% on February 24, 2015, while the overnight lending rate was reduced from 12.00% to 11.25% on August 27, 2014 and further to 10.75% on February 24, 2015; *however*, the uncertainties regarding global monetary policy and Turkey's political conditions that existed both before and after the general elections held on June 7, 2015 contributed to a depreciation of the Turkish Lira, which declined by value against the U.S. Dollar by 25.4% in 2015. In December 2015, the U.S. Federal Reserve raised the U.S. interest rates by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalization reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. 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 global conditions have been volatile in the beginning of 2016, including as a result of, among other factors, expectations regarding slower growth in China and low commodity and oil prices, monetary policy remains subject to uncertainty.

According to the Central Bank's Monetary and Exchange Rate Policy for 2016, the Central Bank will maintain a price stability-oriented monetary policy framework during this period. While aiming to keep inflation close to the target level, the Central Bank has announced that it will continue to support financial stability as well. The Central Bank also announced that it will maintain its policies of containing domestic market volatility, which can be caused by capital flows, and supporting prudent borrowing. In order to achieve price stability and financial stability in 2016, the Central Bank has announced that, in addition to the conventional monetary policy instruments, certain instruments developed under the new policy framework will remain effective. See "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Turkish Economy*."

From 2009 to 2011, net interest margins and spreads in Turkish Lira and foreign currencies were on a decreasing trend due to assets being re-priced with a time-lag compared to liabilities. The decrease in margins was principally due to the moderation of local market conditions (including inflationary pressures), the increases to reserve requirements introduced by the Central Bank (until 2014 no interest was earned on such reserves; *however*, beginning in March 2014, reserve accounts may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time), the tightening of monetary policy in Turkey over the period and continuing high levels of competition. Although the Central Bank has relaxed certain of these measures in light of weakening macro-economic conditions, significant pressure on net interest margins remains despite efforts to re-price assets and liabilities given funding costs and competitive conditions. Throughout late 2013 and the beginning of 2014, the yield curve rebounded significantly, indicating a material pressure on short term funding. As a result of the volatility in the markets, the Central Bank announced a sharp rise in its policy rate at its January 2014 meeting. Following such increase, market conditions has shown improvement; *however*, the positive effects on the Bank's net interest margins have been witnessed only in subsequent periods. In 2015, tight liquidity conditions persisted throughout the year and the Bank closely monitored its funding costs. Accordingly, in 2015, the Bank's main pillar of asset liability management was diversifying its funding portfolio with cheaper funding sources. In 2015, the net interest margin of the Bank was 4.1%, which was largely unchanged from 2014 (4.2% in 2013).

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

On December 26, 2012, the Central Bank introduced incremental additional reserve requirements to be applicable after 2013 for banks depending upon their leverage ratios, which resulted in the increase of reserve requirements for each category of foreign exchange or Turkish Lira liabilities by 1.0%, 1.5% or 2.0%. Accordingly, if the leverage ratio of a bank falls below the specified limits, then it will be required to hold additional reserves. As of December 31, 2015, the Bank's leverage ratio was well above these limits. See "*Turkish Regulatory Environment – Liquidity and Reserve Requirements*" in the Base Prospectus.

As a result of these changes in reserve requirements, the Bank's weighted average reserve requirement ratio for Turkish Lira deposits as of December 31, 2015 was 11.22%. 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.

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. See "*Turkish Regulatory Environment – Liquidity and Reserve Requirements*" in the Base Prospectus. The Central Bank's actions were taken in part to reduce the recent weakness and volatility in the value of the Turkish Lira, which has declined in value compared to the U.S. Dollar (by 25.4% in 2015), by encouraging the banking sector to borrow foreign currencies on a longer-term basis.

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

Exchange Rates

A portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. Dollars and Euro. As of December 31, 2015, 39.9% of the Group's total assets and 46.2% of the Group's total liabilities were denominated in foreign currencies.

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

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

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For 2013, 2014 and 2015, the Group recorded net foreign exchange gains of TL 698 million, TL 709 million and TL 160 million, respectively.

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

Securities Portfolio

The Group maintains a securities portfolio that primarily includes Turkish government debt securities. The Group's investment securities portfolio amounted to TL 51,506 million as of December 31, 2015. Of this amount, TL 4,497 million, or 8.7%, was classified as "held to maturity" and TL 47,009 million, or 91.3%, was classified as "available for sale." The Group also had a trading securities portfolio amounting to TL 1,051 million as of December 31, 2015. Interest income derived from the Group's trading and investment securities amounted to TL 4,082 million for 2015, accounting for 19.1% of total interest income for the year, TL 3,931 million for 2014, accounting for 22.1% of total interest income for the year, and TL 3,571 million for 2013, accounting for 24.0% of total interest income for the year. The relative size of the Group's securities portfolio was 16.1% of total assets as of December 31, 2015 (17.4% as of December 31, 2014), decreasing in recent years as credit demand has recovered in Turkey and asset quality has improved. While the Group benefitted from attractive yields and trading gains from its securities portfolio (in particular on Turkish government securities (including CPI-linked securities)) between 2008 and 2010, the yields from securities have generally declined after 2010 as the yield curve (in particular for Turkish government securities) shifted downward during the lower interest rate environment. From May 2013 to the announcement of the Central Bank's policy rate hike at the end of January 2014, due to political uncertainty in Turkey, the yield curve rebounded significantly, showing an almost 400 basis points increase in the short-end and more than 200 basis points in the long-end of the curve. 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 securities portfolio remained fairly constant.

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

Expansion of Branch Network

As of December 31, 2015, the Bank, with its 1,354 domestic branches, had the most extensive branch network of all private sector banks in Turkey and had branches in every city in the country (source for comparative data: Turkish Banks Association). Unlike many of its competitors, in addition to the city branches, the Bank also has branches in rural districts. The Bank opened 59 new domestic branches in 2013 (one branch was consolidated with another branch during the year), 47 new domestic branches in 2014 (three branches were consolidated with other branches during the year) and 26 new domestic branches in 2015 (five branches were consolidated with other branches during 2015). As of the date of this Prospectus, the Bank plans to open a total of 10 domestic branches in 2016. The Bank's management believes that the expansion of the Bank's branch network over the periods under review has helped support the growth of its assets and liabilities; *however*, this growth has also resulted in an increase in expense relating to increased numbers of employees, branch operating expenses and general advertising expenses. Given the size of the Group's existing network of branches, the Group expects to expand in the short term at a slower pace than in recent years.

Provisioning for Impaired Loans

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

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

Provisions that have been made within the current financial year but are released within the same financial year result in a credit to the "Provision Expenses" account in the quarter of release, while the released parts of provisions from previous years are transferred to and recognized in the "Other Operating Income" account. For further information on the Group's internal loan provision requirements, see Section Three, VIII of the December 31, 2015 BRSA Financial Statements.

Impact of Financial Participations

The BRSA Financial Statements include the financial condition and results of operation of the Bank's banking business as well as its financial participations. Such financial participations have a limited impact on the Bank's financial condition and results of operations as the Bank's banking business accounted for approximately 91.8% of the value of loans, 99.7% of the value of deposits and 85.2% of the value of securities included on the Group's balance sheet on December 31, 2015.

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 December 31, 2015 BRSA Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. Management bases its estimates and judgments upon historical experience and on various other factors that are believed to be reasonable under the circumstances. The Group's actual results may differ from the estimates under different assumptions, judgments or conditions.

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

Consolidation of Subsidiaries and Associates

In the Group's BRSA Financial Statements, the Bank consolidates its subsidiaries that are entities controlled by the Bank, but only consolidates its financial participations. The Bank does not consolidate its non-financial participations in the Group's BRSA Financial Statements but rather reflects them under "Investments in Associates" and "Investments in Subsidiaries." For a list of the Bank's financial participations as of December 31, 2015, see "*Business of the Group – Financial Participations*" in the Base Prospectus, and for a list of the Bank's non-financial participations as of such date, see "*Business of the Group – Non-Financial Participations*" in the Base Prospectus, which lists remained the same as of December 31, 2015 except for: (a) the addition of JSC Isbank Georgia ("*İşbank Georgia*"), a wholly-owned subsidiary of the Bank, to the list of financial participations and (b) removal of Avea from the list of non-financial participations of the Bank due to the sale of all the Bank's and its subsidiaries' shares in Avea in 2015. See also Appendix 1 ("*Overview of Significant Differences Between IFRS and BRSA Accounting Principles*") 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 December 31, 2015 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., Yatırım Finansman Menkul Değerler A.Ş., Efes Varlık Yönetim A.Ş., Is Investments Gulf Ltd., Joint Stock Company İşbank (JSC İşbank) ("*İşbank Russia*") and İşbank Georgia. In addition, the operations of Camiş Menkul Değerler A.Ş., which was previously a consolidated subsidiary of the Bank, ceased to exist in June 2014 as it was acquired by another consolidated subsidiary of the Bank, İş Yatırım Menkul Değerler A.Ş.

On August 3, 2015, the Bank established İşbank Georgia, a wholly-owned subsidiary that obtained a banking license in Georgia and had a starting capital of Lari 30,000,000 (approximately USD 13.2

million as of August 3, 2015). The Bank's branches in Batumi and Tbilisi were converted into branches of İşbank Georgia.

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

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

Classification and Measurement of Financial Assets

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

Employee Benefits Obligations

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

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

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

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

The Bank had an actuarial valuation made for the aforementioned pension fund as of December 31, 2015. Based upon the resulting report, a provision for the actuarial and technical deficit was recorded in the December 31, 2015 BRSA Financial Statements.

Besides the Bank, Milli Reasürans T.A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. also obtained an actuarial report as of December 31, 2015 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 2014 and December 31, 2015 BRSA Financial Statements, while there was no indicated operational or actuarial liability from Türkiye Sınai Kalkınma Bankası A.Ş.

There is no deficit in the İşbank Personnel Supplementary Pension Fund and the Bank thus has made no payment 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 Türkiye Sınai Kalkınma Bankası A.Ş., which are among the other financial institutions of the Group.

Interest Income and Expenses

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

Fee and Commission Income and Expenses

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

Accounting Policy Changes

Accounting policy change regarding real estate classified under tangible assets. As of the third quarter of 2015, the Group changed its accounting policy for real estate that is classified under tangible assets from the historical cost method, which was applied in accordance with TAS 16 (Property, Plant and Equipment), to the revaluation method for real estate that is held for the Group's own use.

Investment property accounting policy change. As of the third quarter of 2015, the Group changed its accounting policy for investment property from the historical cost method (i.e., acquisition costs minus accumulated depreciation and impairment) to the fair value method, which is applied in accordance with TAS 40 (Investment Property). According to TAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the Group applied the accounting policy change retrospectively and restated certain financial information for the years ended December 31, 2013 and 2014.

The table below sets out the adjustments to certain financial information of the Group for the years ended December 31, 2013 and 2014:

As of December 31, 2014	Reported	Adjustments	Restated
		(TL thousands, except where indicated)	
Assets			
Tangible Assets[(1)]	2,386,849	(3,161)	2,383,688
Investment Property	1,387,651	1,310,661	2,698,312
Deferred Tax Asset	637,937	(10,701)	627,236
Liabilities			
Deferred Tax Liability	1,882	4,694	6,576
Prior Year's Profit/Loss	(648,918)	540,777	(108,141)
Current Year Profit/Loss	3,351,828	171,891	3,523,719
Minority Shares	3,506,147	579,437	4,085,584
Income Statement			
Other Operating Income	4,836,167	273,813	5,109,980
Other Operating Expenses	9,515,404	(16,026)	9,499,378
Deferred Tax Income	287,857	(1,458)	286,399
Net Period Profit/Loss	3,732,036	288,381	4,020,417
Group's Profit/Loss	3,351,828	171,891	3,523,719
Minority Shares	380,208	116,490	496,698
Earnings Per Share[(2)]	0.029793431	0.001527889	0.031321320

(1) The effect of reclassification of costs related to real estate that is held for the Group's own use to tangible assets in the financial statements.

(2) Presented in Turkish Lira, instead of thousands of Turkish Lira.

As of December 31, 2013	Reported	Adjustments	Restated
		(TL thousands)	
Assets			
Tangible Assets[(1)]	2,234,328	(3,161)	2,231,167
Investment Property	1,342,182	1,020,822	2,363,004
Deferred Tax Asset	666,543	(10,735)	655,808
Liabilities			
Deferred Tax Liability	2,599	3,202	5,801
Prior Year's Profit/Loss	2,621,162	540,777	3,161,939
Minority Shares	3,133,450	462,947	3,596,397

(1) The effect of reclassification of costs related to real estate that is held for the Group's own use to tangible assets in the financial statements.

Due to the accounting policy changes, the BRSA Financial Statements for the year ended December 31, 2015 include certain revisions to the financial information presented in the BRSA Financial Statements for the year ended December 31, 2014. Accordingly, the financial information of the Group set out in (or incorporated by reference into) this Base Prospectus for the year ended December 31, 2013 is not fully comparable to the financial information of the Group for the years ended December 31, 2014 and 2015.

