



TÜRKİYE İŞ BANKASI A.Ş.
€2,000,000,000
Global Covered Bond Programme

Under this Global Covered Bond Programme (the “*Programme*”), Türkiye İş Bankası A.Ş., a banking institution organised as a joint stock company under the laws of the Republic of Turkey (“*Turkey*”) registered with the İstanbul Trade Registry under number 431112 (the “*Bank*” or the “*Issuer*”), may from time to time issue covered bonds (the “*Covered Bonds*”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or investor(s).

Covered Bonds may be issued in either bearer or registered form (respectively, “*Bearer Covered Bonds*” and “*Registered Covered Bonds*”); provided that the Covered Bonds may be offered and sold in the United States only in registered form except in certain transactions permitted by U.S. tax regulations. As of the time of each issuance of Covered Bonds, the maximum aggregate nominal amount of all Covered Bonds outstanding under the Programme will not exceed €2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued from time to time to: (a) one or more of the Dealers specified under “*General Description of the Programme - The Programme*” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (each a “*Dealer*”), which appointment may be for a specific issue or on an ongoing basis, and/or (b) one or more investor(s) purchasing Covered Bonds (or beneficial interests therein) directly from the Issuer.

INVESTING IN THE COVERED BONDS INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “*RISK FACTORS*” FOR A DISCUSSION OF CERTAIN OF THESE RISKS.

The Covered Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the “*Securities Act*”), of the United States of America (the “*United States*” or “*U.S.*”) or any other U.S. federal or state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (“*U.S. person*”) as defined in Regulation S under the Securities Act (“*Regulation S*”) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of the United States and each applicable state or other jurisdiction of the United States. See “*Form of the Covered Bonds*” for a description of the manner in which Covered Bonds will be issued. For a description of certain restrictions on the sale and transfer of investments in the Covered Bonds, see “*Transfer and Selling Restrictions.*” Where the “*United States*” is referenced herein with respect to Regulation S, such shall have the meaning provided thereto in Rule 902 of Regulation S.

This base prospectus (this “*Base Prospectus*”) has been approved by the Central Bank of Ireland as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “*Prospectus Regulation*”). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the quality of the Covered Bonds that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Covered Bonds. Such approval relates only to Covered Bonds that are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, “*MiFID II*”) and/or that are to be offered to the public in any member state (a “*Member State*”) of the European Economic Area (the “*EEA*”) in circumstances falling within Article 1(4) of the Prospectus Regulation. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“*Euronext Dublin*”) for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the “*Official List*”) and to trading on its regulated market (the “*Regulated Market*”). The Regulated Market is a regulated market for the purposes of MiFID II. This Base Prospectus (as supplemented from time to time, if applicable) is valid until 5 May 2021 in relation to Covered Bonds that are to be admitted to trading on a regulated market in the EEA. As noted within this Base Prospectus, references to EEA include the United Kingdom unless otherwise expressly indicated to the contrary. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

References in this Base Prospectus to any Covered Bonds being “*listed*” (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, such Covered Bonds have been admitted to the Official List and have been admitted to trading on the Regulated Market.

The Covered Bonds to be issued under the Programme are mortgage covered bonds (in Turkish, *ipotek teminatl  menkul kıymet*) within the meaning of the Communiqu  on Covered Bonds III-59.1 of the Capital Markets Board (the “*CMB*”) of Turkey. Application has been made to the CMB, in its capacity as competent authority under Law No. 6362 (the “*Capital Markets Law*”) of Turkey relating to capital markets, for its approval of the issuance and sale of Covered Bonds by the Bank outside of Turkey. No Covered Bonds may be sold before the necessary approvals are obtained from the CMB. The CMB approval based upon which any offering of the Covered Bonds may be conducted was obtained on 10 May 2019 and, to the extent (and in the form) required by Applicable Law (as defined herein), a written approval of the CMB in relation to each Tranche (as defined herein) of Covered Bonds will be required to be obtained on or before the issue date (an “*Issue Date*”) of such Tranche of Covered Bonds. The maximum mortgage covered bond amount that the Bank can issue under such approval is €1,000,000,000 (or its equivalent in other currencies) in aggregate. It should be noted that, regardless of the outstanding Covered Bond amount or the amount permitted to be issued under the Programme, unless the Bank obtains the necessary new approvals from the CMB, the aggregate mortgage covered bond amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed such approved amount.

Under current Turkish tax law, withholding tax might apply to payments of interest on the Covered Bonds. See “*Taxation - Certain Turkish Tax Considerations.*”

Notice of the aggregate principal amount of a Tranche of Covered Bonds, interest (if any) payable in respect of such Covered Bonds, the issue price of such Covered Bonds and certain other information that is applicable to such Covered Bonds will be set out in a final terms document (for a Tranche, its “*Final Terms*”). With respect to Covered Bonds to be listed on Euronext Dublin or any other regulated market in the EEA, the applicable Final Terms will be filed with the Central Bank of Ireland and Euronext Dublin or such other market, as applicable. Copies of such Final Terms will also be published on the Issuer’s website at <https://www.isbank.com.tr/en/about-us/prospectuses-and-offering-circulars>.

The Programme provides that Covered Bonds may be listed and/or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant investor(s) (as set out in the applicable Final Terms). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

Series of Covered Bonds may either be rated by any Relevant Rating Agency (as defined herein) or unrated. Where a Tranche of Covered Bonds is rated (other than unsolicited ratings), the initial such rating(s) will be disclosed in Part B of the Final Terms for such Tranche and will not necessarily be the same as the rating assigned to the Covered Bonds of other Series. The Bank has been rated by Moody’s Investors Service Ltd. (“*Moody’s*”), S&P Global Ratings Europe Limited (“*S&P*”) and Fitch Ratings Limited (“*Fitch*”) and, with Moody’s and S&P, the “*Rating Agencies*”) as set out on pages 127 and 128 of this Base Prospectus. Each of the Rating Agencies is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009, as amended (the “*CRA Regulation*”). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (“*ESMA*”) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Arranger and Dealer

Barclays

The date of this Base Prospectus is 5 May 2020.

This Base Prospectus constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation. 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.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus and, for each Tranche of Covered Bonds, the applicable Final Terms. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus (including the information incorporated herein by reference) is in accordance with the facts and this Base Prospectus makes no omission likely to affect the import of such information.

The Bank, having made all reasonable enquiries, confirms that: (a) this Base 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 Covered Bonds (or beneficial interests therein), (b) the information contained in (including the information incorporated by reference into) this Base Prospectus is true and accurate in all material respects and is not misleading, (c) any opinions, predictions or intentions expressed in this Base Prospectus (or any of the documents incorporated herein by reference) on the part of the Bank are honestly held or made by the Bank and are not misleading in any material respects, and there are no other facts the omission of which would make this Base 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 Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Base Prospectus is to be read in conjunction with all documents that are (or portions of which are) incorporated herein by reference (see “Documents Incorporated by Reference”). This Base Prospectus shall be read and construed on the basis that such documents (or the applicable portions thereof) are incorporated into, and form part of, this Base Prospectus.

To the full extent permitted by Applicable Law, none of the Dealers, the Arrangers, the Agents, the Security Agent, the Calculation Agent, the Cover Monitor, the Offshore Account Bank or any of their respective affiliates accept any responsibility for: (a) the information contained in (including incorporated by reference into) this Base Prospectus or any other information provided by the Issuer in connection with the Programme or an issue and offering of Covered Bonds (or beneficial interests therein), (b) any statement consistent with this Base Prospectus made, or purported to be made, by a Dealer or an Arranger or on its behalf in connection with the Programme or an issue and offering of Covered Bonds (or beneficial interests therein), (c) any acts or omissions of the Issuer or any other Person in connection with the Programme or an issue and offering of Covered Bonds (or beneficial interests therein), including (for the avoidance of doubt) any matter that is the subject of any statement, representation, warranty or covenant of the Issuer contained in the Covered Bonds or any other Transaction Document or any agreement or document relating to the Covered Bonds or any other Transaction Document, or (d) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility into evidence of any agreement or document referred to in clause (c). Each Dealer and Arranger and their respective affiliates 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 Arrangers and Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor or potential investor in the Covered Bonds of any information coming to their attention.

No Person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied by (or with the consent of) the Issuer in connection with the Programme or an issue of Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers or Dealers.

Neither this Base Prospectus nor any other information supplied by (or on behalf of) the Issuer or any of the Arrangers or Dealers in connection with the Programme or any Covered Bonds: (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 Arrangers or Dealers that any recipient of this Base Prospectus or any such other information should invest in any Covered Bonds. Each investor contemplating investing in any Covered Bond should: (i) determine for itself the relevance of the information contained in (including incorporated by reference into) this Base 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 are relevant to it in connection with such investment, in each case, based upon such investigation as it deems necessary. Nothing in the Covered Bonds, any of the other Transaction Documents, this Base Prospectus or any transactions contemplated thereunder or undertaken pursuant thereto is intended to create any fiduciary relationship between any Arranger or Dealer and any investor or prospective investor in any Covered Bond.

Neither this Base Prospectus nor, except to the extent explicitly stated therein, any other information supplied by (or on behalf of) the Issuer or any of the Arrangers or Dealers in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer or any of the Arrangers or Dealers to any Person to subscribe for or purchase any Covered Bonds (or beneficial interests therein). This Base Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for, or invest in, the Covered Bonds.

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

For the purposes of this Base Prospectus, a “*Person*” means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, governmental entity or other entity of similar nature (whether or not having separate legal personality).

GENERAL INFORMATION

The distribution of this Base Prospectus and/or the offer or sale of Covered Bonds (or beneficial interests therein) might be restricted by Applicable Law in certain jurisdictions. None of the Issuer, the Arrangers or the Dealers represent that this Base Prospectus may be lawfully distributed, or that any Covered Bonds (or beneficial interests therein) may be lawfully offered, in any such jurisdiction 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 any Covered Bonds (or beneficial interests therein) or distribution of this Base Prospectus, any advertisement or any other material in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Covered Bonds (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Base Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction except, in each case, under circumstances that will result in compliance with all Applicable Laws. Persons into whose possession this Base Prospectus or any Covered Bonds (or beneficial interests therein) come(s) must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and/or sale of Covered Bonds (or beneficial interests therein). In particular, there are restrictions on the distribution of this Base Prospectus and the offer and/or sale of Covered Bonds (or beneficial interests therein) in (*inter alia*) Turkey, the United States, the EEA (including Belgium), the United Kingdom, Singapore, Japan and Switzerland. See “Transfer and Selling Restrictions.”

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

None of the Arrangers, the Dealers, the Issuer or any of their respective counsel or other representatives makes any representation to any actual or potential investor in the Covered Bonds regarding the legality under any Applicable Law of its investment in the Covered Bonds. Any investor in the Covered Bonds should ensure that it is able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

The Covered Bonds might not be a suitable investment for all investors. Each potential investor contemplating making an investment in the Covered Bonds must make its own assessment as to the suitability of investing in the Covered

Bonds in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment. In particular, each potential investor in the Covered Bonds should consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the applicable Covered Bonds, the merits and risks of investing in such Covered Bonds and the information contained in (including incorporated by reference into) this Base Prospectus or any applicable supplement hereto,

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular circumstances, an investment in the applicable Covered Bonds 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 applicable Covered Bonds, including Covered Bonds with principal or interest payable in one or more currency(ies) or where the currency for principal or interest payments is different from the potential investor's currency,

(d) understands thoroughly the terms of the applicable Covered Bonds and is familiar with the behaviour of financial markets, and

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

Legal investment considerations might restrict certain investments. The investment activities of certain investors are subject to Applicable Laws and/or to review or regulation by certain authorities. Each potential investor in the Covered Bonds should consult its legal advisers to determine whether and to what extent: (a) Covered Bonds (or beneficial interests therein) are legal investments for it, (b) Covered Bonds (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 Covered Bonds (or beneficial interests therein). Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of their investments in the Covered Bonds under any applicable risk-based capital or other rules. Each potential investor in the Covered Bonds should further consult its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Covered Bonds.

Covered Bonds are complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as stand-alone investments but rather as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios.

The Issuer has obtained the CMB approval letter (dated 10 May 2019 and numbered 12233903-360-E.6920) and the final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*) (dated 9 May 2019 and numbered 27/622) (together, the "*CMB Approval*") required for the issuance of Covered Bonds under the Programme. The maximum principal amount of securities that the Bank can issue under the CMB Approval is €1,000,000,000 (or its equivalent in other currencies) in aggregate (the "*Approved Issuance Limit*"). It should be noted that, regardless of the outstanding aggregate principal amount of Covered Bonds or the amount permitted to be issued under the Programme, unless the Bank obtains new approval(s) from the CMB, the aggregate principal amount of securities issued under the CMB Approval (whether issued under the Programme or otherwise) cannot exceed the Approved Issuance Limit. In addition to the CMB Approval, but only to the extent (and in the form) required by Applicable Law, an approval of the CMB in respect of each Tranche of Covered Bonds is required to be obtained by the Issuer on or prior to the Issue Date of such Tranche, which date will be specified in the applicable Final Terms. The scope of the CMB Approval might be amended and/or new approvals from the CMB might be obtained from time to time. The Covered Bonds issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

Pursuant to the CMB Approval, the offer, sale and issue of Covered Bonds under the Programme have been authorised and approved in accordance with Decree No. 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "*Decree 32*"), the Capital Markets Law, the Communiqué on Debt Instruments No. VII-128.8 of the CMB (as amended from time to time, the "*Debt Instruments Communiqué*") and its related Applicable Law and the Communiqué on Covered Bonds No. III-59.1 issued by the CMB (as amended from time to time, the "*Covered Bonds Communiqué*") and its related Applicable Law. The Covered Bonds issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

In addition, in accordance with the CMB Approval, the Covered Bonds (or beneficial interests therein) may only be offered or sold outside of Turkey. Under the CMB Approval, the CMB has authorised the offering, sale and issue of the Covered Bonds on the condition that no transaction that qualifies as a sale or offering of Covered Bonds (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the Banking Regulation and Supervision Agency of Turkey (*Bankacılık Düzenleme ve Denetleme Kurumu*) (the “BRSB”) decisions dated 6 May 2010 (No. 3665) and 30 September 2010 (No. 3875) and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that, for each of clauses (a) and (b), such purchase or sale is made through licensed banks authorised by the BRSB or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions when purchasing Covered Bonds (or beneficial interests therein) and should transfer the purchase price through such licensed banks. The requirements in this paragraph are herein referred to as the “*Turkish Purchase Requirements*.”

Potential investors should note that, under the Central Securities Depositories Regulation of the European Union (the “EU”), a trade in the secondary markets within the EU generally is required to settle in two London business days unless the parties to such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in Covered Bonds in the EU on the trade date relating to such Covered Bonds or the next business day will likely be required, by virtue of the fact that the Covered Bonds initially will likely settle on a settlement cycle longer than two London business days, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

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

Pursuant to the Debt Instruments Communiqué, the Issuer is required to notify the Central Securities Depository of Turkey (*Merkezi Kayıt Kuruluşu A.Ş.*) (trade name: Central Registry İstanbul (*Merkezi Kayıt İstanbul*)) (“*Central Registry İstanbul*”) within three İstanbul business days from the applicable Issue Date of a Tranche of Covered Bonds of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Covered Bonds and the country of issuance.

Reference is made to the “Index of Defined Terms” for the location of the definitions of certain terms defined herein.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Covered Bonds may include a legend titled “MiFID II Product Governance” that will outline the target market assessment in respect of such Covered Bonds and which channels for distribution of such Covered Bonds (or beneficial interests therein) are appropriate. In those cases, any Person subsequently offering, selling or recommending such Covered Bonds (or beneficial interests therein) (a “*distributor*”) should take into consideration the target market assessment; *however*, a distributor subject to MiFID II will remain responsible for undertaking its own target market assessment in respect of such Covered Bonds (or beneficial interests therein) (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the “*MiFID Product Governance Rules*”), any Dealer subscribing for any Covered Bonds (or beneficial interests therein) is a manufacturer in respect of such Covered Bonds (or beneficial interests therein), but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

INFORMATION RELATING TO THE BENCHMARKS REGULATION

Interest Amounts payable in respect of Floating Rate Covered Bonds might be calculated by reference to the following benchmark reference rates that are provided by the following benchmark administrators (each a “*Benchmark Administrator*”):

Benchmark Reference Rates	Benchmark Administrator
LIBOR.....	ICE Benchmark Administration Limited
SONIA.....	Bank of England
EURIBOR	European Money Markets Institute
TLREF.....	Banks Association of Turkey
TRLIBOR.....	Banks Association of Turkey