Recent Developments

On February 23, 2016, the BRSA issued its regulation on domestic systemically important banks ("*D-SIBs*") (the "*D-SIBs Regulation*"), introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology requires the identification and classification of D-SIBs in Turkey under four different categories. The D-SIBs are to be initially determined based upon their 2014 year-end consolidated financial statements. According to the D-SIBs Regulation, banks that are identified as D-SIBs will be required to keep additional core capital (*ilave çekirdek sermaye*) buffers up to a further 3% buffer for Group 4 banks, 2% for Group 3, 1.5% for Group 2 and 1% for Group 1 as of January 1, 2019. The additional capital requirements came into effect on March 31, 2016 subject to a transitional period until they are fully implemented.

The table below sets forth the buffer ratios for D-SIBs for the indicated years:

Groups	2016	2017	2018	2019
Group 4 (empty)	0.750%	1.500%	2.250%	3.000%
Group 3	0.500%	1.000%	1.500%	2.000%
Group 2	0.375%	0.750%	1.125%	1.500%
Group 1	0.250%	0.500%	0.750%	1.000%

As of the date of this Prospectus, the BRSA has not yet announced further information for the Bank to determine into which category it will be classified.

The BRSA has also published a draft regulation that (if adopted without changes) would replace the Regulation on Provisions and Classification of Loans and Receivables as of January 1, 2017. This proposed regulation would require banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. If an exemption is granted by the BRSA, then the banks would be allowed to set aside general provisions as stipulated under the proposed regulation. According to the proposed regulation, the general provisions for Group I loans (*Standard loans*) would be raised from 1.0% to 1.5% and those for Group II loans (*Loans Under Close Monitoring*) would be raised from 2.0% to 3.0% starting from 2018.

Key Performance Indicators

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

Ratios	As of (or for the year ended) December 31		
	2013	2014	2015
Net interest margin(1)	4.2%	4.1%	4.1%
Cost-to-income ratio(2) (9)	49.2%	50.2%	51.6%
Free capital ratio(3) (9)	7.1%	7.6%	6.5%
Tier 1 ratio(4) (9)	12.0%	13.3%	12.8%
Capital adequacy ratio(5) (9)	14.3%	15.7%	15.1%
Coverage ratio(6)	77.9%	74.3%	73.8%
Return on average total assets(7) (9)	1.6%	1.6%	1.2%
Return on average shareholders' equity excluding minority interest(7)(8)(9)	14.6%	13.6%	10.9%

(1) Bank-only net interest income *divided by* Bank-only quarterly average interest-earning assets. Reserves held at the Central Bank have been excluded from interest earning assets and net interest income does not include interest income from the Central Bank.

(2) "Cost" includes total operating expenses excluding impairment losses, net, and foreign exchange and trading losses net. "Income" includes operating income *minus* foreign exchange and trading losses net. Total operating income is net of insurance expense and total operating expense does not include insurance expense.

(3) Total shareholders' equity *minus* fixed assets, investment property, investments in equity participations and net NPLs as a percentage of total assets.

(4) The Tier 1 ratio is: (a) the "Tier 1" capital (*i.e.*, the common equity Tier 1 capital *plus* additional Tier 1 capital *minus* regulatory adjustments to common equity) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. The capital adequacy ratios for December 31, 2014 and 2015 are calculated in accordance with Basel III rules, which came into effect on January 1, 2014. See "*Capital Adequacy*" below.

(5) 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, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and prepaid expenses)) *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are based upon BRSA regulations. The capital adequacy ratios for December 31, 2014 and 2015 are calculated in accordance with Basel III rules, which came into effect on January 1, 2014. See "*Capital Adequacy*" below.

(6) Total amount of specific provisions *divided by* NPLs.

(7) Calculated on quarterly averages for 2013, and on annual averages for each of 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above

(8) Net income (excluding minority shares) for the period as a percentage of average shareholders' equity (excluding minority shares).

(9) The figures for 2013 are not comparable with the figures for 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

Analysis of Results of Operations for the years ended December 31, 2013, 2014 and 2015

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

Consolidated Income Statement Data	**2013**[(1)]	**2014**	**2015**
	(TL thousands, except where indicated)		
Interest Income	**14,853,908**	**17,752,690**	**21,406,966**
Interest Income on Loans	10,879,785	13,311,666	16,488,975
Interest Received from Reserve Deposits	—	5,918	65,919
Interest Received from Banks	162,261	194,568	258,602
Interest Received from Money Market Placements	14,374	15,067	96,233
Interest Received from Marketable Securities Portfolio	3,570,864	3,931,245	4,082,312
Financial Assets Held for Trading	*55,878*	*127,104*	*80,532*
Financial Assets at Fair Value Through Profit and Loss	—	—	—
Financial Assets Available for-Sale	*2,277,936*	*3,118,955*	*3,880,470*
Held to Maturity Investments	*1,237,050*	*685,186*	*121,310*
Finance Lease Income	126,046	186,632	262,798
Other Interest Income	100,578	107,594	152,127
Interest Expense	**7,172,014**	**9,282,281**	**11,211,101**
Interest on Deposits	4,797,189	5,603,036	6,281,969
Interest on Funds Borrowed	528,881	780,549	1,151,669
Interest on Money Market Funds	1,165,751	1,762,400	2,151,312
Interest on Securities Issued	595,555	1,071,177	1,589,475
Other Interest Expense	84,638	65,119	36,676
Net Interest Income/Expense	**7,681,894**	**8,470,409**	**10,195,865**
Net Fees and Commissions Income/Expense	**1,468,946**	**1,505,183**	**1,807,881**
Fees and Commissions Received	2,400,210	2,434,577	2,881,717
Non-cash Loans	236,835	301,802	399,422
Other	2,163,375	2,132,775	2,482,295
Fees and Commissions Paid	931,264	929,394	1,073,836
Non-cash Loans	8,659	8,117	7,373
Other	922,605	921,277	1,066,463
Dividend Income	**238,057**	**292,047**	**256,696**
Trading Income (net)	**378,591**	**664,128**	**(325,160)**
Gains/Losses on Securities Trading	181,749	570,339	412,464
Derivative Financial Transactions Gains/Losses	(500,764)	(614,744)	(897,945)
Foreign Exchange Gains/Losses	697,606	708,533	160,321
Other Operating Income	**4,615,411**	**5,109,980**	**5,869,814**
Total Operating Income / Expense	**14,382,899**	**16,041,747**	**17,805,096**
Provision for Loans and Other Receivables	1,654,701	1,530,113	2,289,722
Other Operating Expenses	8,308,239	9,499,378	10,940,293
Net Operating Income	**4,419,959**	**5,012,256**	**4,575,081**
Profit/Loss From Associates Using the Equity Method	9,922	14,778	14,818
Profit/Loss On Continuing Operations Before Tax	**4,429,881**	**5,027,034**	**4,589,899**
Tax Provision For Continuing Operations	823,022	1,006,617	850,228
Current Tax Provision	472,907	1,293,016	528,501
Deferred Tax Provision	350,115	(286,399)	321,727
Net Period Profit/Loss From Continuing Operations	**3,606,859**	**4,020,417**	**3,739,671**
Group's profit/loss	3,235,921	3,523,719	3,330,740
Minority shares	370,938	496,698	408,931
Earnings Per Share[(2)]	0.028763167	0.031321320	0.029605986

(1) The financial information for 2013 is not comparable with the financial information for 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

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

Results of Operations for the years ended December 31, 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 securities. For 2015, interest income from loans totaled TL 16,489 million (77.0% of total interest income) and interest income from 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 to customers increased to 9.1% for 2015 from 8.9% in 2014. This increase reflects an increase in the Bank's average volume 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 securities portfolio, the 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 securities held decreased to 7.8% in 2015 from 8.8% 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, securities issued and funds borrowed, respectively. Excluding the increase resulting from the growth in balances, these increases were primarily driven by higher deposit costs compared to 2014, as well as the growth in its deposit base. See "*Deposits*" below. As of December 31, 2015, the Group had TL 22,836 million in funding through repos and TL 154,201 million in deposits, a repo-to-deposit ratio of 14.8% (for 2014, TL 20,013 million, TL 134,501 million and 14.9%, respectively).

Net Interest Income

The Group's net interest income increased by 20.4% from TL 8,470 million in 2014 to TL 10,196 million in 2015. This increase was due to a 23.9% increase in interest income from loans and a 3.8% increase in interest income from 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 Group's net interest margins, 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 is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income decrease of 149.0% from TL 664 million in 2014 to negative TL 325 million in 2015. This decrease was primarily driven by decreased foreign exchange gains and losses on derivative financial transactions.

Other Operating Income

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

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

Provisioning for Loans and other Receivables

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

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

	As of December 31,	
	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 Principles – 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 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 its average equity was 10.4%, compared to 1.5% and 13.1%, respectively, for 2014.

Results of Operations for the years ended December 31, 2013 and 2014

As described under "*Critical Accounting Policies*" above, as of the third quarter of 2015, the Group changed its accounting policy for investment property from the historical cost method to the fair value method. As a result, the BRSA Financial Statements for the year ended December 31, 2015 include certain revisions to the financial information presented in the BRSA Financial Statements for the year ended December 31, 2014, which are also reflected under "Results of Operations for the years ended December 31, 2014 and 2015." It should be noted that the financial information set forth below is presented in accordance with the BRSA Financial Statements of the Group for the years ended December 31, 2013 and 2014 and provide information based upon a different accounting policy for the Group's investment property than the financial information set forth under "Results of Operations for the years ended December 31, 2014 and 2015."

Interest Income

The Group's interest income increased by 19.5%, from TL 14,854 million in 2013 to TL 17,753 million in 2014 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 securities. For 2014, interest income from loans totaled TL 13,312 million (75.0% of total interest income) and interest income from securities totaled TL 3,931 million (22.1% of total interest income), compared to TL 10,880 million (73.2% of total interest income) and TL 3,571 million (24.0% of total interest income), 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 increased to 8.99% for 2014 from 8.48% in 2013. This increase was supported by an increase in the Bank's average volume of loans during 2014 as compared to 2013 to TL 139,342 million from TL 120,618 million (an increase of 15.5%) as a result of growth mainly in Turkish Lira-denominated commercial and corporate loans, due in part to general improvement in the Turkish economy during this period and also to the Bank's decision to target customers in these segments of the economy. With respect to interest on the securities portfolio, the average balance of the securities portfolio in 2014 increased to TL 38,247 million from TL 36,292 million in 2013 (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 securities held increased to 8.75% in 2014 from 8.35% in 2013.

Interest Expense

The Group's interest expense increased by 29.4% from TL 7,172 million in 2013 to TL 9,282 million in 2014. This increase was due to 16.8%, 51.2%, 79.9% and 47.6% year-on-year increases in interest expenses on deposits, funds borrowed under repurchase agreements, securities issued and funds borrowed, respectively. Excluding the increase through the growth in balances, these increases were primarily driven by higher funding costs than in 2013. As of December 31, 2014, the Group had TL 20,013 million in funding through repos and TL 134,501 million in deposits, a repo-to-deposit ratio of 14.9% (for 2013, TL 22,596 million, TL 121,838 million and 18.5%, respectively).

Net Interest Income

The Group's net interest income increased by 10.3% from TL 7,682 million in 2013 to TL 8,470 million in 2014. This increase was due to a 22.4% increase in interest income from loans and a 10.1% increase in interest income from securities, offset by a 29.4% increase in interest expense. The contribution of the interest income from loans and securities were primarily a result of increasing balances and higher interest rates. The Bank's net interest margin in 2014 was 4.1% as compared to 4.2% in 2013. The decrease in the net interest margin was principally due to higher funding costs in 2014, which primarily resulted from increased interest rates in the market due to the policy rate adjustments of the Central Bank described elsewhere herein. For further information regarding the factors that resulted in this change in the Group's net interest margins, see "*Interest Income*" and "*Interest Expense*."

Net Fees and Commission Income

The Group's net fees and commission income increased by 2.5% from TL 1,469 million in 2013 to TL 1,505 million in 2014. This increase was primarily a result of an increase in fees and commission income from the credit card business due to the increased rates charged.

Dividend Income

The Group's dividend income increased by 22.7% from TL 238 million in 2013 to TL 292 million in 2014. The increase was primarily due to dividend income from Camiş Yatırım Holding A.Ş and Türkiye Şişe ve Cam Fabrikaları A.Ş., which are the Group's non-financial subsidiaries.

Trading Income/(Loss)(Net)

The Group's trading income is comprised of three components: securities trading, derivative transactions and foreign exchange income. The Group's trading income increased by 75.4% from TL 379 million in 2013 to TL 664 million in 2014. This increase was primarily driven by increased gains from securities trading.