The applicable Final Terms in respect of any Tranche of Floating Rate Covered Bonds will specify whether or not the applicable Benchmark Administrator appears on the register of administrators and benchmarks (the “*Register of Administrators*”) established and maintained by ESMA pursuant to Article 36 of the EU Benchmarks Regulation (Regulation (EU) 2016/1011) of 8 June 2016 (as amended, the “*Benchmarks Regulation*”). As of the date of this Base Prospectus, ICE Benchmark Administration Limited and European Money Markets Institute appear on the Register of Administrators, but none of the other Benchmark Administrators appear on the Register of Administrators, though the Bank of England, as a central bank, is not required to appear on the Register of Administrators pursuant to Article 2(2) of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that none of the Benchmark Administrators that are not registered as of the date of this Base Prospectus in the Register of Administrators is, as of the date of this Base Prospectus, required to obtain authorisation or registration (or, if non-EU-based or non-UK-based, recognition, endorsement or equivalence).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus might be considered to be forward-looking statements. Forward-looking statements include (without limitation) statements concerning the Issuer’s plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words “anticipates,” “estimates,” “expects,” “believes,” “intends,” “plans,” “aims,” “seeks,” “may,” “might,” “will,” “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements appear in a number of places throughout this Base Prospectus, including (without limitation) in the sections titled “*Risk Factors*” and “*The Group and its Business*,” and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group’s results of operations and financial condition,
- asset portfolios,
- expected credit losses,
- capital spending,
- legal proceedings, and
- the Group’s potential exposure to market risk and other risk factors.

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

The Issuer has identified certain of the risks inherent in these forward-looking statements and these are set out under “*Risk Factors*.”

The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer’s management believes that the expectations, estimates and projections reflected in the forward-looking statements in this Base Prospectus are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties inherent in these forward-looking statements materialise(s), including those identified in this Base Prospectus, or if any of the Issuer’s underlying assumptions prove to be incomplete or inaccurate, then the Issuer’s actual results of operation might vary from those expected, estimated or predicted and those variations might be material.

There might be other risks, including some risks of which the Issuer is unaware, that might adversely affect the Group's results, the Covered Bonds or the accuracy of forward-looking statements in this Base Prospectus. Therefore, potential investors should not consider the factors discussed under "*Risk Factors*" to be a complete discussion of all potential risks or uncertainties of investing in the Covered Bonds.

Potential investors should not place undue reliance upon any forward-looking statements. Any forward-looking statements contained in this Base Prospectus speak only as of the date of this Base Prospectus. Without prejudice to any requirements under Applicable Laws, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances upon which any such forward-looking statement is based.

U.S. INFORMATION

This Base Prospectus might be submitted on a confidential basis in the United States to a limited number of "qualified institutional buyers" ("*QIBs*") within the meaning of Rule 144A under the Securities Act ("*Rule 144A*") and "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("*Institutional Accredited Investors*"), and to investors within the United States with whom "offshore transactions" under Regulation S can be entered into, for informational use solely in connection with the consideration of an investment in certain Covered Bonds. Its use for any other purpose in the United States or by any U.S. person is not authorized. This Base Prospectus may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted by (or on behalf of) the Issuer or a Dealer.

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

The Covered Bonds 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 Covered Bond (or a beneficial interest therein), agrees (or will be deemed to agree) that the Covered Bonds (or beneficial interests therein) may be reoffered, resold, pledged or otherwise transferred only upon registration under the Securities Act or pursuant to the exemptions from the registration requirements thereof described under "Transfer and Selling Restrictions." Each investor also will be deemed to have made certain representations and agreements as described therein. Any resale or other transfer, or attempted resale or other attempted transfer, of the Covered Bonds (or a beneficial interest therein) that is not made in accordance with the transfer restrictions may subject the transferor and/or transferee to certain liabilities under applicable securities laws. Furthermore, purchasers of IAI Covered Bonds (including beneficial interests in IAI Global Covered Bonds) will be required to execute and deliver an investment letter substantially in the form set out in the Agency Agreement (an "*IAI Investment Letter*").

The Covered Bonds (or beneficial interests therein) generally may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons only if such U.S. persons are either QIBs or Institutional Accredited Investors, in either case in registered form and in transactions exempt from, or not subject to, registration under the Securities Act in reliance upon Rule 144A, Section 4(a)(2) of the Securities Act or any other applicable exemption. Each investor in Covered Bonds that is a U.S. person or is in the United States is hereby notified that the offer and sale of any Covered Bonds (or beneficial interests therein) to it might be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A, Section 4(a)(2) of the Securities Act or (in certain limited circumstances) Regulation S.

Purchasers of IAI Covered Bonds (or beneficial interests therein) will be required to execute and deliver an IAI Investment Letter. Each investor in an IAI Covered Bond, a Rule 144A Global Covered Bond or any Covered Bonds issued in registered form in exchange or substitution therefor (together "*Legended Covered Bonds*") will be deemed, by its acceptance or purchase of any such Legended Covered Bonds (or beneficial interests therein), to have made certain representations and agreements as set out in "*Transfer and Selling Restrictions*." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Form of the Covered Bonds."

Potential investors that are U.S. persons should note that the Issue Date for a Tranche of Covered Bonds may be more than two relevant business days (this settlement cycle being referred to as “T+2”) following the trade date of such Covered Bonds. Under Rule 15c6-1 of the Exchange Act, a trade in the United States in the secondary market generally is required to settle in two business days unless otherwise expressly agreed to by the parties at the time of the transaction. Accordingly, investors who wish to trade interests in Covered Bonds in the United States on the trade date relating to such Covered Bonds or the next business day will likely be required, by virtue of the fact that the Covered Bonds initially will likely settle on a settlement cycle longer than T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds (or beneficial interests therein) that are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in a deed poll dated 30 April 2018 (such deed poll as amended, restated or supplemented from time to time, the “*Deed Poll*”) to furnish, upon the request of a holder of such Covered Bonds (or any beneficial interest therein), to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds (or beneficial interests therein) to be transferred remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), of the United States, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

IMPORTANT – EEA AND UK RETAIL INVESTORS

If the Final Terms in respect of any Covered Bonds includes a legend titled “Prohibition of Sales to EEA and UK Retail Investors,” then such Covered Bonds (or beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any EEA Retail Investor or UK Retail Investor. For these purposes: (a) each of “*EEA Retail Investor*” and “*UK Retail Investor*” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in the Prospectus Regulation, and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe for such Covered Bonds (or beneficial interests therein). See “Transfer and Selling Restrictions – Selling Restrictions – Public Offer Selling Restriction under the Prospectus Regulation and, where applicable, Prohibition of Sales to EEA and UK Retail Investors” below. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “*PRIPs Regulation*”) for offering or selling such Covered Bonds (or beneficial interests therein) or otherwise making them available to EEA Retail Investors or UK Retail Investors has been prepared and, therefore, offering or selling such Covered Bonds (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor or UK Retail Investor might be unlawful under the PRIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

With respect to each issuance of Covered Bonds, the Issuer may make a determination about the classification of such Covered Bonds (or beneficial interests therein) for purposes of Section 309B(1)(a) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the “*SFA*”). The Final Terms in respect of any Covered Bonds may include a legend titled “Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore” that will state the product classification of the applicable Covered Bonds (and, if applicable, beneficial interests therein) pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Covered Bonds (or beneficial interests therein) shall be “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and “Excluded Investment Products” (as defined in the Monetary Authority of Singapore (the “*MAS*”) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any

such legend included in the relevant Final Terms will constitute notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

STABILISATION

In connection with the issue of any Tranche of Covered Bonds, one or more of the Dealers (if any) named as the stabilisation manager(s) in the applicable Final Terms (each a “*Stabilisation Manager*”) (or Persons acting on behalf of any Stabilisation Manager(s)) might overallocate such Covered Bonds or effect transactions with a view to supporting the market price of an investment in such Covered Bonds at a level higher than that which might otherwise prevail; *however*, stabilisation might not necessarily occur. Any stabilisation action or overallocation might begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, might cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or overallocation must be conducted by the relevant Stabilisation Manager(s) (or Persons acting on behalf of any Stabilisation Manager(s)) in accordance with all Applicable Laws and rules. Notwithstanding anything herein to the contrary, the Issuer may not (whether through overallocation or otherwise) issue more Covered Bonds than have been authorised by the CMB or are permitted under the Programme.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank is required to maintain its books and prepare statutory financial statements in accordance with the BRSA's accounting and reporting principles related to the procedures and principles regarding banks' accounting practices (the "*BRSA Principles*") (such financial statements, including any notes thereto and the independent auditor's reports thereon, the "*BRSA Financial Statements*"). The Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2018 (including comparative information for 2017) and 2019 (in each case, including any notes thereto and the independent auditor's report thereon) incorporated by reference into this Base Prospectus (the "*BRSA Annual Financial Statements*") have been prepared and presented in accordance with the BRSA Principles. Each of the Bank's consolidated and unconsolidated independent auditor's reports included in the BRSA Annual Financial Statements includes a qualification regarding a free provision recognised as a result of the Bank's prudential approach considering the circumstances that might arise from possible changes in the economy and market conditions.