Other Operating Income

The Group's other operating income increased by 4.8% from TL 4,615 million in 2013 to TL 4,836 million in 2014. 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 3,247 million and TL 3,570 million in 2013 and 2014, respectively, which income is largely derived from premium payments received by these companies.

A significant component of the Group's other operating income in 2013 and 2014 has been its collections of NPLs. During 2014, the Group collected approximately TL 1,203 million, or 48.6%, of its NPLs as of December 31, 2013, as compared to TL 1,165 million, or 54.1%, of its NPLs as of December 31, 2012 collected during 2013.

Provisioning for Loans and other Receivables

The Group's provisioning for loans and other receivables decreased by 7.6% from TL 1,655 million in 2013 to TL 1,530 million in 2014. This decrease was principally attributable to a 48.6% decline in other provision expenses and an 8.0% decline in general loan provision expenses. The NPL (non-performing loans) ratio decreased to 1.6% as of December 31, 2014 as compared to 1.7% as of December 31, 2013 due to the increase in loans, which more than offset an increase in net NPL formation from TL 528 million in 2013 to TL 616 million in 2014, and NPL sales during 2013 and 2014. On the other hand, impairment loss on marketable securities and subsidiaries decreased from TL 45,123 thousand in 2013 to TL 4,716 thousand in 2014.

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

	As of December 31,	
	2013	**2014**
	(*TL thousands*)	
Specific Provisions for Loans and Other Receivables[1]	**930,449**	**1,000,065**
Group III Loans and Receivables[2]	84,708	126,989
Group IV Loans and Receivables[2]	236,394	263,449
Group V Loans and Receivables[2]	609,347	609,627
General Loan Provision Expenses	**433,531**	**398,986**
Provision Expenses for Potential Risks	**-**	**-**
Marketable Securities Impairment Losses	**34,665**	**4,425**
Financial Assets at Fair Value through Profit and Loss	32,809	2,922
Financial Assets Available for Sale	1,856	1,503
Impairment Losses on Investments in Associates, Subsidiaries, Jointly Controlled Entities and Investments Held to Maturity	**10,458**	**291**
Investment in Associates	-	291
Subsidiaries	10,458	-
Jointly Controlled Entities	-	-
Held to Maturity Investments	-	-
Other	**245,598**	**126,346**
Total	**1,654,701**	**1,530,113**

(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 Principles – 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 14.5% from TL 8,308 million in 2013 to TL 9,515 million in 2014. This change was principally attributable to a higher amount of losses on the sale of assets in the first half of 2014. Following the sale of Antgıda Gıda Tarım Turizm ve Enerji ve Demir Çelik Sanayi Ticaret A.Ş, the loss on asset sales amounted to TL 132,245 thousand in the first quarter of 2014. On the other hand, due to the disposal of this subsidiary, revenue from the reversal of provisions was TL 132,278 thousand and a profit of TL 33 thousand was realized as a result of this transaction in the same period. In addition, another loss amounting to TL 134,539 thousand was realized from the sale of a fixed asset in the second quarter of 2014. Due to disposal of such asset, the revenue from the replaced provision reversal was TL 128,833 thousand and a net loss on asset sales of TL 5,706 thousand was recognized in the second quarter of 2014. In addition, there was an expense of TL 122,568 thousand in connection with the Bank Pension Fund Deficit Provisions, which relate to the deficit of the İşbank Pension Fund. As of December 31, 2014, the amount of this deficit stood at

TL 1,898 million (compared to TL 1,776 million as of December 31, 2013). Expenses related to operations of the Group's insurance/reinsurance companies constituted TL 2,435 million and TL 2,913 million of the Group's other operating expenses in 2013 and 2014, respectively.

Net Profit from Continuing Operations

The Group's net profit from continuing operations increased by 3.5% from TL 3,607 million in 2013 to TL 3,732 million in 2014. This increase in net profit was primarily due to a 10.3% increase in net interest income and a 75.4% increase in trading income.

For 2014, the Bank's return on average total assets was 1.5% and the return on its average equity was 13.1%, compared to 1.6% and 13.7%, respectively, for 2013.

Segmental Analysis

The Group presents its group structure under three principal business lines: Banking Services, Financial Participations and Non-Financial Participations. These business lines are further divided into various sub business lines based upon business activities as described under "*Business of the Group – Business Activities*" in the Base Prospectus. Under its Banking Services business lines, there are five sub-business lines: corporate, commercial, retail, private banking and capital markets activities. For accounting purposes, however, the Group reports its business in its 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 the date of the Base Prospectus, see "*Business of the Group – Subsidiaries and Affiliates – Non-Financial Participations*" in the Base Prospectus (which lists remained the same as of December 31, 2015 except for: (a) the addition of İşbank Georgia, a wholly-owned subsidiary of the Bank, to the list of financial participations and (b) the removal of Avea from the non-financial participations of the Bank due to the sale of all of the Bank's and its subsidiaries' shares in Avea in 2015).

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

	As of (or for the year ended) December 31, 2015						
	Corporate	**Commercial**	**Retail**	**Private**	**Treasury/ Investment**	**Unallocated**	**Total**
				(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 loans.

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

	As of (or for the year ended) December 31, 2014						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(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 loans.

The following table sets forth certain information regarding the Group's business segments for 2013, which information is not comparable with the information set forth in the tables above for 2014 and 2015 due to a change in the Group's accounting policy (See "*Critical Accounting Policies - Accounting Policy Changes*" above):

	As of (or for the year ended) December 31, 2013						
	Corporate	Commercial	Retail	Private	Treasury/ Investment	Unallocated	Total
				(TL thousands)			
OPERATING INCOME/EXPENSE							
Interest Income	***2,788,001***	***4,745,910***	***3,279,487***	***39,690***	***3,748,362***	***252,458***	***14,853,908***
Interest Income from Loans	2,694,840	4,659,878	3,279,487	39,690	—	205,890	10,879,785
Interest Income from Banks	—	—	—	—	162,261	—	162,261
Interest Income from Money Market Placements	—	—	—	—	14,374	—	14,374
Interest Income from Securities	—	—	—	—	3,570,864	—	3,570,864
Finance Lease Income	60,556	65,490	—	—	—	—	126,046
Other Interest Income	32,605	20,542	—	—	863	46,568	100,578
Interest Expense	***1,025,499***	***739,619***	***1,698,923***	***1,086,472***	***2,100,453***	***521,048***	***7,172,014***
Interest Expense on Deposits	835,417	739,619	1,698,923	1,086,472	—	436,758	4,797,189
Interest Expense on Funds Borrowed	190,082	—	—	—	338,799	—	528,881
Interest Expense on Money Market Funds	—	—	—	—	1,165,751	—	1,165,751
Interest Expense on Securities Issued	—	—	—	—	595,555	—	595,555
Other Interest Expense	—	—	—	—	348	84,290	84,638
Net Interest Income	**1,762,502**	**4,006,291**	**1,580,564**	**(1,046,782)**	**1,647,909**	**(268,590)**	**7,681,894**
Net Fees and Commissions Income	**(131,575)**	**820,406**	**899,894**	**22,837**	**74,428**	**(217,044)**	**1,468,946**
Fees and Commissions Received	227,869	1,034,589	900,044	22,837	200,214	14,657	2,400,210
Fees and Commissions Paid	359,444	214,183	150	—	125,786	231,701	931,264
Dividend Income	—	—	—	—	**238,057**	—	**238,057**
Trading Income/Loss (Net)	—	—	—	—	**378,591**	—	**378,591**
Other Income	**1,038,827**	**1,813,698**	**1,011,796**	**30**	**313,579**	**447,403**	**4,625,333**
Prov. for Loans and Other Receivables	**36,879**	**560,619**	**298,209**	**1,552**	**26,721**	**730,721**	**1,654,701**
Other Operating Expense	**792,648**	**2,285,810**	**2,198,387**	**28,826**	**282,125**	**2,720,443**	**8,308,239**
Income Before Tax	**1,840,227**	**3,793,966**	**995,658**	**(1,054,293)**	**2,343,718**	**(3,489,395)**	**4,429,881**
Tax Provision							823,022
Net Period Profit							**3,606,859**
Group Profit/Loss							3,235,921
Non-controlling Interest							370,938
SEGMENT ASSETS							
Fin. Assets At Fair Value Through P/L	—	—	—	—	2,936,025	—	2,936,025
Banks and Other Financial Institutions	—	—	—	—	5,186,011	—	5,186,011
Money Market Placements	—	—	—	—	140,375	—	140,375
Financial Assets Available for Sale	—	—	—	—	34,275,403	—	34,275,403
Loans and Receivables	52,900,499	53,664,424	34,014,279	501,812	—	4,655,257	145,736,271
Held to Maturity Investments	—	—	—	—	7,728,447	—	7,728,447
Associates and Subsidiaries	—	—	—	—	4,174,551	—	4,174,551
Lease Receivables	1,215,477	817,888	—	—	757	—	2,034,122
Other	957,127	278,196	—	—	1,342,182	36,830,430	39,407,935
Total	**55,073,103**	**54,760,508**	**34,014,279**	**501,812**	**55,783,751**	**41,485,687**	**241,619,140**
SEGMENT LIABILITIES AND EQUITY							
Deposits	17,290,610	24,758,068	48,624,102	22,226,914	—	8,938,104	121,837,798
Derivative Financial Liabilities Held for Trading	—	—	—	—	1,197,345	—	1,197,345
Funds Borrowed	11,209,648	—	—	—	16,120,807	—	27,330,455
Money Market Funds	—	—	—	—	24,999,875	—	24,999,875
Securities Issued(1)	—	—	—	—	13,060,987	—	13,060,987
Other Liabilities	45,032	—	—	—	158,214	16,175,840	16,379,086
Provisions	—	—	—	—	—	10,918,968	10,918,968
Shareholders' Equity	—	—	—	—	—	25,894,626	25,894,626
Total	**28,545,290**	**24,758,068**	**48,624,102**	**22,226,914**	**55,537,228**	**61,927,538**	**241,619,140**

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

Financial Condition

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

	As of December 31,		
	2013[(1)]	2014	2015
		(TL thousands)	
ASSETS			
Cash And Balances with the Central Bank	**23,409,741**	**25,143,547**	**32,489,976**
Financial Assets At Fair Value Through Profit And Loss (Net)	**2,936,025**	**2,260,170**	**2,503,449**
Financial Assets Held for Trading	2,936,025	2,260,170	2,503,449
Government Debt Securities	1,138,799	490,328	400,736
Share Certificates	55,273	69,843	79,488
Derivative Financial Assets Held for Trading	1,288,834	1,081,071	1,451,999
Other Marketable Securities	453,119	618,928	571,226
Banks	**5,186,011**	**6,006,457**	**6,376,094**
Money Market Placements	**140,375**	**263,559**	**1,308,203**
Interbank Money Market Placements	—	—	—
İstanbul Stock Exchange Money Market Placements	128,447	210,109	1,287,534
Receivables from Reverse Repurchase Agreements	11,928	53,450	20,669
Financial Assets Available For Sale (Net)	**34,275,403**	**45,677,129**	**47,009,342**
Share Certificates	96,782	100,565	349,160
Government Debt Securities	31,980,089	43,878,530	44,771,775
Other Marketable Securities	2,198,532	1,698,034	1,888,407
Loans	**145,736,271**	**168,328,088**	**193,937,827**
Loans	145,189,919	167,633,292	192,909,459
Loans to the Bank's Risk Group	568,510	445,226	326,211
Other	144,621,409	167,188,066	192,583,248
Non-Performing Loans	2,476,333	2,699,501	3,920,231
Specific Provisions (-)	1,929,981	2,004,705	2,891,863
Factoring Receivables	**946,111**	**1,433,209**	**1,951,278**
Held To Maturity Investments (Net)	**7,728,447**	**1,391,860**	**4,497,417**
Government Debt Securities	7,704,816	1,307,192	4,310,652
Other Marketable Securities	23,631	84,668	186,765
Investments In Associates (Net)	**768,110**	**800,199**	**166,792**
Associates Accounted for Using the Equity Method	96,644	111,422	126,240
Unconsolidated Associates	671,466	688,777	40,552
Financial Investments	—	—	—
Non-Financial Investments	*671,466*	*688,777*	40,552
Investments In Subsidiaries (Net)	**3,406,441**	**4,810,446**	**4,779,842**
Unconsolidated Financial Subsidiaries	-	-	-
Unconsolidated Non-Financial Subsidiaries	3,406,441	4,810,446	4,779,842
Jointly Controlled Entities (Joint Ventures) (Net)	—	510	2,260
Jointly Controlled Entities Accounted for Using the Equity Method	—	—	—
Unconsolidated Jointly Controlled Entities	—	510	2,260
Jointly Controlled Financial Entities	—	—	—
Jointly Controlled Non-Financial Entities	—	510	2,260
Lease Receivables	**2,034,122**	**2,746,199**	**3,199,311**
Finance Lease Receivables	2,327,421	3,219,001	3,680,006
Operating Lease Receivables	757	2,352	2,776
Unearned Income (-)	294,056	475,154	483,471
Derivative Financial Assets Held for Risk Management	—	—	**4,093**
Fair Value Hedges	—	—	4,093
Cash Flow Hedges	—	—	—
Hedges of Net Investment In A Foreign Operation	—	—	—
Tangible Assets (Net)	**2,234,328**	**2,383,688**	**5,868,662**
Intangible Assets (Net)	**293,017**	**381,497**	**506,761**
Goodwill	35,974	35,974	35,974
Other	257,043	345,523	470,787
Investment Property (Net)	**1,342,182**	**2,698,312**	**2,962,675**
Tax Assets	**692,764**	**660,972**	**653,987**
Current Tax Asset	26,221	33,736	62,126
Deferred Tax Asset	666,543	627,236	591,861
Assets Held For Sale	**68,649**	**65,993**	**67,319**
Other Assets	**10,421,143**	**12,021,397**	**17,213,684**
Total Assets	**241,619,140**	**277,073,232**	**325,498,972**

(1) Financial information as of December 31, 2013 is not comparable with the information set forth as of December 31, 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

	As of December 31,		
	2013[1]	2014	2015
		(TL thousands)	
LIABILITIES & EQUITY			
Deposits	**121,837,798**	**134,501,226**	**154,201,290**
Deposits from the Bank's Risk Group	2,369,051	3,199,237	3,496,383
Other	119,468,747	131,301,989	150,704,907
Derivative Financial Liabilities Held for Trading	**1,197,345**	**749,841**	**1,206,148**
Funds Borrowed	**27,223,696**	**34,060,007**	**45,468,534**
Money Market Funds	**24,999,875**	**22,304,769**	**24,624,433**
Interbank Money Market Funds	—	—	—
İstanbul Stock Exchange Money Market Funds	2,403,976	2,291,363	1,788,893
Funds Provided Under Repurchase Agreements	22,595,899	20,013,406	22,835,540
Marketable Securities Issued (Net)	**10,076,844**	**18,597,092**	**24,079,558**
Bills	4,054,730	6,901,441	9,388,557
Bonds	6,022,114	11,695,651	14,691,001
Funds	**5,954**	**39,081**	**30,677**
Miscellaneous Payables	**11,150,140**	**14,395,500**	**17,841,623**
Other Liabilities	**4,817,122**	**3,197,979**	**2,869,727**
Derivative Financial Liabilities Held For Risk Management	—	—	**5,799**
Fair Value Hedges	—	—	5,799
Cash Flow Hedges	—	—	—
Net Foreign Investment Hedges	—	—	—
Provisions	**10,918,968**	**12,083,515**	**13,562,294**
General Loan Loss Provision	2,100,602	2,479,770	3,015,392
Reserves for Employee Benefits	413,496	523,976	615,649
Insurance Technical Reserves (Net)	4,801,240	5,287,399	6,130,540
Other Provisions	3,603,630	3,792,370	3,800,713
Tax Liability	**405,870**	**754,807**	**732,394**
Current Tax Liability	403,271	748,231	726,495
Deferred Tax Liability	2,599	6,576	5,899
Subordinated Debt	**3,090,902**	**3,384,849**	**4,192,969**
Shareholders' Equity	**25,894,626**	**33,004,566**	**36,683,526**
Paid-in Capital	4,500,000	4,500,000	4,500,000
Capital Reserves	2,361,992	5,078,348	5,562,634
Share Premium	33,940	33,941	33,941
Marketable Securities Revaluation Reserve	680,397	3,439,122	1,236,211
Tangible Assets Revaluation Reserve	—	—	2,709,044
Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)	(1,179)
Other Capital Reserves	1,648,834	1,606,464	1,584,617
Profit Reserves	13,278,022	15,925,056	18,748,096
Legal Reserves	2,286,486	2,511,627	2,774,889
Statutory Reserves	59,539	64,234	71,201
Extraordinary Reserves	10,812,744	13,300,346	15,797,306
Other Profit Reserves	119,253	48,849	104,700
Profit or Loss	2,621,162	3,415,578	3,311,612
Prior Years' Profit/Loss	(614,759)	(108,141)	(19,128)
Current Year Profit/Loss	3,235,921	3,523,719	3,330,740
Minority Shares	3,133,450	4,085,584	4,561,184
Total Liabilities and Equity	**241,619,140**	**277,073,232**	**325,498,972**

(1) Financial information as of December 31, 2013 is not comparable with the information set forth as of December 31, 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

Assets

As of December 31, 2015, the Group had total assets of TL 325,499 million, an increase of 17.5% compared to TL 277,073 million as of December 31, 2014. The overall increase in the Group's total assets was primarily attributable to increases in loans and securities (15.1% and 8.9%, respectively, during 2015 and 15.5% and 10.5%, respectively, during 2014). As of December 31, 2015, 95.4% of the Group's total assets were in Turkey. Additional information regarding the Group's assets is set forth in "*Selected Statistical and Other Information.*"

Cash and Balances with the Central Bank

As of December 31, 2015, the Group's cash and balances with the Central Bank was TL 32,489 million, an increase of 29.2% compared to TL 25,144 million as of December 31, 2014, itself an increase of 7.4% from TL 23,410 million as of December 31, 2013. A significant amount of these balances represent the Group's holding of gold and foreign exchange-denominated reserves due to: (a) the increase in foreign exchange-denominated reserve requirements resulting from an increase in the Group's foreign exchange-denominated liabilities, which also depend upon foreign-exchange liquidity conditions in the market, and (b) utilizing the Reserve Option Mechanism, which gives Turkish banks the option to hold foreign exchange or gold reserves in place of a fraction of their Turkish Lira reserve requirements.

Loans, Leasing and Factoring Receivables

As of December 31, 2015, the Group had loans, leasing and factoring receivables of TL 198,060 million, an increase of 15.3% compared to TL 171,813 million as of December 31, 2014, itself an increase of 16.0% from TL 148,170 million as of December 31, 2013. These increases in the Group's loans, leasing and factoring receivables were primarily attributable to increases in loans, principally due to the 12.6% and 15.2%, respectively, increase in Turkish Lira-denominated loans in 2015 and 2014. These increases in Turkish Lira loans were primarily driven by 17.4% and 25.9%, respectively, increases in installment-based commercial Turkish Lira-denominated loans during such periods. Additional information regarding the Group's loan portfolio is set forth in "*Selected Statistical and Other Information – Loan Portfolio*."

Liabilities

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

Shareholders' Equity

As of December 31, 2015, the Group's shareholders' equity amounted to 11.3% of the Group's total assets, compared to 11.9% as of December 31, 2014. TL 841 million and TL 649 million allocated for dividend payments was deducted from shareholders' equity in 2015 and 2014, respectively, which in turn limited the growth in shareholders' equity. Total shareholders' equity was TL 33,005 million and TL 36,684 million as of December 31, 2014 and 2015, respectively. The shareholder's equity increased in 2015 due to the current period profit and revaluation of the tangible assets in 2015. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements comprising guarantees, letters of credit and similar obligations, totaled TL 52,912 million as of December 31, 2015, compared with TL 44,663 million as of December 31, 2014 and TL 39,770 million as of December 31, 2013. These increases reflected general growth and were largely due to increases in the letters of credit and letters of guarantee portfolios (40.5% and 15.0%, respectively, in 2015 and 12.5% and 13.2%, respectively, in 2014). Additional information regarding the Group's off-balance sheet arrangements is set forth in "*Contingencies and Commitments*" below and "*Selected Statistical and Other Information*."

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies). In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio (see "*Turkish Regulatory Environment - Capital Adequacy*" in the Base Prospectus for further details). Each of the Bank and the Group currently satisfies the capital requirements of the BRSA.

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

The BRSA recently published the 2016 Capital Adequacy Regulation, entering into force on March 31, 2016 and at that time replacing the 2012 Capital Adequacy Regulation. The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation but changes the risk weights of certain items.

The BRSA also maintains a policy, on a bank-by-bank basis, of requiring a higher capital adequacy ratio for banks that are seeking to open new branches, with a rate of 12% currently being applied to the Bank. As of December 31, 2013, 2014 and 2015, the Group's capital adequacy ratio was 14.32%, 15.70% and 15.10%, respectively (14.36%, 16.02% and 15.65%, 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 Board of Directors (see "*Recent Developments*" above and "*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; *it being understood* that the calculations as of December 31, 2014 and 2015 are made in accordance with Basel III.

	As of December 31,		
	2013(1)	**2014**(2)	**2015**(2)
	(*TL thousands, except percentages*)		
Paid-in capital	4,500,000	4,500,000	4,500,000
Paid-in capital inflation adjustments	1,615,938	1,615,938	1,615,938
Profit reserves	13,023,832	15,408,830	18,269,105
Profit	2,621,162	3,523,719	3,330,740
Tier 1 Capital (I)	25,607,957	32,704,560	35,428,502
Tier 2 Capital (II)	5,133,727	6,010,973	6,272,154
Deductions (III)	174,324	62,146	46,019
Own Funds (I+II-III)	30,567,360	38,653,387	41,654,637
Risk Weighted Assets (including market and operational risk)	213,393,450	246,267,688	275,840,500
Capital Ratios:			
Tier 1 Ratio	12.0%	13.3%	12.8%
Own Funds/Risk Weighted Assets	14.3%	15.7%	15.1%

(1) Financial information as of December 31, 2013 is not comparable with the information set forth as of December 31, 2014 and 2015 due to a change in the Group's accounting policy. See "*Critical Accounting Policies - Accounting Policy Changes*" above.

(2) As of January 1, 2014, capital is calculated within the scope of the 2012 Capital Adequacy Regulation.

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

Non-Financial Participations/Non-BRSA consolidated subsidiaries

As of December 31, 2015, the only significant strategic non-financial equity participation of the Bank was Şişecam Group. On August 3, 2015, the Bank, Türkiye Şişe ve Cam Fabrikaları A.Ş., Trakya Yatırım Holding A.Ş., Anadolu Hayat Emeklilik A.Ş., Efes Holding A.Ş. and Anadolu Anonim Türk Sigorta Şirketi sold all their shares held in Avea (representing 10.0035% of Avea's issued share capital) to Türk Telekomünikasyon A.Ş. for an aggregate sale price of TL 875 million. The sale price is expected to be received in approximately 4.5 years in 6 installments starting from August 3, 2015.

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

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

	As of (or for the year ended) December 31,		
	2013	**2014**	**2015**
		(TL thousands)	
Total Assets	11,482,629	12,349,787	15,662,863
Total Liabilities	4,867,328	5,110,527	6,160,327
Profit/(loss) for the period	454,015	419,777	804,866

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 and money market funds for the remaining part, although this approach is subject to change depending upon market opportunities and changes in prevailing rates for deposits and other funding sources. For further discussion on the Group's risk management policies relating to funding, see, "*Risk Management – Funding*" in the Base Prospectus.

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

	As of December 31, 2013			**As of December 31, 2014**			**As of December 31, 2015**		
	TL	**Foreign Currencies**	**Total**	**TL**	**Foreign Currencies**	**Total**	**TL**	**Foreign Currencies**	**Total**
					(TL thousands)				
Deposits....................	65,359,750	56,478,048	121,837,798	72,045,192	62,456,034	134,501,226	71,476,389	82,724,901	154,201,290
Repos and Money Market Funds............	20,823,398	4,176,477	24,999,875	19,104,474	3,200,295	22,304,769	21,440,842	3,183,591	24,624,433
Funds Borrowed(1).....	8,245,663	32,145,779	40,391,442	11,240,478	44,801,470	56,041,948	13,185,225	60,555,836	73,741,061

(1) Including marketable securities issued (consisting of TL- and foreign-currency denominated bills and bonds issued by the Group) and subordinated loans.

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

For tables setting out the maturity structure of the Group's deposits with a breakdown of the source of deposits for the years ended December 31, 2013, 2014 and 2015, see Section Five, II.a of the Group's 2015 BRSA Financial Statements.

The remaining sources of funds for the Group are funds borrowed, repos and money market funds, which accounted for 28.3% and 30.2% of the Group's total liabilities as of December 31, 2014 and 2015, respectively. Funds borrowed are mainly composed of borrowings from foreign banks and institutions, subordinated loans and marketable securities issued by the Group consisting of TL- and foreign-currency denominated bills and bonds. Funds borrowed represented 20.2% and 22.7% of the Group's total liabilities as of December 31, 2014 and 2015, respectively. As of December 31, 2015, the amount of the Group's total foreign currency-denominated borrowings was equivalent to 13.9% of the amount of its consolidated assets.