Before the adoption of Turkish Financial Reporting Standards 9 (Financial Instruments), which are the IFRS 9-compliant financial reporting standards of Turkey ("*TFRS 9*"), as of 1 January 2018, the Bank's and the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2017 were prepared in line with the then-current Turkish banking regulations (see "Turkish Regulatory Environment") whereas the Bank's and the Group's BRSA Annual Financial Statements as of and for the years ended 31 December 2018 and 2019 were prepared in line with TFRS 9 and TFRS 15 standards. While information for 2017 is not comparable to the information presented for later periods due to the implementation of TFRS 9 as of 1 January 2018, the accounting policy changes as a result of implementing TFRS 15 or any other TFRS/TAS standards (except for TFRS 9 standards) effective as of 1 January 2018 did not have a significant impact on the accounting policies, financial position and performance of the Bank and its consolidated financial subsidiaries. See "Transition to TFRS 9" below. The application of TFRS 16 (*Leases*) became effective as of 1 January 2019.

The Bank's BRSA Financial Statements are filed with the Borsa İstanbul A.Ş. ("*Borsa İstanbul*") and the Bank's and the Group's BRSA Financial Statements are used for determinations of the Bank's and the Group's compliance with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios. The Bank's foreign subsidiaries maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related rules applicable in the countries in which they operate and, while preparing the consolidated financial statements of the Group, these are adjusted and classified pursuant to the BRSA Principles.

Following the implementation of TFRS 9 as of 1 January 2018, the BRSA Financial Statements are prepared on a historical cost basis except for: (a) financial assets classified as "financial assets at fair value through profit or loss" according to TFRS 9, (b) financial assets classified as "financial assets at fair value through other comprehensive income" according to TFRS 9, (c) real estate that is held for sale (which is measured as: (i) the lower of its carrying amount or its fair value less (ii) selling costs) or the Group's own use, (d) financial assets classified as "financial assets measured at amortised cost" according to TFRS 9 and (e) investments in associates and subsidiaries that are accounted with the equity method in accordance with TAS 28. It is important to note that the Group's BRSA Financial Statements reflect a full consolidation only of financial subsidiaries (as explained in Part 3, Section III 1.a of the Group's BRSA Financial Statements as of and for the year ended 31 December 2019), whereas non-financial equity participations are recorded according to the equity method. The BRSA Financial Statements as of and for the year ended 31 December 2017 are not restated as permitted by the TFRS 9 transition rules and are prepared based upon different principles.

Prior to application of TFRS 9 as of 1 January 2018, the BRSA Financial Statements were prepared on a historical cost basis except for: (a) financial assets at fair value through profit or loss (including financial assets held for trading), financial assets available-for-sale, derivative financial instruments, real estate that is held for the Group's own use and used for investment purposes, equity shares that are traded in an active market (*i.e.*, a stock exchange), which are recorded at their market prices, and equity shares that are not traded in an active market, which are recorded on a historical cost basis less impairment, and (b) loans, investments categorised as held-to-maturity and other financial assets, which are presented at amortised cost.

The BRSA Annual Financial Statements were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, a member firm of Ernst & Young Global Limited ("*EY*"), in each case in accordance with the Regulation on Independent Auditing of Banks published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 (the "*Turkish Auditor Regulation*") and the Independent Standards on Auditing, which is a component of the Turkish

Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) (the “POA”), as stated in each of EY’s independent auditor’s reports included within the BRSA Annual Financial Statements.

According to Turkish laws, the Bank is required to rotate its external auditors every seven years. On 2 March 2020, the Bank’s Board of Directors resolved to submit for the approval of the General Assembly the appointment of EY as the Bank’s external auditors for 2020 and in the Bank’s General Assembly meeting held on 31 March 2020, the Bank’s shareholders approved the appointment of EY. See “Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification.”

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 are direct and accurate). The English language BRSA Financial Statements incorporated by reference herein were not prepared for the purpose of their incorporation by reference into this Base Prospectus.

While neither the Bank nor the Group is required by Applicable Law to prepare its accounts under any accounting standards other than according to the BRSA Principles, including under International Financial Reporting Standards (“IFRS”), the Bank’s management has for the time being elected to publish audited annual consolidated and unaudited semi-annual consolidated financial statements that have been prepared in accordance with IFRS (such financial statements, including any notes thereto and the independent auditor’s reports thereon, being referred to as “IFRS Financial Statements”). IFRS Financial Statements are not used by the Bank for any regulatory purposes and the Bank’s management uses the BRSA Financial Statements and the BRSA Principles for the management of the Bank and communications with investors. As the Bank’s management uses the BRSA Financial Statements, including in its communications with investors, IFRS Financial Statements are not included in (or incorporated by reference into) this Base Prospectus.

Except to the extent stated otherwise, the financial data for the Group included herein have been extracted, without material adjustment, from the Group’s BRSA Financial Statements incorporated by reference herein. Potential investors in the Covered Bonds should note that this Base Prospectus also includes certain financial information for the Bank, which has been extracted, without material adjustment, from the Bank’s BRSA Financial Statements incorporated by reference herein. Such financial information is identified as being of “the Bank” in the description of the associated tables or information. Such Bank-only financial information is (*inter alia*) presented in “Risk Factors” and “The Group and its Business.”

Please note that the BRSA Financial Statements incorporated by reference herein have not been prepared in accordance with the international financial reporting standards as endorsed in the EU based upon Regulation (EC) No. 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information presented herein. A narrative description of the differences between IFRS and the BRSA Principles as adopted by the Issuer in preparing its annual financial statements has been included in Appendix A (“Overview of Differences between IFRS and the BRSA Principles”).

The Bank utilises several internal definitions of small and medium-sized enterprise (“SME”) based upon criteria including annual turnover, credit limits and/or average assets under management, among others; *however*, with respect to certain published financial information concerning SMEs, the Bank uses the BRSA definition of SME (the “BRSA SME Definition”) in order to render such data comparable to that of other Turkish banks.

The Bank utilises several internal definitions of corporate customers based upon criteria including annual sales and/or credit limits, among others; *however*, with respect to certain published financial information concerning corporate customers, the Bank defines corporate customers as those companies that are larger than SMEs (in terms of: (a) annual turnover or total assets and (b) number of employees) as defined by the BRSA SME Definition in order to render such data comparable to that of other Turkish banks (the “Corporate Definition”).

Alternative Performance Measures

To supplement the Bank’s consolidated and unconsolidated financial statements presented (except for the free provisions recognised by the Bank as described herein) in accordance with the BRSA Principles, the Bank uses certain ratios and measures included (including through incorporation by reference) in this Base Prospectus that might be considered to be “alternative performance measures” (each an “APM”) as described in the ESMA Guidelines on Alternative Performance

Measures (the “ESMA Guidelines”) published by ESMA on 5 October 2015. The ESMA Guidelines provide that an APM is understood as “a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.” The ESMA Guidelines also note that they do not apply to APMs “disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures.”

Any APMs included in this Base Prospectus are not alternatives to measures prepared in accordance with the BRSA Principles and might be different from similarly titled measures reported by other companies. The Bank’s management believes that this information, when considered in conjunction with measures reported under the BRSA Principles, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors’ overall understanding of the Group’s financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under the BRSA Principles, in measuring the Group’s performance and comparing it to the performance of its competitors. In addition, because the Group has historically reported certain APMs to investors, the Bank’s management believes that the inclusion of APMs in this Base Prospectus provides consistency in the Group’s financial reporting and thus improves investors’ ability to assess the Group’s trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Principles. APMs as reported by the Bank might not be comparable to similarly titled items reported by other companies.