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

	As of December 31,					
	2013		2014		2015	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
			(TL thousands)			
Funds borrowed from domestic banks and institutions	1,363,090	707,257	2,362,826	851,067	1,857,367	1,208,870
Funds borrowed from foreign banks, institutions and funds	1,748,243	23,405,106	2,731,384	28,114,730	2,715,605	39,686,692
Marketable securities issued	5,134,330	4,942,514	6,146,268	12,450,824	8,612,253	15,467,305
Subordinated loans	—	3,090,902	—	3,384,849	—	4,192,969
Total	**8,245,663**	**32,145,779**	**11,240,478**	**44,801,470**	**13,185,225**	**60,555,836**

The tables below set out the Group's funds borrowed based upon their maturity as of the dates indicated:

	As of December 31,					
	2013		2014		2015	
	TL	Foreign Currencies	TL	Foreign Currencies	TL	Foreign Currencies
			(TL thousands)			
Short-term	6,692,920	8,773,916	8,646,090	12,189,353	10,327,570	5,729,641
Medium and long-term	1,552,743	23,371,863	2,594,388	32,612,117	2,857,655	54,826,195
Total	**8,245,663**	**32,145,779**	**11,240,478**	**44,801,470**	**13,185,225**	**60,555,836**

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 December 31, 2015 are as follows:

Outstanding Principal	Final Maturity	Interest rate %
$25 million DPR issuance	November 2016	Varies
€13.33 million DPR issuance	November 2016	Varies
€36 million DPR issuance	November 2018	Varies
€20 million DPR issuance	November 2016	Varies
€43.75 million DPR issuance	August 2024	Varies
€65.63 million DPR issuance	August 2024	Varies
$102.08 million DPR issuance	August 2017	Varies
$29.17 million DPR issuance	August 2017	Varies
$50 million DPR issuance	November 2018	Varies
€60 million DPR issuance	November 2018	Varies
€75 million DPR issuance	November 2018	Varies
€50 million DPR issuance	November 2025	Varies
$220 million DPR issuance	November 2028	Varies
$30 million DPR issuance	November 2019	Varies
$60 million DPR issuance	February 2022	Varies
$15 million DPR issuance	February 2030	Varies
$55 million DPR issuance	February 2020	Varies
$200 million DPR issuance	February 2020	Varies
$75 million DPR issuance	February 2020	Varies
$150 million DPR issuance	February 2020	Varies
$221.20 million DPR issuance	August 2025	Varies
$334 million syndicated loan	May 2016	Libor + 0.5%
€898 million syndicated loan	May 2016	Euribor + 0.5%
€21 million syndicated loan	May 2016	Euribor +0.4%
$281 million syndicated loan	September 2016	Libor +0.45%
€796.5 million syndicated loan	September 2016	Euribor +0.45%
$500 million eurobond	February 2016	5.10%
$1,000 million subordinated eurobond	October 2022	6.00%
$500 million eurobond	November 2017	3.875%
$750 million eurobond	October 2018	3.750%
$500 million eurobond	April 2019	5.50%
$400 million subordinated eurobond	December 2023	7.850%
$750 million eurobond	June 2021	5.00%
$750 million eurobond	April 2020	5.00%

The Bank has also issued certain smaller and/or shorter tenor Series of notes under the Program. The Bank may issue, from time to time, additional Series of notes under the Program, which (as permitted by the Program) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

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

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

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

Contingencies and Commitments

Guarantees. The Group offers its customers products such as guarantees and letters of credit to meet its customers' needs for commercial banking services, frequently in connection with their customers' export and import activities. These products do not appear on the Group's balance sheet. For the breakdown of contingencies and commitments, see Section Five, III of the Group's 2015 BRSA Financial Statements.

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

	As of December 31,		
	2013	2014	2015
		(TL thousands)	
Letters of guarantee	30,615,250	34,649,566	39,841,608
Acceptance credits	1,494,946	1,229,731	955,580
Letters of credit	6,903,157	7,763,406	10,906,494
Other guarantees[1]	756,699	1,020,610	1,208,583
Total	**39,770,052**	**44,663,313**	**52,912,265**

(1) Includes endorsements.

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

	As of December 31, 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 December 31, 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	—	—	—	—	—	—

	As of December 31, 2013					
	Buy			Sell		
	TL	Foreign Currency	Total	TL	Foreign Currency	Total
			(*TL thousands*)			
Forward foreign exchange contracts	2,700,765	3,303,958	6,004,723	1,208,734	4,830,877	6,039,611
Currency Swaps	8,276,302	15,023,163	23,299,465	8,213,744	14,888,196	23,101,940
Interest rate swaps	1,917,480	10,224,250	12,141,730	1,917,480	10,224,250	12,141,730
Currency options	1,708,133	4,108,815	5,816,948	1,647,633	4,151,335	5,798,968
Interest rate options	60,000	1,187,637	1,247,637	60,000	1,187,637	1,247,637
Marketable security and index options	1,177	—	1,177	1,177	—	1,177
Currency futures	4,150	11,652	15,802	3,346	12,930	16,276
Interest rate futures	—	—	—	—	—	—

Property, Plant and Equipment

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

	As of December 31,		
	2013	2014	2015
		(TL thousands)	
Buildings	3,534,369	3,580,068	4,750,596
Land	142,289	141,854	171,495
Construction in progress	124,225	229,324	220,158
Vehicles	21,897	21,702	21,563
Other[(1)]	1,858,855	2,046,224	2,297,582
Depreciation	(3,447,307)	(3,632,323)	(1,592,732)
Net book value	2,234,328	2,386,849	5,868,662

(1) Leasing intangible assets, leasehold improvements, office equipments, 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 (including the notes thereto) 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 2015 BRSA Financial Statements.

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 and include interest accruals.

	2013			2014			2015		
	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									
Total Performing Loans	***120,618,165***	***8.48%***	***10,225,838***	***141,243,906***	***8.87%***	***12,532,579***	***171,098,798***	***9.09%***	***15,558,315***
Turkish Lira	79,404,553	10.24%	8,130,572	91,874,456	10.98%	10,087,820	109,183,708	11.38%	12,420,474
Foreign Currency	41,213,612	5.08%	2,095,266	49,369,450	4.95%	2,444,759	61,915,090	5.07%	3,137,841
Total Securities	***36,292,350***	***8.35%***	***3,031,035***	***38,245,634***	***8.75%***	***3,346,141***	***43,683,932***	***7.81%***	***3,410,608***
Turkish Lira	30,286,568	9.17%	2,776,670	31,924,379	9.62%	3,071,640	34,838,206	8.68%	3,024,536
Foreign Currency	6,005,782	4.24%	254,365	6,321,255	4.34%	274,501	8,845,726	4.36%	386,072
Total Banks	***1,358,666***	***0.60%***	***8,190***	***2,172,491***	***0.69%***	***15,037***	***1,702,666***	***1.01%***	***17,230***
Turkish Lira	127,041	3.54%	4,500	120,215	5.19%	6,240	128,356	5.01%	6,430
Foreign Currency	1,231,625	0.30%	3,690	2,052,276	0.43%	8,797	1,574,310	0.69%	10,800
Total Balance with Central Bank				***2,542,361***	***0.23%***	***5,865***	***27,342,331***	***0.24%***	***64,684***
Turkish Lira				2,542,361	0.23%	5,865	2,135,026	1.77%	37,840
Foreign Currency							25,207,305	0.11%	26,844
Total Money Market Placements[(1)]	***3,083***	***5.42%***	***167***	***965***	***9.22%***	***89***	***858***	***9.79%***	***84***
Turkish Lira	3,083	5.42%	167	965	9.22%	89	858	9.79%	84
Foreign Currency									
Total for Average Interest-Earning Assets	**158,272,264**	**8.38%**	**13,265,230**	**184,205,357**	**8.63%**	**15,899,711**	**243,828,585**	**7.81%**	**19,050,921**
Turkish Lira	109,821,245	9.94%	10,911,909	126,462,376	10.42%	13,171,654	146,286,154	10.59%	15,489,364
Foreign Currency	48,451,019	4.86%	2,353,321	57,742,981	4.72%	2,728,057	97,542,431	3.65%	3,561,557
Average Non-Interest-Earning Assets									
Cash and balance with Central Bank (Non-Interest Portion)	19,481,697			22,341,957			2,643,991		
Derivatives	795,310			1,011,390			1,404,961		
Equity participations	7,854,294			8,341,331			9,501,535		
Non-performing loans net of allowances	475,760			503,840			707,626		
Tangibles	1,832,815			1,836,235			2,823,578		
Other assets	2,662,255			2,860,373			3,737,968		
Total Average Non-Interest Earning Assets	**33,102,131**			**36,895,126**			**20,819,659**		
Total Average Assets	**191,374,395**			**221,100,483**			**264,648,244**		

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

	2013			2014			2015		
	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									
Total Deposits (other than demand deposits)	***90,262,351***	***5.38%***	***4,854,411***	***101,756,937***	***5.58%***	***5,681,369***	***116,965,176***	***5.45%***	***6,378,023***
Turkish Lira	54,069,343	7.30%	3,945,571	52,059,111	8.92%	4,644,437	56,348,262	9.47%	5,333,532
Foreign Currency	36,193,008	2.51%	908,840	49,697,826	2.09%	1,036,932	60,616,914	1.72%	1,044,491
Funds Borrowed	***12,599,028***	***2.69%***	***338,799***	***16,643,538***	***2.90%***	***482,494***	***26,457,904***	***2.85%***	***754,852***
Turkish Lira	1,381,511	7.52%	103,914	2,138,640	9.21%	196,867	2,827,664	9.86%	278,699
Foreign Currency	11,217,517	2.09%	234,885	14,504,898	1.97%	285,627	23,630,240	2.02%	476,153
Funds provided under repurchase agreements[1]	***17,863,950***	***5.29%***	***945,862***	***17,341,538***	***8.00%***	***1,387,341***	***20,336,285***	***8.20%***	***1,667,821***
Turkish Lira	14,680,757	6.15%	903,406	14,478,756	9.32%	1,349,986	17,511,475	9.31%	1,630,801
Foreign Currency	3,183,193	1.33%	42,456	2,862,782	1.30%	37,355	2,824,810	1.31%	37,020
Debt securities issued[2]	***9,946,035***	***5.88%***	***584,757***	***15,934,948***	***6.40%***	***1,019,320***	***23,050,892***	***5.90%***	***1,359,913***
Turkish Lira	4,715,723	6.85%	323,135	5,503,103	9.33%	513,391	5,754,857	9.22%	530,849
Foreign Currency	5,230,312	5.00%	261,622	10,431,845	4.85%	505,929	17,296,035	4.79%	829,064
Total for Average Interest-Bearing Liabilities	**130,671,364**	5.15%	**6,723,829**	**151,676,961**	5.65%	**8,570,524**	**186,810,257**	5.44%	**10,160,609**
Turkish Lira	74,847,334	7.05%	5,276,026	74,179,610	9.04%	6,704,681	82,442,258	9.43%	7,773,881
Foreign Currency	55,824,030	2.59%	1,447,803	77,497,351	2.41%	1,865,843	104,367,999	2.29%	2,386,728
Average Non-Interest-Bearing Liabilities									
Deposits-demand	22,111,643			25,858,088			31,645,046		
Provisions	5,664,148			6,061,806			6,713,768		
Tax liabilities	340,168			472,077			376,903		
Other liabilities	9,490,929			10,554,961			10,387,192		
Total Average Non-Interest-Bearing Liabilities	**37,606,889**			**42,946,932**			**49,122,909**		
Total Average Liabilities	**168,278,253**			**194,623,893**			**235,933,166**		
Total Average Shareholders' Equity and net profit	**23,318,551**			**25,836,062**			**27,548,461**		

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

(2) Includes subordinated bonds, which are classified on the balance sheet as subordinated loans.

B. Net Interest Income Data

In addition to the average yield earned on interest-earning assets and average effective 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, margin (or net yield) on interest-earning assets and spread for each of the indicated years. Averages are based upon daily data (other than margin averages, which are calculated by using quarterly data).

	2013	2014	2015
		(TL thousands, except percentages)	
Net interest income	6,655,430	7,454,217	8,985,556
Turkish Lira	*5,809,960*	*6,627,977*	*7,817,913*
Foreign Currency	*845,470*	*826,240*	*1,167,643*
Net Interest Margin[1]	4.2%	4.1%	4.1%
Spread[2][3]	4.0%	3.6%	3.6%
Turkish Lira	*3.8%*	*2.3%*	*1.8%*
Foreign Currency	*2.8%*	*2.4%*	*2.6%*

(1) Bank-only net interest income divided by bank-only average interest-earning assets. Reserves held at the Central Bank have been excluded from interest-earning assets. Net interest income does not include interest income from the Central Bank.

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

(3) Average balances are calculated from daily balances and do not include interest accruals. Central Bank balances are excluded from interest-earning assets. Demand deposit accounts are not included in interest-bearing liabilities.

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 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.