For the Group, measures that might be considered to be APMs in this Base Prospectus (including pursuant to any supplement hereto) (and that are not defined or specified by the BRSA Principles or any other legislation applicable to the Group) include (without limitation) the following (such terms being used in this Base Prospectus as defined below):

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

cost to average total assets: For a particular period, this is: (a) total operating expenses excluding insurance expenses for such period *as a percentage of* (b) average total assets for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 12 *divided by* the number of months in such period.

cost-to-income ratio: For a particular period, this is: (a) the cost, which is the total operating expenses excluding insurance expenses, for such period *as a percentage of* (b) the income, which is calculated as the total operating income for such period *plus* profit/loss from associates accounted for using the equity method and *minus* insurance expenses for such period.

coverage ratio: As of a particular date, this is: (a)(i) following the implementation of TFRS 9 as of 1 January 2018, expected credit losses for Stage 3 as of such date, and (ii) prior to the implementation of TFRS 9, specific provisions as of such date, *as a percentage of* (b) NPLs as of such date.

net interest margin: For a particular period, this is: (a) the Bank-only net interest income (excluding interest from the Central Bank on reserves held thereat) for such period *as a percentage of* (b) the Bank-only average interest-earning assets (excluding reserves held at the Central Bank). When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 12 *divided by* the number of months in such period.

NPL ratio: As of a particular date, this is: (a) NPLs as of such date *as a percentage of* (b) the aggregate amount of cash loans and receivables (performing) and NPLs as of such date. Where the NPL ratio is referenced solely with respect to a category of loans (e.g., the NPL ratio of SME loans), then this ratio is calculated solely with respect to such category of loans.

return on average shareholders’ equity: For a particular period, this is: (a) the net income (when calculated for the Group, excluding minority shares) for such period *as a percentage of* (b) average shareholders’ equity (determined on a quarterly basis and, when calculated for the Group, excluding minority shares) for such period.

When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 12 *divided by* the number of months in such period.

return on average total assets: For a particular period, this is: (a) the net income for such period *as a percentage of* (b) average total assets (determined on a quarterly basis and, when calculated for the Group, excluding minority shares) for such period. When determined for a period shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 12 *divided by* the number of months in such period.

Stage 2 loans to performing loans: As of a particular date, this is: (a) Stage 2 loans as of such date *as a percentage of* (b) the aggregate amount of cash loans and receivables (performing) as of such date.

total securities portfolio: As of a particular date, this is: (a) following the implementation of TFRS 9 as of 1 January 2018, the sum of: (i) financial assets at fair value through profit or loss, (ii) financial assets at fair value through other comprehensive income and (iii) other financial assets measured at amortised cost as of such date, and (b) prior to the implementation of TFRS 9, the result of: (i) the sum of: (A) financial assets at fair value through profit or loss (net), (B) financial assets available for sale (net) and (C) held to maturity investments (net) *minus* (ii) derivative financial assets held for trading as of such date.

See “Summary Financial and Other Information” and “The Group and its Business” for further information on certain such calculations.

For any annualised figures calculated for a year, there can be no guarantee, and the Bank does not represent or predict, that actual results for the full year will equal or exceed the annualised figure and actual results might vary materially.

Reconciliations for certain items listed above (to the extent that any of such items are APMs) to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (*e.g.*, where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

The following are definitions of certain terms that are used in the calculations of the terms defined above (such terms being used in this Base Prospectus as they are defined below except to the extent specifically stated otherwise):

average interest-earning assets: For a particular period, this is, for the purpose of the calculation of “net interest margin,” the sum of the quarterly averages of loans and receivables (performing), total securities portfolio, banks and money market placements calculated by averaging the amount of interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any calendar year, 31 December of the previous year) and each intervening quarter-end date (*i.e.*, 31 March, 30 June, 30 September and 31 December, as applicable).

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

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

investment securities portfolio: As of a particular date, this is: (a) prior to the implementation of TFRS 9 as of 1 January 2018: (i) the available-for-sale portfolio as of such date *plus* (ii) the held-to-maturity portfolio as of such date, and (b) as of any date thereafter, due to the implementation of TFRS 9: (i) the financial assets at fair value

through other comprehensive income as of such date *plus* (ii) the financial assets measured at amortised cost as of such date.

total operating income: As of a particular date, this is: (a) prior to the implementation of TFRS 9 as of 1 January 2018, total operating income, and (b) after the implementation of TFRS 9 as of 1 January 2018, gross operating income *minus* personnel expenses.

trading securities portfolio: As of a particular date, this is: (a) prior to the implementation of TFRS 9 as of 1 January 2018: (i) the financial assets held for trading as of such date *minus* (ii) the derivative financial assets held for trading as of such date, and (b) as of any date thereafter, due to the implementation of TFRS 9, the financial assets at fair value through profit or loss as of such date.

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

- (a) “*Turkish Lira*” and “*TL*” refer to the lawful currency for the time being of Turkey,
- (b) “*U.S. dollars*,” “*US\$*” and “*\$*” refer to United States dollars,
- (c) “*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
- (d) “*Sterling*” and “*£*” refer to British Pounds Sterling.

No representation is made that the Turkish Lira or U.S. dollar amounts in this Base Prospectus could have been or could be converted into U.S. dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see “Risk Factors - Risks Relating to the Group and its Business - Market Risks - Foreign Exchange and Currency Risk.”

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

Capitalised terms that are used but not defined in any particular section of this Base Prospectus have the meaning attributed thereto in “Terms and Conditions of the Covered Bonds” or any other section of this Base Prospectus.

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

In this Base Prospectus: (a) “*Applicable Law*” means: (i) as to any Person, any law (including common law), executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such person and/or any of its property or to which such person and/or any of its property is subject, and (ii) otherwise, any applicable law (including common law), executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, and (b) unless otherwise expressly indicated to the contrary in this Base Prospectus, references to the EEA and the EU shall be deemed to include the United Kingdom and the term “*Member State*” shall be construed accordingly.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments and, accordingly, figures shown in the same category presented in different tables might vary slightly and figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that precede them.

All of the information contained in this Base Prospectus concerning the Turkish market and the Bank’s competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading “*Book-Entry Clearance Systems*” has been extracted from information provided by the Clearing Systems referred to therein. Where third-party information has been used in this Base 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 Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other Person.

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

All data relating to the Turkish banking sector in this Base Prospectus have been obtained from the website of the BRSA at www.bddk.org.tr, the website of the Banks Association of Turkey (*Türkiye Bankalar Birliği*) (the “*Banks Association of Turkey*”) at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*) at www.bkm.com.tr/bkm, and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) (“*TurkStat*”) at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the “*Central Bank*”) at www.tcmb.gov.tr, the website of the Ministry of Treasury and Finance of Turkey (the “*Turkish Treasury*;” where applicable, references to the Turkish Treasury shall be deemed to refer to the Undersecretariat of the Treasury, which was restructured to become part of the new Ministry of Treasury and Finance pursuant to Presidential Decree No. 1 dated 10 July 2018 published in the Official Gazette) at www.hmb.gov.tr or the website of the European Central Bank (the “*ECB*”) at www.ecb.europa.eu. Such data have been extracted from such websites without material adjustment but might not appear in the exact same form on such websites or elsewhere. Such websites do not, and shall not be deemed to, constitute a part of, nor are incorporated into, this Base Prospectus and have not been scrutinised or approved by the Central Bank of Ireland.

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

Information in this Base Prospectus regarding the Bank’s shareholders has been based upon public filings, disclosure and announcements by such shareholders.

TRANSITION TO TFRS 9

As of 1 January 2018, the Group started to apply TFRS 9, which replaced TAS 39 (Financial Instruments: Recognition and Measurement) (“*TAS 39*”), in its financial statements. The Group has not restated comparative information for financial instruments for 2017 within the scope of TFRS 9 and, as such, certain information in the Bank’s and the Group’s BRSA Annual Financial Statements as of and for the years ended 31 December 2018 and 2019 is not (and such information for later periods will not be) comparable to the relevant information in the Bank’s and the Group’s (as applicable) BRSA Annual Financial Statements covering 2017. The total difference arising from the adoption of TFRS 9 has, as of 1 January 2018, been recognised directly in 2018’s statement of changes in shareholders’ equity. See Section III of the Group’s BRSA Financial Statements as of and for the year ended 31 December 2018 for details of the impact of the adoption of TFRS 9 as of 1 January 2018 on the Group’s BRSA Financial Statements.

Implementation of TFRS 9

Changes regarding classification and measurement of financial instruments

To determine their classification and measurement category, TFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based upon both the Group’s business models for managing the assets and the instruments’ contractual cash flow characteristics.

Before 1 January 2018, financial assets were classified according to TAS 39 as “financial assets at fair value through profit or loss,” “available for sale” and “held-to-maturity.” As of 1 January 2018, financial assets are classified according to TFRS 9 as: (a) financial assets at fair value through profit or loss, (b) financial assets at fair value through other comprehensive income and (c) financial assets measured at amortised cost. As of 1 January 2018, financial assets are recognised or derecognised according to the “Recognition and Derecognition in the Financial Statements” requirements of TFRS 9. The Bank recognises a financial asset in its BRSA Financial Statements when it becomes a party to the contract of such financial asset. Financial assets are measured at their fair value on initial recognition in the financial statements.

The Group has three different business models for the classification of financial assets:

- *Business model aimed to hold financial assets in order to collect contractual cash flows:* Financial assets held under this business model are managed to collect contractual cash flows over the life of these financial assets. The Group manages its assets held under this portfolio in order to collect certain contractual cash flows.
- *Business model aimed to collect contracted cash flows of financial assets and selling:* In this business model, the Bank intends to both collect contractual cash flows of financial assets and sell these financial assets.
- *Other business models:* This is a business model in which financial assets are neither held within the scope of the other two business models. In this business model, financial assets are measured by reflecting their fair value in profit or loss.

If the Group changes the business model used to manage a financial asset, then the Group may reclassify such financial asset. The Group derecognises a financial asset if: (a) the rights related to the cash flows of such financial asset are terminated, (b) the risks and rights of such a financial asset are transferred to a significant extent or (c) the Group no longer has control over such financial asset.

Further information on the TFRS 9 categories is set out below:

Financial assets at fair value through profit or loss: These are financial assets at fair value through profit or loss other than those that are measured at amortised cost or at fair value through other comprehensive income. Financial assets at fair value through profit or loss are: (a) financial assets held for the purpose of generating profit from short-term fluctuations in price or from similar factors in the market, (b) part of a portfolio that seeks profitability in the short-term regardless of the acquisition reason or (c) financial assets that are not held in a business model that aims to collect and/or sell contractual cash flows of financial assets.

Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are then subsequently remeasured at their fair value. Gains or losses arising from a revaluation are reflected in the income statement.

Financial assets at fair value through other comprehensive income: These are financial assets: (a) that are held under a business model that aims to both collect contractual cash flows and sell these financial assets and (b) the contractual terms of which lead to cash flows that are solely payments of principal and interest on the principal amount outstanding at specific dates.

Financial assets at fair value through other comprehensive income are initially recognised in the financial statements at their fair value, including the related transaction costs. The initial recognition and subsequent revaluation of such financial assets, including the related transaction costs, are carried out on a fair value basis and the difference between their amortised cost and their cost of borrowing is recognised in profit or loss by using the effective interest method. Dividend income arising from investments in equity instruments that are classified as “financial assets at fair value through other comprehensive income” is also recognised in income statements.

Gains and losses, except impairment gain or loss and foreign exchange gain or loss, arising from changes in the fair value of financial assets at fair value through other comprehensive income are reflected to other comprehensive income until de-recognised or re-classified. When the value of a financial asset is collected or when a financial asset is disposed, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

Financial assets measured at amortised cost: These are financial assets that are held within the framework of a business model aimed to collect contractual cash flows over the life of the financial asset and the contractual terms of which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortised cost are initially recognised at their fair value, including the related transaction costs, and then they are subject to revaluation with their net present value by using the effective interest rate method, in which any provision for impairment is deducted. Interest income from financial assets measured at amortised cost are recognised in the income statement as an “interest income.”

The accounting for financial liabilities remains largely the same as it was under TAS 39 except for the treatment of gains or losses arising from an entity’s own credit risk relating to liabilities designated as being measured at fair value through profit or loss (with the condition of not impacting accounting mismatch significantly).

Impairment

TFRS 9 changed the accounting method for loan loss impairments by replacing TAS 39’s incurred loss approach with a forward-looking expected credit loss (“ECL”) approach, which forms an impairment model that has three stages based upon the change in credit quality since initial recognition. The ECLs are measured as an allowance equal to either 12-month ECL for Stage 1 assets or lifetime ECL for Stage 2 or Stage 3 (credit-impaired) assets. An asset moves from Stage 1 to Stage 2 when its credit risk increases significantly since initial recognition.

Expected credit losses are calculated based upon a probability-weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due based upon the contract and the cash flows that are expected to be received. The calculation of expected credit losses per each stage is summarised below:

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial asset that are possible within the 12 months after the reporting date and are calculated as the portion of lifetime expected credit losses. This 12-month expected credit loss is calculated based upon a probability of default realised within 12 months after the reporting date. This expected 12-month probability of default is applied on an expected exposure at default, *multiplied by* the loss at a given default rate and discounted with the original effective interest rate.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, an allowance for the lifetime expected credit losses is calculated for such financial asset. It is similar to the description for Stage 1, but the probability of default and the loss at a given default rate are estimated through the life of the financial asset. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: For financial assets considered to be impaired, the lifetime expected credit losses are calculated. This methodology is similar to Stage 2 and the probability of default is taken into account as 100%.

Following the adoption of TFRS 9 as of 1 January 2018, there is (with respect to financial statements as of and for the year ended 31 December 2019) no difference between BRSA Principles and IFRS regarding impairment principles except to the extent set forth in Appendix A (“Overview of Differences between IFRS and the BRSA Principles”).

Transition to TFRS 9

Reclassifications and remeasurements made for the first time application of the TFRS 9 (Financial Instruments) standard as of 1 January 2018 are set forth in the tables below.

The following table shows the Group’s standard loans, closely monitored loans and NPLs before and after the reclassifications and remeasurements that are made as a result of the transition to TFRS 9:

	As of			As of
	31 December 2017	Reclassifications⁽²⁾	Remeasurements	1 January 2018
Loans (Gross)⁽¹⁾	281,690,911	-	2,883	281,693,794
Standard Loans	262,812,354	(1,973,229)	-	260,839,125
Closely Monitored Loans.....	12,813,272	1,913,360	-	14,726,632
Non-performing Loans	6,065,285	59,869	2,883	6,128,037

(1) Loans include factoring and leasing receivables.

(2) Overdue receivables, which were presented under “receivables from leasing transactions” and “factoring receivables” in the previous periods’ financial statements in accordance with the “Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and No. 2886, and specific provisions are classified under the “non-performing loans” and “expected credit losses” line items in accordance with TFRS 9 as of 1 January 2018.

The following table shows the Group’s provisions for expected credit losses before and after the remeasurements are made as a result of the transition to TFRS 9:

	As of		As of
	31 December 2017	Remeasurements	1 January 2018
Loans⁽¹⁾	7,832,991	77,975	7,910,966
<i>Stage 1</i>	2,308,342	(39,838)	2,268,504
<i>Stage 2</i>	465,705	914,061	1,379,766
<i>Stage 3</i>	5,058,944	(796,248)	4,262,696
Financial Assets⁽²⁾	149,851	(75,380)	74,471
Non-cash Loans⁽³⁾	440,892	171,299	612,191
<i>Stages 1 and 2</i>	262,345	(73,375)	188,970
<i>Stage 3</i>	178,547	244,674	423,221
Total	8,423,734	173,894	8,597,628

(1) Loans include factoring and leasing receivables.

(2) These consist of provisions for “cash and cash equivalents,” “securities measured at amortised cost” and “other financial assets” within the scope of TFRS 9.

(3) Before the implementation of TFRS 9, the expected credit losses for Stages 1 and 2 non-cash loans were classified under “general provisions” and the expected credit losses for Stage 3 non-cash loans were classified under “other provisions.” Following the application of TFRS 9, the expected credit loss provisions for Stages 1, 2 and 3 non-cash loans are classified in “other provisions.”

DOCUMENTS INCORPORATED BY REFERENCE

The BRSA Annual Financial Statements, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the Central Bank of Ireland and Euronext Dublin, shall be incorporated into, and form part of, this Base Prospectus.