	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 Borrowers 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**

	2014/2013		
	Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Total Performing Loans	*1,812,666*	*494,075*	*2,306,741*
Performing Loans in Turkish Lira	1,340,076	617,172	1,957,248
Performing Loans in Foreign Currency	402,250	(52,757)	349,493
Total Securities	*167,252*	*147,854*	*315,106*
Securities in Turkish Lira	154,034	140,937	294,971
Securities in Foreign Currency	13,589	6,546	20,135
Total interest income	**1,979,919**	**641,928**	**2,621,847**
Interest Expense			
Deposits (other than demand deposits)	*636,338*	*190,620*	*826,958*
Deposits in Turkish Lira	(140,144)	839,010	698,866
Deposits in Foreign Currency	234,250	(106,158)	128,092
Funds Borrowed	*115,589*	*28,106*	*143,695*
Funds Borrowers in Turkish Lira	66,000	26,954	92,954
Funds Borrowed in Foreign Currency	63,688	(12,947)	50,741
Total interest expense	**751,928**	**(218,725)**	**970,653**
Net change in net interest income	**1,227,991**	**423,203**	**1,651,194**

D. Certain Group Information

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

	2013[1]	2014	2015
	(TL thousands, except percentages)		
Net income	3,606,859	4,020,417	3,739,671
Average total assets[2]	220,894,773	259,346,186	301,286,102
Average shareholders' equity[2][3]	22,190,764	25,840,079	30,520,662
Average shareholders' equity as a percentage of average total assets[2][3]	10.05%	9.96%	10.13%
Return on average total assets[2][4]	1.63%	1.55%	1.24%
Return on average shareholders' equity excluding minority interest[2][5]	14.58%	13.64%	10.91%
Dividend pay-out ratio (Bank-only)[6]	17.5%	20.7%	25.0%

(1) The ratios and other data for 2013 are not comparable with the ratios and other data for 2014 and 2015 due to a change in the Group's accounting policy. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Accounting Policy Changes*" above.

(2) Calculated on quarterly averages for 2013 and on annual averages for each of 2014 and 2015 due to a change in the Group's accounting policy. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Accounting Policy Changes*" above.

(3) Average shareholders' equity excludes minority shares.

(4) Net income for the period as a percentage of average total assets.

(5) Net income (excluding minority shares) for the period as a percentage of average shareholders' equity (excluding minority shares).

(6) Dividends corresponding to the period as a percentage of net income for the period.

II. Investment Portfolio

The Group's securities portfolio comprises trading securities (*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 (*i.e.*, held-to-maturity securities and available-for-sale securities). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. Dollars and Euro.

As of December 31, 2015, the size of the Group's aggregate securities portfolio increased by 8.9% to TL 52,558 million from TL 48,248 million as of December 31, 2014, which in turn increased by 10.5% from TL 43,651 million as of December 31, 2013. 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, 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 24,682 million as of December 31, 2015, TL 21,452 million as of December 31, 2014 and TL 24,799 million as of December 31, 2013, comprising 47.0%, 44.5% and 56.8%, respectively, of the Group's 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 securities (on a book-value basis) held by the Group as of the dates indicated:

	As of December 31,		
	2013	2014	2015
		(TL thousands)	
Investment securities	42,003,850	47,068,989	51,506,759
Available-for-sale portfolio	*34,275,403*	*45,677,129*	*47,009,342*
Held-to-maturity portfolio	*7,728,447*	*1,391,860*	*4,497,417*
Trading portfolio	1,647,191	1,179,099	1,051,450
Total	**43,651,041**	**48,248,088**	**52,558,209**

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 December 31,		
	2013	2014	2015
		(TL thousands)	
Turkish Lira-denominated securities	36,348,841	39,938,683	40,915,762
Foreign currency-denominated and indexed securities	7,302,200	8,309,405	11,642,447
Total securities	**43,651,041**	**48,248,088**	**52,558,209**

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

	As of December 31		
	2013	2014	2015
		(TL thousands)	
Turkish government debt securities(1)	40,823,704	45,676,050	49,483,163
Other marketable debt securities	2,675,282	2,401,630	2,646,398
Equity shares	152,055	170,408	428,648
Total securities	**43,651,041**	**48,248,088**	**52,558,209**

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

Investment Portfolio

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

As of December 31, 2015, the size of the Group's investment portfolio increased by 9.4% to TL 51.5 billion from TL 47.1 billion as of December 31, 2014, which itself was an increase of 12.1% from TL 42.0 billion as of December 31, 2013. In 2015, the loan growth was 15.1% whereas the securities portfolio increased by 8.9%. In 2014, the loan growth was 15.5% while the securities portfolio increased by 10.5%. As of December 31, 2015, the loan portfolio represented 64.2% of the Bank's total assets, compared to 65.3% as of December 31, 2014 (59.3% and 60.5%, respectively, for the Group). As of December 31, 2015, the Group's loan portfolio represented 59.3% of the Group's total assets, compared to 60.5% as of December 31, 2014. As of December 31, 2015, the Group's investment portfolio represented 15.8% of the Group's total assets, compared to 17.0% as of December 31, 2014.

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

	As of December 31					
	2013		2014		2015	
	(TL thousands, except percentages)					
Turkish government debt securities[(1)] ...	31,980,089	93.31%	43,878,530	96.06%	44,771,775	95.24%
Other marketable securities[(2)]	2,198,532	6.41%	1,698,034	3.72%	1,888,407	4.02%
Equity shares..	96,782	0.28%	100,565	0.22%	349,160	0.74%
Total available-for-sale portfolio	**34,275,403**	**100.00%**	**45,677,129**	**100.00%**	**47,009,342**	**100.00%**

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

As of December 31, 2015, the size of the Group's available-for-sale securities portfolio increased by 2.9% to TL 47,009,342 thousand from TL 45,677,129 thousand as of December 31, 2014, itself an increase of 33.3% from TL 34,275,403 thousand as of December 31, 2013.

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

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

	As of December 31					
	2013		2014		2015	
	(TL thousands, except percentages)					
Turkish government debt securities[(1)]...........	7,704,816	99.69%	1,307,192	93.92%	4,310,652	95.85%
Other marketable debt securities	23,631	0.31%	84,668	6.08%	186,765	4.15%
Total held-to-maturity portfolio................	**7,728,447**	**100.00%**	**1,391,860**	**100.00%**	**4,497,417**	**100.00%**

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

As of December 31, 2015, the size of the Group's held-to-maturity securities portfolio increased by 223.1% to TL 4,497,417 thousand from TL 1,391,860 thousand as of December 31, 2014, itself a decrease of 82.0% from TL 7,728,447 thousand as of December 31, 2013. The increase in the held-to-maturity portfolio in 2015 has mainly resulted from reclassification of government bonds with a nominal value of TL 3,328,506, which were classified under the available-for-sale investments portfolio in 2014.

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

Trading Portfolio

As noted above, trading securities are debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments under Turkish law. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets, whereas all trading derivatives in a net payable position (negative fair value) are reported as trading liabilities. The Group's portfolio of trading securities 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 December 31					
	2013		2014		2015	
	(TL thousands, except percentages)					
Turkish government debt securities[1] ...	1,138,799	69.13%	490,328	41.58%	400,736	38.11%
Other marketable debt securities...........	453,119	27.51%	618,928	52.49%	571,226	54.33%
Equity shares..	55,273	3.36%	69,843	5.92%	79,488	7.56%
Total trading portfolio........................	**1,647,191**	**100.00%**	**1,179,099**	**100.00%**	**1,051,450**	**100.00%**

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

As of December 31, 2015, the size of the Group's trading portfolio decreased by 10.8% to TL 1,051,450 thousand from TL 1,179,099 thousand as of December 31, 2014, itself a decrease of 28.4% from TL 1,647,191 thousand as of December 31, 2013. The change in the trading portfolio is attributable to the actions taken by the Group to benefit from price or rate changes and to meet demand from clients.

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

B. Maturities of Investments

The following table sets out the maturities of the securities in the Group's securities portfolio (excluding equity shares but including accrued interest) as of year-end 2015.

	As of December 31, 2015				
	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........	2,405,184	21,181,824	19,573,939	3,220,932	46,381,879
Held-to-maturity securities..........	321,509	1,116,718	2,901,783	157,407	4,497,417
Trading securities.......................	1,617,216	431,439	120,864	19,744	2,189,263
Total	**4,343,909**	**22,729,981**	**22,596,586**	**3,398,083**	**53,068,559**

C. Investment Concentrations

As of December 31, 2015, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of December 31, 2015, the Group's TL 49,483 million of Turkish government securities represented 134.9% of the Group's shareholders' equity.

D. Equity Participations and Investments in 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. Minority 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. Minority interests are presented separately in the balance sheet and in the income statement.

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

III. Loan Portfolio

Loans and advances to customers represent the largest component of the Group’s assets. As of December 31, 2015, the Group’s total cash loans net of allowance for possible losses equaled TL 193,938 million, or 59.6% of total assets (when including non-cash loans, TL 52,912 million, representing 75.8% of total assets). In addition to loans, the Group had outstanding as of December 31, 2015 guarantees amounting to TL 39,842 million, acceptances amounting to TL 956 million and letters of credit amounting to TL 10,906 million. As discussed below, there are several important characteristics of the Group’s loan portfolio, including diversification based upon sector, type of borrower, maturity, currency and geography.

As of December 31, 2015, the Group’s net cash total loans and advances to customers, less allowance for possible losses, amounted to TL 193.9 billion, which represented 59.6% of the Group’s total assets, compared to TL 168.3 billion (60.8% of the Group’s total assets) as of December 31, 2014 (TL 145.7 billion as of December 31, 2013). The Group’s portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 15.2% as of December 31, 2015, compared to year-end 2014 after having increased by 15.5% in 2014. The increases in 2014 and 2015 were driven mainly by the growth in Turkish Lira-denominated loans – foreign currency-denominated loans grew by 15.8% and 19.0% in 2014 and 2015, respectively, whereas Turkish Lira-denominated loans grew by 15.3% and 12.8% in 2014 and 2015, respectively. In 2014 and 2015, when the impact of the appreciation/depreciation in foreign exchange is excluded, the increase in foreign currency-denominated loans diminishes to 9.9% and negative 0.4%, respectively.

As of December 31, 2015, the average effective interest rates charged to borrowers were 5.00% for U.S. Dollars, 4.23% for Euro and 13.33% for Turkish Lira (4.57%, 4.80% and 12.28% and 4.40%, 4.63% and 11.64% as of December 31, 2014 and 2013, 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.

	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
			(*TL thousands, except percentages*)			
Public Sector Loans.............	2,157,493	1.48%	1,884,217	1.12%	1,823,235	0.94%
Private Sector Loans............	143,578,778	98.52%	166,443,871	98.88%	192,114,592	99.06%
Total Loans........................	**145,736,271**	**100.00%**	**168,328,088**	**100.00%**	**193,937,827**	**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 December 31, 2015, the Bank's loan portfolio comprised 49.7% corporate (as defined by the Corporate Definition), 23.8% SME (as defined by the BRSA SME Definition), 20.6% consumer and 5.9% retail credit card loans.

Geographic Region of Loans. For each of 2013, 2014 and 2015, the share of domestic Turkish loans was approximately 98.0% 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:

	As of December 31,					
	2013		2014		2015	
	Amount	%	Amount	%	Amount	%
			(*TL thousands, except percentages*)			
Aegean Region.............................	14,462,371	9.96%	17,207,030	10.26%	20,506,824	10.63%
Black Sea Region..........................	5,666,297	3.90%	6,499,975	3.88%	7,094,855	3.68%
Central Anatolia Region................	28,600,515	19.70%	34,184,303	20.39%	40,751,796	21.12%
Eastern Anatolia Region................	2,629,720	1.81%	3,155,399	1.88%	3,535,767	1.83%
Marmara Region............................	66,318,052	45.69%	76,580,506	45.69%	88,507,079	45.88%
Mediterranean Region...................	12,739,089	8.77%	14,225,324	8.49%	15,795,464	8.19%
Southeastern Anatolia Region.......	6,018,051	4.14%	7,732,038	4.61%	8,872,685	4.60%
International.................................	8,755,824	6.03%	8,048,717	4.80%	7,844,989	4.07%
Total Performing Loans.............	**145,189,919**	**100.00%**	**167,633,292**	**100.00%**	**192,909,459**	**100.00%**
Non-Performing Loans..................	2,476,333		2,699,501		3,920,231	
Total Loans.................................	**147,666.252**		**170,332,793**		**196,829,690**	
Allowance for Loan Losses...........	1,929,981		2,004,705		2,891,863	
Total Net Loans..........................	**145,736,271**		**168,328,088**		**193,937,827**	

Currency of Loans. As of December 31, 2015, foreign currency risk-bearing loans comprised 43.1% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 42.0% as of December 31, 2014 and 42.8% as of December 31, 2013.