Following the publication of this Base Prospectus, a supplement to this Base Prospectus might be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with the Prospectus Regulation. Statements contained in any such supplement (or contained in any document (or portions thereof) incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document (or portions thereof) that is incorporated by reference into this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

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 are direct and accurate).

Copies of the BRSA Annual Financial Statements incorporated by reference herein are available on the Issuer's website (which website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus) at:

(a) with respect to the Bank's BRSA Annual Financial Statements as of and for the year ended 31 December 2018, <https://www.isbank.com.tr/contentmanagement/IsbankFinancialDocuments/TAS%20Bank-only/pdf/IsbankUnconsolidatedFinancials31122018.pdf>,

(b) with respect to the Bank's BRSA Annual Financial Statements as of and for the year ended 31 December 2019, <https://www.isbank.com.tr/contentmanagement/IsbankFinancialDocuments/TAS%20Bank-only/pdf/IsbankUnconsolidatedFinancials31122019.pdf>,

(c) with respect to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2018, <https://www.isbank.com.tr/contentmanagement/IsbankFinancialDocuments/TAS%20Consolidated/pdf/isbnk31122018cons.pdf>, and

(d) with respect to the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2019, <https://www.isbank.com.tr/contentmanagement/IsbankFinancialDocuments/TAS%20Consolidated/pdf/isbnk31122019cons.pdf>.

Any documents (or portions thereof) themselves incorporated by reference into the documents incorporated by reference into this Base Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Base Prospectus.

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 Base Prospectus to the extent that a statement contained herein or in any other document 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 Base Prospectus. Where there is any inconsistency between the information contained in this Base Prospectus and the information contained in (or incorporated by reference into) the information incorporated by reference herein, the information set out in this Base Prospectus shall prevail.

The information set out in any part of the documents listed above that is not incorporated by reference into this Base Prospectus is either not relevant to prospective investors in the Covered Bonds or is set out elsewhere in this Base Prospectus, in each case, subject to and in accordance with the provisions of the Prospectus Regulation.

The contents of any website (except for the documents (or portions thereof) incorporated by reference into this Base Prospectus to the extent set out on any such website) referenced in this Base Prospectus do not, and shall not be deemed to, constitute a part of, nor are incorporated into, this Base Prospectus and have not been scrutinised or approved by the Central Bank of Ireland.

Replacement of 2017 financial information upon inclusion of 2020 BRSA Financial Statements

Upon (by way of one or more supplement(s) hereto) the incorporation into this Base Prospectus of the Group's and the Bank's respective BRSA Financial Statements as of and for the year ended 31 December 2020, the BRSA Financial Statements for the Group or the Bank as of and for the year ended 31 December 2018 that are incorporated by reference into this Base Prospectus shall be automatically deleted from, and shall no longer be considered to be incorporated by reference into, this Base Prospectus; *it being understood* that the financial information as of and for the year ended 31 December 2018 that is included within the BRSA Financial Statements as of and for the year ended 31 December 2019 shall remain so incorporated. Furthermore, at such time (the "*Annual Update Time*"), the financial information with respect to the Group (and of any member thereof) and the Bank (including all related amounts, percentages and discussion) relating to 2017 (including comparisons thereof to 2018 or any other date or period) in this Base Prospectus shall be automatically deleted in its entirety from, and shall thereafter not form part of, this Base Prospectus (including, without limitation, in the sections titled "Summary Financial and Other Information" and "The Group and its Business").

For the purpose of clarification, potential investors in any Covered Bonds issued after the Annual Update Time shall not, and are not entitled to, rely upon any such financial information with respect to the Group (and any member thereof) or the Bank relating to 2017 (including comparisons thereof to 2018 or any other date or period) included within this Base Prospectus as in effect prior to the Annual Update Time.

TABLE OF CONTENTS

	Page
General Description of the Programme	1
Risk Factors	46
Use of Proceeds	91
Summary Financial and Other Information	92
Capitalisation of the Group.....	96
The Group and its Business	97
Mortgage Origination, Approval and Servicing	129
Risk Management	133
Management	146
Ownership.....	156
Related Party Transactions	159
Insolvency of the Issuer	160
Overview of the Turkish Residential Mortgage Loan Market	165
Summary of the Turkish Covered Bonds Law	168
The Turkish Banking Sector.....	172
Turkish Regulatory Environment	174
Form of the Covered Bonds.....	203
Form of Applicable Final Terms	208
Terms and Conditions of the Covered Bonds	224
Description of the Transaction Documents.....	268
Book-Entry Clearance Systems	292
Taxation.....	297
Certain Considerations for ERISA and other U.S. Employee Benefit Plans	300
Subscription and Sale	301
Enforcement of Judgments and Service of Process	316
Other General Information	318
Index of Defined Terms.....	321
Appendix A—Overview of Differences between IFRS and the BRSA Principles.....	326

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description of the Programme might not contain all of the information that might be important to prospective investors in the Covered Bonds. This entire Base Prospectus, including the more detailed information regarding the Bank's business and the financial statements incorporated by reference into this Base Prospectus, should be read carefully. Investing in the Covered Bonds involves risks. The information set forth under "Risk Factors" should be carefully considered. Certain statements in this Base Prospectus are forward-looking statements that also involve uncertainties as described in "Cautionary Statement Regarding Forward-Looking Statements."

The Group

The Bank was established under the laws of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of Turkey and began operating with two branches and 37 staff members. Unlike many of its competitors, the Bank is neither a family-run enterprise nor a state bank. In May 1998, 12.3% of the Bank's total shares previously held by the Turkish Treasury were sold to national and international investors in a public offering.

Since its establishment, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested shares in most of these companies. As of 31 December 2019, the Bank's direct equity interests were in companies operating in finance, glass and other industrial and services sectors. As of such date, the total book value of the Bank's equity participations (excluding the shares of Türkiye Şişe ve Cam Fabrikaları A.Ş. ("*Şişecam*"), TSKB, Anadolu Hayat Emeklilik A.Ş. ("*Anadolu Hayat Emeklilik*"), İş Finansal Kiralama A.Ş. ("*İş Leasing*"), İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("*İş REIT*") and İş Yatırım Menkul Değerler A.Ş.) booked under financial assets held for trading account was TL 21,504 million.

As of 31 December 2019, the Bank: (a) was the largest private bank in Turkey in terms of shareholders' equity, total assets, total deposits, demand deposits, total loans and number of branches and (b) had the largest market shares of Turkish Lira-denominated loans, foreign currency-denominated loans, non-retail loans, Turkish Lira-denominated deposits and foreign currency-denominated deposits (source: BRSA data excluding participation banks, each as measured on a bank-only basis). The Bank had approximately 10.8 million retail customers, nearly 8,000 corporate customers and over 1.4 million commercial customers as of 31 December 2019. The Bank had the largest deposit base among private sector banks with TL 295,922 million in deposits as of 31 December 2019 (source: BRSA). The Bank's broad network of branches and alternative distribution channels provide the Bank with presence, access and crucial local knowledge of retail and corporate/commercial customers in every city in Turkey. Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts. As of 31 December 2019, the Bank had the largest nationwide branch network among private sector banks in Turkey according to the Banks Association of Turkey. The Group's relationships with its customers have also typically been long-standing; for example, as of 31 December 2019, the Bank's customers have held deposit accounts with the Bank for an average of 7.7 years.

The Bank provides a full range of banking services, including but not limited to the following five business lines:

- *corporate banking activities*: commercial loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations, project finance, merger and acquisition finance, hedging and cash management solutions,
- *commercial banking activities*: commercial deposit taking, business credit and debit cards, commercial loans, small business loans, flexible business loans, overdraft commercial accounts, point of sales-based loans, commercial housing loans, commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, Eximbank loans for women exporters and young exporters, solar power plant loans (roof or land type), energy efficiency loans, letters of credit, letters of guarantee, bank payment obligations, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, mobile banking, entrepreneurial banking and women entrepreneurial banking activities, cash management, payment system facilities and support packages for exporters,

- *retail banking activities*: deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products, mobile banking applications and HGS-OGS (Turkey’s highway toll collection system),
- *private banking activities*: in addition to retail banking products and services, Privia-branded products (including Privia credit cards, Privia individual pension accounts, Privia consumer loans and a Privia mutual fund), structured products and portfolio management services in collaboration with İş Portföy Yönetimi A.Ş. (“İş Portföy”), the Group’s subsidiary engaged in portfolio management activities, and
- *capital market operations activities*: investment account system, mutual funds distribution, equity brokerage, fixed income brokerage and trading, gold trading, exchange-traded and OTC derivatives brokerage, repo, custody and fund services.