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

	As of December 31					
	2013		2014		2015	
	(TL thousands, except percentages)					
Cash Loans						
Turkish Lira	*89,370,339*	*48.18%*	*103,048,356*	*48.38%*	*116,229,454*	*47.09%*
Foreign Currency	*56,365,932*	*30.38%*	*65,279,732*	*30.65%*	77,708,373	31.48%
U.S. Dollars	36,383,566	19.61%	44,390,756	20.84%	50,948,185	20.64%
Euro	18,430,391	9.93%	18,927,164	8.89%	24,536,535	9.94%
Other	1,551,975	0.84%	1,961,812	0.92%	2,223,653	0.90%
Total Cash Loans	**145,736,271**	**78.56%**	**168,328,088**	**79.03%**	**193,937,827**	**78.57%**
Non-cash Loans						
Letters of Guarantee	*30,615,250*	*16.50%*	*34,649,566*	*16.27%*	*39,841,608*	*16.14%*
Turkish Lira	15,952,429	8.60%	18,080,951	8.49%	20,561,735	8.33%
Foreign Currency	14,662,821	7.90%	16,568,615	7.78%	19,279,873	7.81%
Acceptance Credits	*1,494,946*	*0.81%*	*1,229,731*	*0.58%*	*955,580*	*0.39%*
Turkish Lira	4,262	0.00%	9,813	0.00%	4,821	0.00%
Foreign Currency	1,490,684	0.81%	1,219,918	0.57%	950,759	0.39%
Letters of Credit	*6,903,157*	*3.72%*	*7,763,406*	*3.64%*	*10,906,494*	*4.42%*
Turkish Lira	-	0.00%	-	0.00%	5,655	0.00%
Foreign Currency	6,903,157	3.72%	7,763,406	3.64%	10,900,839	4.42%
Other Guarantee	*756,699*	*0.41%*	*1,020,610*	*0.48%*	*1,208,583*	*0.49%*
Turkish Lira	153,372	0.08%	236,717	0.11%	277,342	0.11%
Foreign Currency	603,327	0.33%	783,893	0.37%	931,241	0.38%
Total Non-cash Loans	**39,770,052**	**21.44%**	**44,663,313**	**20.97%**	**52,912,265**	**21.43%**
Total Loans	**185,506,323**	**100.00%**	**212,991,401**	**100.00%**	**246,850,092**	**100.00%**

In 2015, the U.S. Dollar exchange rate continued to increase. As a result of the foreign exchange impact, the foreign currency risk-bearing loans appear to represent the same level of the Group's total loans when compared to 2014 when in fact the share of Turkish Lira-denominated loans increased compared to 2014. The growth rate of total cash and non-cash loans in 2015 was 16% (retail loans growth rate was 10%, commercial & corporate loans growth rate was 17%), which was 15 % in 2014. The effects of precautions taken by BRSA in 2014 to cool down the loan growth continued during 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 49.8 months as of December 31, 2015; *however*, as demand for longer-term financing from existing customers and other high-quality corporate credits increases, the Bank's management expects that the maturity profile of the Group's loan portfolio will also increase. As of December 31, 2015, the Group's loans with remaining maturities over one year but through five years and over five years composed 39.4% and 11.8%, 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*)			
December 31, 2013	72,718,366	59,445,663	14,518,353	146,682,382	56.16%	43.84%
December 31, 2014	84,903,279	67,411,170	17,446,848	169,761,297	58.65%	41.35%
December 31, 2015	95,592,680	77,165,796	23,130,629	195,889,105	57.18%	42.82%

(1) Includes factoring receivables.

	1 year or less	After 1 year	Total
Guarantees[(1)]		(*TL thousands*)	
December 31, 2013	33,740,609	6,029,443	39,770,052
December 31, 2014	37,915,598	6,747,715	44,663,313
December 31, 2015	43,654,793	9,257,472	52,912,265

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

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

C. Risk Elements

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

The Bank allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations (see "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus). As of December 31, 2015, 15.4%, 25.6% and 59.1% of the Bank's non-performing loan portfolio was categorized in Groups III, IV and V, respectively. The provision made during the year is charged against the profit for the year. Loans that cannot be recovered are written-off and charged the allowance for loan losses. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year.

Non-performing loans amounted to 1.99% of total loans of the Group as of December 31, 2015 (1.58% as of December 31, 2014).

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 renegotiated terms as of the dates indicated:

	As of December 31		
	2013	**2014**	**2015**
		(*TL thousands*)	
Non-performing	2,476,333	2,699,501	3,920,231
Past due but not impaired	810,188	1,074,791	1,473,453
Loans with renegotiated terms	4,742,667	5,370,967	5,681,249
Total	**8,029,188**	**9,145,259**	**10,989,009**

A loan is categorized as non-performing when interest, fees or principal remain unpaid 90 days after the due date. A loan is categorized as past due but not impaired when interest, fees or principal remain unpaid 31 to 90 days after the due date. A non-performing loan can be restructured (*i.e.*, "loans with renegotiated 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. The amount of NPLs restructured and transferred to the "Renewed and Restructured Loans Account" in 2015, 2014 and 2013 totaled TL 34.0 million, TL 44.9 million and TL 54.3 million, respectively.

2. Potential Problem Loans

As of December 31, 2015, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table for future years. See "*Summary of Loan Loss Experience*" below.

3. Loan Concentrations

As of December 31, 2015, the Group's loan portfolio did not contain any concentration of credits that exceeded 10% of its total loans that are not otherwise already disclosed as a category of loans pursuant to "*Types of Loans*" above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of December 31, 2015, the gross cash loans to the Bank's ten largest group customers represented approximately 10.6% of its gross loan portfolio, compared to 11.9% as of December 31, 2014 and 11.6% as of December 31, 2013.

D. Other Interest-Earning Assets

As of December 31, 2015, the Group's other interest-earning assets did not include any non-loan assets that would be included in III.C.1. ("*Nonaccrual, Past Due and Restructured Loans*") or III.C.2. ("*Potential Problem Loans*") above if such assets were loans.

IV. Summary of Loan Loss Experience

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

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Group, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfill the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information.

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

The Group generally does not write-off non-performing loans, regardless of the amount of time they have been outstanding (write-offs typically occur when an unrecoverable loss is identified). When a loan is placed on non-performing status, interest income ceases to accrue. A non-performing loan might be restored to accrual status if it is determined that the repayment of principal and interest is reasonably assured on collection, such as in the case when all amounts due under a loan are fully collateralized by cash or marketable securities and actions have commenced to foreclose on the collateral; *however,* more typically the Group seeks to collect on non-performing loans and close its commitments.

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

The Group's non-performing loans amounted to TL 2,476,333 thousand, TL 2,699,501 thousand and TL 3,920,231 thousand as of December 31, 2013, 2014 and 2015, respectively. The Group's ratios of non-performing loans to total cash loans and to total cash and non-cash loans were 1.7% and 1.3%, 1.6% and 1.3% and 2.0% and 1.6%, respectively, as of December 31, 2013, 2014 and 2015. The Group sold TL 251,714 thousand, TL 272,517 thousand and TL 189,224 thousand of non-performing loans for TL 42,471 thousand, TL 44,017 thousand and TL 29,091 thousand in 2013, 2014 and 2015, respectively.

NPL Loan Portfolio by Loan Type

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

	2013	2014	2015
		(TL millions)	
Corporate[1]/SME[2]	1,340	1,412	2,170
Consumer	420	514	722
Credit Card	407	421	618
Overdraft[3]	20	19	31
Other/Miscellaneous Receivables	51	55	63
Total	**2,238**	**2,421**	**3,604**

(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:

	2013	2014	2015
		(TL thousands)	
Balances at beginning of year	**1,654,778**	**1,929,981**	**2,004,705**
Additions	934,178	977,444	1,474,489
Collections	437,450	529,583	404,969
Write-offs	221,525	373,137	182,362
Balances at end of year	**1,929,981**	**2,004,705**	**2,891,863**

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 December 31,		
	2013	**2014**	**2015**
		(TL thousands)	
Cash	1,866,589	2,242,008	2,729,233
Non-cash commitments and contingencies	145,323	153,972	168,605
Total	**2,011,912**	**2,395,980**	**2,897,838**

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 December 31,								
	2013			**2014**			**2015**		
	NPLs	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**	**NPLs**	**Total Provision**	**% Reserved**
Risk Category									
Doubtful	292,263	59,310	20.29%	384,519	78,619	20.45%	569,563	116,801	20.51%
Substantial	498,340	250,662	50.30%	533,476	269,293	50.48%	924,153	465,980	50.42%
Loss	1,685,730	1,620,009	96.10%	1,781,506	1,656,793	93.00%	2,426,515	2,309,082	95.16%
Total loans classified	**2,476,333**	**1,929,981**	**77.94%**	**2,699,501**	**2,004,705**	**74.26%**	**3,920,231**	**2,891,863**	**73.77%**
Gross loans	147,666,252			170,332,793			196,829,690		
Cash loans, net	145,736,271			168,328,088			193,937,827		

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 71.8% of the Bank's total Turkish Lira deposits as of December 31, 2015. 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 15.2% in 2015 and amounted to TL 153.8 billion as of December 31, 2015.

As of December 31, 2015, the Group's customers in Turkey held more deposits with the Bank in foreign currency than in Turkish Lira, with 53.6% of the Group's total deposits being foreign currency deposits (31.0% denominated in U.S. Dollars (57.8% of total foreign currency deposits) and 18.7% denominated in Euro (34.8% of total foreign currency deposits)). The Bank's management believes that the stable financial sector in Turkey, the government's willingness to keep the budget deficit under control and the inflow of portfolio investments into Turkey enhanced consumer confidence in Turkish Lira as a medium of investment in the first half of 2013. On the other hand, in the second half of 2013, consumer confidence weakened due to the depreciation of the Turkish Lira resulting from the slowdown in capital inflows to Turkey. In particular, the Turkish Lira depreciated significantly following a corruption probe starting in mid-December 2013. The increased risk perception towards emerging markets during that period also contributed to significant levels of volatility in the Turkish Lira; *however*, in 2014 the Turkish Lira followed a relatively less volatile course compared to 2013 and recovered some of its losses against the U.S. Dollar following the Central Bank's significant rate increase on January 28, 2014. As of December 31, 2014, the Turkish Lira had appreciated by 1.02% in nominal terms compared to its level recorded on January 28, 2014. As of December 25, 2015, the Turkish Lira depreciated against the U.S. Dollar by 25.4% in nominal terms compared to the end of 2014. In 2014 and 2015, when the impact of the appreciation/depreciation in foreign exchange is excluded, the increase in foreign currency deposits reduces to 6.4% and 11.2%, respectively.

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

	As of December 31					
	2013		2014		2015	
	(TL thousands, except percentages)					
Turkish Lira deposits	65,359,750	34.8%	72,045,192	33.9%	71,476,389	28.3%
Foreign currency deposits	56,478,048	30.2%	62,456,034	29.3%	82,724,901	32.8%
Money market funds	24,999,875	13.4%	22,304,769	10.5%	24,624,433	9.8%
Funds borrowed(1)	40,391,442	21.6%	56,041,948	26.3%	73,741,061	29.2%
Total	**187,229,115**	**100.0%**	**212,847,943**	**100.0%**	**252,566,784**	**100.0%**

(1) Including marketable securities issued (consisting of TL and foreign-currency denominated bills and bonds issued by the Group) and subordinated loans.

In recent years, the foreign currency distribution of deposits has trended in favor of Turkish Lira as a result of lower inflation, reduced exchange rate fluctuation and the significant decline in interest rates. For further information on the Group's sources of funding, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Funding*."

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

As of December 31, 2015, the Group's total deposits were TL 154.2 billion, as compared to TL 134.5 billion as of December 31, 2014 and TL 121.8 billion as of December 31, 2013. The following table sets out a breakdown of the Group's deposits from customers and financial institutions, and funds deposited under repurchase agreements, by composition as of the dates indicated:

	As of December 31					
	2013		2014		2015	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(TL thousands, except percentages)					
Savings deposit in Turkish Lira	**45,374,377**	**31.42%**	**50,042,260**	**32.39%**	**52,568,820**	**29.69%**
Demand	7,385,973		8,543,512		9,988,532	
Time	37,988,404		41,498,748		42,580,288	
Foreign currency deposits(1)	**53,579,718**	**37.10%**	**58,665,888**	**37.96%**	**75,971,639**	**42.91%**
Demand	11,551,345		13,662,403		17,413,605	
Time	42,028,373		45,003,485		58,558,034	
Funds deposited under repurchase agreements	**22,595,899**	**15.64%**	**20,013,406**	**12.95%**	**22,835,540**	**12.90%**
Commercial deposits	**14,188,226**	**9.82%**	**13,641,503**	**8.83%**	**14,081,267**	**7.95%**
Demand	6,152,047		6,385,381		6,280,106	
Time	8,036,179		7,256,122		7,801,161	
Bank deposits	**4,192,301**	**2.90%**	**6,689,292**	**4.33%**	**7,922,036**	**4.47%**
Demand	289,201		653,743		763,508	
Time	3,903,100		6,035,549		7,158,528	
Other	**4,503,176**	**3.12%**	**5,462,283**	**3.54%**	**3,657,528**	**2.07%**
Demand	783,360		856,820		793,597	
Time	3,719,816		4,605,463		2,863,931	
Total	**144,433,697**	**100.00%**	**154,514,632**	**100.00%**	**177,036,830**	**100.00%**

(1) Excluding bank deposits.

As of December 31, 2015, the average effective interest rates of the Group applied to customer deposits were 1.45% for U.S. Dollars, 0.94% for euro and 7.96% for Turkish Lira.

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

	As of December 31		
	2013	**2014**	**2015**
		(TL thousands)	
Demand deposits	26,161,926	30,101,859	35,239,348
Time deposits[1]	118,271,771	124,412,773	141,797,482
Total..................................	**144,433,697**	**154,514,632**	**177,036,830**

(1) Includes funds deposited under repurchase agreements.

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*)		
December 31, 2013	107,467,789	7,505,829	6,864,180	121,837,798
December 31, 2014	120,439,539	8,079,054	5,982,633	134,501,226
December 31, 2015	130,732,971	12,677,767	10,790,552	154,201,290

(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:

	2013[1]	**2014**	**2015**
	(*TL thousands, except percentages*)		
Net income..	3,606,859	4,020,417	3,739,671
Average total assets[2]	220,894,773	259,346,186	301,286,102
Average shareholders' equity[2][3]	22,190,764	25,840,079	30,520,662
Average shareholders' equity as a percentage of average total assets[2][3]..........	10.05%	9.96%	10.13%
Return on average total assets[2][4]..	1.63%	1.55%	1.24%
Return on average shareholders' equity excluding minority interest[2][5]...........	14.58%	13.64%	10.91%

(1) The ratios and other data for 2013 are not comparable with the ratios and other data for 2014 and 2015 due to a change in the Group's accounting policy. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Accounting Policy Changes*" above.

(2) Calculated on quarterly averages for 2013, and on annual averages for each of 2014 and 2015 due to a change in the Group's accounting policy. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Accounting Policy Changes*" above.

(3) Average shareholders' equity excludes minority interest.

(4) Net income for the period as a percentage of average total assets.

(5) Net income (excluding minority shares) for the period as a percentage of average shareholders' equity (excluding minority shares).

VII. Short-Term Borrowings

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

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus (the "Base Conditions") as amended or supplemented by the issue-specific terms set out below in this section. References in the Base Conditions to Final Terms shall be deemed to refer to the issue-specific terms of the Notes substantially in the form set out below.

5 April 2016

TÜRKİYE İŞ BANKASI A.Ş.

Issue of US$750,000,000 5.375% Notes due 2021 (the "*Notes*")
under the US$7,000,000,000
Global Medium Term Note Program

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 16 June 2015 (as supplemented on 6 August 2015, 9 October 2015, 13 November 2015, 18 February 2016 and 4 April 2016) and the Prospectus dated 5 April 2016, 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:	2016-8
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency:		U.S. Dollars or US$
4.	Aggregate Nominal Amount:		
	(a)	Series:	US$750,000,000
	(b)	Tranche:	US$750,000,000
5.	Issue Price:		99.540 *per cent.* of the Aggregate Nominal Amount of the Tranche
6.	(a)	Specified Denomination(s):	US$200,000 and integral multiples of US$1,000 in excess thereof
	(b)	Calculation Amount:	US$1,000
7.	(a)	Issue Date:	6 April 2016

	(b)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		6 October 2021
9.	Interest Basis:		5.375 *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:	5.375 *per cent. per annum* payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	6 April and 6 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 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 6 April 2016; *however*, no assurance can be given that such application will be accepted.
(b)	Estimate of total expenses related to admission to trading:	€3,290

2. RATINGS

Ratings: The Notes to be issued are expected to be rated:

"BBB-" by Fitch Ratings Ltd. ("*Fitch*") and "Baa3" (negative outlook) by Moody's Investors Service Limited ("*Moody's*").

Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

Save for any fees payable to the Initial Purchasers of the Notes (the "*Managers*"), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer of the Notes. The Managers and/or their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield: 5.473 *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:	US900151AH41 for Rule 144A Global Note(s), XS1390320981 for Regulation S Global Note
(b)	Common Code:	139134796 for Rule 144A Global Note(s), 139032098 for Regulation S Global Note
(c)	CUSIP:	900151AH4 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. 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:	Deutsche Bank AG, London Branch HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities plc Société Générale
(c)	Stabilisation Manager(s) (if any):	J.P. Morgan Securities plc
(d)	If non-syndicated, name of relevant Dealer:	Not Applicable
(e)	U.S. Selling Restrictions:	Reg. S Compliance Category 2 and Rule 144A

U.S. TAXATION

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

Certain U.S. Federal Income Tax Consequences

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

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

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

The discussion below is based upon the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), U.S. Treasury regulations promulgated thereunder and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

The summary of the U.S. federal income tax consequences set out below is for general information only. Prospective purchasers should consult their tax advisers as to the particular tax consequences to them of owning the Notes, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

Payments of Interest

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

Sale, Exchange and Redemption of Notes

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

Information Reporting and Backup Withholding

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

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

Medicare Tax

Certain U.S. Holders who are individuals, estates or non-exempt trusts must pay an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable disposition of Notes. U.S. Holders should consult their tax advisers regarding the effect, if any, of this tax on their investment in the Notes.

FATCA

Sections 1471 through 1474 of the Code and applicable U.S. Treasury regulations thereunder (commonly referred to as the "Foreign Account Tax Compliance Act" or "*FATCA*") generally impose a withholding tax of 30% on certain payments to certain non-US financial institutions (including entities such as the Bank) unless such institutions ("*foreign financial institutions*" or "*FFIs*" as defined under the Code) enter into an agreement with the IRS (an "*FFI Agreement*"). Such an agreement will require the provision of certain information regarding the FFI's "US account holders" (which could include holders of the Notes) to the IRS.

FFI Agreements also require FFIs to withhold up to 30% of amounts payable to account holders that do not provide them with information required to comply with FATCA ("*Recalcitrant Holders*") or to FFIs that do not enter into an FFI Agreement with the IRS under FATCA and are not otherwise exempt from or in deemed compliance with FATCA ("*Nonparticipating FFIs*"), if such amounts constitute foreign passthru payments ("*Foreign Passthru Payments*") under FATCA, which term is not yet defined. Such withholding is generally not required on payments made before the later of January 1, 2019 or the date of publication of final regulations defining Foreign Passthru Payments. Further, such withholding on payments with respect to the Notes is required only if the Notes are issued or materially modified such that they are deemed to be reissued after the "grandfathering date" (*i.e.*, the date that is six months after the date of filing of final regulations defining Foreign Passthru Payments).

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "*IGA*"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership" or "withholding foreign trust" regimes). Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. On June 3, 2014, the United States and Turkey agreed in substance to enter into an IGA (the "*U.S.-Turkey IGA*") based largely on the Model 1 IGA. The Bank registered with the IRS on June 3, 2014 with the status "Registered Deemed Compliant FI" (which includes a Reporting FI under a Model 1 IGA).

On July 29, 2015, the U.S.-Turkey IGA was signed, which entered into force on March 16, 2016.

The Bank's management expects the Bank to be treated as a Reporting FI under the U.S.-Turkey IGA and does not anticipate being obliged to withhold any amounts under FATCA from payments it makes. In order to allow the Bank to comply with its obligations as a Reporting FI under the U.S.-Turkey IGA and to allow the Paying Agents and any applicable intermediary to comply with their obligations under applicable IGAs or FFI Agreements, holders of the Notes may be requested to provide the Bank, a Paying Agent or other intermediaries with certain information, including, but not limited to: (a) information to determine whether the beneficial owner of a Note is a United States person as defined in Section 7701(a)(30) of the Code or a United States owned foreign entity as described in Section 1471(d)(3) of the Code and any additional information that the Bank, a Paying Agent or other intermediaries request in connection with FATCA and (b)(i) if the beneficial owner of a Note is a United States person, such United States person's name, address and U.S. taxpayer identification number, or (ii) if the beneficial owner of the Note is a United States owned foreign entity, the name, address and taxpayer identification number of each of its substantial United States owners as defined in Section 1473(2) of the Code and any other information requested by the Bank or its agent upon request, and (c) updated information promptly upon learning that any such information previously provided is obsolete or incorrect. Under an applicable IGA, such information may need to be disclosed to Turkey or the applicable tax authority of a Paying Agent or the applicable intermediary or, in the case of a Paying Agent or intermediary subject to an FFI Agreement, directly to the IRS.

If FATCA were to require that an amount in respect of US withholding tax were to be deducted or withheld from any payment on or with respect to the Notes, then neither the Bank nor any paying agent or other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of the Notes should consult their tax advisers regarding the effect, if any, of FATCA on their investment in the Notes.

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers named below and their respective broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes expected to be entered into on April 5, 2016 among the Initial Purchasers and the Bank (the "*Subscription Agreement*"), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below at the issue price of 99.540% of the principal amount of the Notes.

Initial Purchasers	*Principal Amount of Notes*
Deutsche Bank AG, London Branch	US$150,000,000
HSBC Bank plc	US$150,000,000
ING Bank N.V., London Branch	US$150,000,000
J.P. Morgan Securities plc	US$150,000,000
Société Générale	US$150,000,000
Total	**US$750,000,000**

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

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

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their respective affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or any U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act; see "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Accordingly, until 40 days after the Issue Date (the "*Distribution Compliance Period*"), an offer or sale of Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, any U.S. person by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

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

> "The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue

Date, except, in either case, in accordance with Rule 144A under the Securities Act or in an offshore transaction. Terms used above have the meanings given to them by Regulation S."

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market, the Notes constitute a new class of securities of the Bank with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes; *however,* they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. No assurance can be given that the application to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market will be accepted.

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

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

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities might involve securities and instruments of the Bank and/or other members of the Group. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes.

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

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

LEGAL MATTERS

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

OTHER GENERAL INFORMATION

Authorization

The most recent update of the Program and the further issue of notes thereunder have been duly authorized by resolutions of the Board of Directors of the Issuer dated February 13, 2015 and January 5, 2016.

Listing of Notes

An application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or before the Issue Date, subject only to the issue of the Notes. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (*MiFID*). The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €3,290.

Listing Agent

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

Documents Available

For as long as any of the Notes are outstanding, copies of the following documents will (as applicable, when published) be available in physical form for inspection at the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

(a) the articles of association (with a certified English translation thereof) of the Issuer,

(b) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group as of and for each of the years ended December 31, 2013, 2014 and 2015,

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank as of and for each of the years ended December 31, 2013, 2014 and 2015,

(d) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group as of and for each of the years ended December 31, 2013 and 2014,

(e) the independent auditors' review report and unaudited consolidated IFRS financial statements of the Group as of and for the six month period ended June 30, 2015,

(f) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis,

(g) 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

(h) a copy of this Prospectus and the Base Prospectus (including the supplements thereto).

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

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

Clearing Systems

The Rule 144A Global Note(s) has/have been accepted into DTC's book-entry settlement system and the Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 900151AH4, ISIN: US900151AH41 and Common Code: 139134796, with respect to the Rule 144A Global Note(s) and ISIN: XS1390320981 and Common Code: 139032098, with respect to the Regulation S Global Note).

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

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

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Group, and no material adverse change in the financial position or prospects of either the Bank or the Group, since December 31, 2015.

Interests of Natural and Legal Persons Involved in the Issue

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

Litigation

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus that may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Independent Auditors

The BRSA Financial Statements as of and for the years ended December 31, 2013, 2014 and 2015 have been audited in accordance with the Regulation on Independent Audit of Banks and Independent Standards on Auditing by KPMG, as stated in KPMG's respective independent auditors' reports incorporated by reference herein. The IFRS Annual Financial Statements as of and for the years ended December 31, 2013 and 2014 have been audited by KPMG in accordance with International Standards on Auditing. KPMG is an independent auditor in Turkey and authorized by the BRSA to conduct independent audits of banks in Turkey. KPMG is located at Kavacık Rüzgarlı Bahçe Mah. Kavak Sok. No 29, 34805 Beykoz, İstanbul, Turkey. KPMG's audit reports on the BRSA Financial Statements and the IFRS Financial Statements contain a qualification. See "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus for further information.

The IFRS Interim Financial Statements as of and for the six month period ended June 30, 2015, incorporated by reference herein, have been reviewed by KPMG in accordance with International Standard on Review Engagements 2410. With respect to such unaudited financial statements, KPMG has reported that it applied limited procedures in accordance with professional standards for a review of such information; *however*, KPMG's review report incorporated by reference herein states that it did not audit and does not express an opinion on such interim financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied. KPMG's review report on the IFRS Interim Financial Statements contains a qualification. See "*Risk Factors – Audit Qualification*" above for further information.

THE ISSUER

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United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
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United Kingdom

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FISCAL AGENT AND
PRINCIPAL PAYING AGENT

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AND PAYING AGENT

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UNITED STATES PAYING AGENT AND TRANSFER AGENT

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