The Bank has long been an innovator in the banking sector, including being the first bank in Turkey to introduce ATMs (in 1982), electronic banking (in 1983), interactive telephone banking (in 1991), interactive banking (in 1996) and internet banking (in 1997). The Bank’s ATM name “Bankamatik” has become the generic name for all ATMs in Turkey. The Bank continued to innovate the development of digital banking channels in the Turkish banking industry in 2007 with the launch of “İşCep”, which was the first application-based mobile banking service in Turkey. As of 31 December 2019, 92.2% of the Bank’s total banking transactions took place via non-branch channels and the remaining transactions were executed at the Bank’s branches.

As of 31 December 2019, the Group’s capital adequacy ratio was 16.4% (13.2% when calculated using Tier 1 capital only) calculated in accordance with the Basel III rules. As of the same date, the Group’s shareholders’ equity was TL 65,701 million and its cash loan-to-deposit ratio was 101.6%. The Group’s net operating income was TL 6,991 million in 2019 (TL 7,520 million in 2018), while its net period profit from continuing operations was TL 7,032 million in 2019 (TL 7,571 million in 2018).

As of 31 December 2019, the Group had total assets of TL 565,052 million, total deposits of TL 302,791 million and a loan portfolio of TL 307,736 million.

The Bank’s registered office is located at İş Kuleleri, 34330 Levent, Beşiktaş, İstanbul, Turkey, telephone number +90-212-316-0000. Its registration number is 431112.

Key Strengths

The Bank’s management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Turkish banking sector. As of the date of this Base Prospectus, the Bank’s management sees these key strengths as being:

- the Bank is a market leader in the Turkish banking sector in both size and scope of operations, which enables it to benefit significantly from economies of scale, capitalising on the overall strong growth in the Turkish economy despite difficult global macroeconomic conditions,
- the Bank’s strong liquidity and capital structure, combined with its conservative funding policy, supports its ability to attract a strong deposit base (including benefiting from a “flight to quality” during difficult market conditions),
- the Bank is a recognised and trusted banking brand in Turkey, which facilitates the Group’s ability to be a Turkish market leader and trusted banking partner for customers,
- the Bank’s large customer base compared to its private sector banking competitors and its understanding of its customers as a result of the long-standing relationships with its customers provides the Bank with an important competitive advantage due to the relatively high cost of attracting new customers as compared to maintaining existing customers and focusing on cross-selling,

- the Bank’s diversified loan portfolio helps the Bank avoid overexposure to any industry, product, region or customer,
- the Bank’s prudent risk management enables the Group to maintain the high quality of its loan portfolio, particularly as the Group seeks to continue to grow its business,
- the Bank’s strong focus on employee training and development and its highly-skilled workforce support the Bank’s focus on customer service and provides the Group with a competitive advantage over its competitors,
- the Bank maintains high standards of corporate governance and business ethics, which both improve management’s efficiency and protects the interests of the Group’s stakeholders, and
- the Bank’s strong record of innovation supports its customer loyalty and the Bank’s relative strengths in the competitive Turkish banking sector.

Prospective investors in the Covered Bonds should refer to “The Group and its Business - Key Strengths” for more detail on the key strengths outlined above.

Strategy

The Bank’s strategic vision is to become the preferred bank for its customers, shareholders and employees by maintaining its leading, pioneering and reliable position in the banking sector. The Bank’s goal is to consistently increase the value it creates for its shareholders by responding to its customers’ needs quickly, effectively and with high-quality solutions and encouraging its employees to achieve a high-level performance in their jobs. The Bank’s strategy is to achieve sustainable and profitable growth based upon “the bank closest to its customers” philosophy, in an effort to fulfil the vision and objectives. The Bank plans to reach these targets by maintaining market shares in the primary banking services and leveraging new growth opportunities with a cost effectiveness perspective, continuously improving its asset quality, focusing on sustainable non-interest income generation and price optimisation for all financial products and services, while operating within a risk-based capital management framework. In the medium term, the Bank plans to focus on retail and continue growing in commercial, corporate and private business lines, while managing the market shares and improving profitability, asset quality, cost-efficiency and capital utilisation. The key elements of the Group’s strategy are set out below:

- capitalise on expected growth of Turkish economy and banking sector through optimising its distribution channels and introducing new products and services,
- defend and selectively grow market share across key markets through superior customer service,
- reduce its cost-base and increase productivity and commercial effectiveness, and
- continue to focus on recruitment and development.

Prospective investors in the Covered Bonds should refer to “The Group and its Business - Strategy” for more detail on the key strategies outlined above.

Risk Factors

Investing in the Covered Bonds entails risks. Before investing in the Covered Bonds, potential investors should carefully review “Risk Factors” below, which sets out certain risks relating to political, economic and legal circumstances, the Turkish banking industry, the Group and its business, the Group’s relationship with the Bank’s principal shareholders and the Covered Bonds themselves, which risks are organised in appropriate categories and sub-categories as required by the Prospectus Regulation. Potential investors in the Covered Bonds should not consider the factors discussed under “*Risk Factors*” to be a complete set of all potential risks or uncertainties of investing in the Covered Bonds.

The Programme

The following overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980 and does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the Conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. This general description only relates to the Conditions of the Covered Bonds as set out in this Base Prospectus. Covered Bonds may be issued under the Programme in a form other than that contemplated in such Conditions, and where any such Covered Bonds are to be: (a) admitted to trading on the Regulated Market or another regulated market for the purposes of MiFID II or (b) offered to the public in the EEA in circumstances that require the publication of a prospectus under the Prospectus Regulation, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

PRINCIPAL PARTIES

- Issuer:**..... Türkiye İş Bankası A.Ş. (i.e., the Issuer or the Bank).
- Issuer Legal Entity Identifier (LEI):** 789000FIRX9MDN0KTM91
- Arranger(s):**..... Barclays Bank PLC, acting through its investment bank (“Barclays”) and/or any other arranger(s) appointed from time to time in accordance with the Programme Agreement (each of them an “Arranger”).
- Dealer(s):**..... Barclays and/or any other dealer(s) appointed from time to time in accordance with the Programme Agreement. Notwithstanding the appointment of Dealers to the Programme, Covered Bonds may be placed directly with investors by the Issuer as indicated in the applicable Final Terms and all descriptions of the Programme in this Base Prospectus shall be interpreted accordingly.
- Cover Monitor:**..... An entity (the “Cover Monitor”) appointed from time to time pursuant to the Cover Monitor Agreement as an independent monitor to perform certain tests and recalculations in respect of the Statutory Tests when required in accordance with the requirements of the Turkish Covered Bonds Law.
- The Cover Monitor is DRT Bağımsız Denetim ve SMMM A.Ş. (Deloitte Türkiye).
- Offshore Account Bank:**..... The Bank of New York Mellon, London Branch acts as the offshore account bank pursuant to the Offshore Bank Account Agreement (with its successors in such capacity, the “Offshore Account Bank”).
- The Non-TL Designated Account(s), the Hedge Collateral Account(s), the Non-TL Hedge Collection Account(s) (in each case, if applicable) and the Agency Account (with any additional or replacement accounts opened in the name of the Issuer or the Security Agent, as applicable, and/or for the benefit of the Secured Creditors (or, with respect to the Agency Account, the Reserve Fund Secured Creditors) under the Offshore Bank Account Agreement, the “Offshore Bank Accounts”) have been and/or will be established and maintained with the Offshore Account Bank.
- In the event that an Offshore Account Bank Event occurs, the Issuer and the Security Agent will use their respective commercially reasonable endeavours to procure that the Offshore Bank Accounts are transferred to another financial institution that has the Offshore Account Bank Required Rating pursuant to an agreement with such institution in substantially the form of the Offshore Bank Account Agreement within a period not

exceeding 30 calendar days from the date on which such Offshore Account Bank Event occurs, and the Offshore Account Bank will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same. The Offshore Account Bank will notify the Issuer of its applicable ratings promptly after the end of each calendar month; *it being understood* that the Issuer is independently responsible for monitoring the Offshore Account Bank’s ratings for purposes of determining whether an Offshore Account Bank Event occurs.

In addition, at any time the Bank may, and upon the occurrence of certain events described in the Offshore Bank Account Agreement will (if so instructed by the Security Agent) be obliged to, terminate the then-existing Offshore Bank Account Agreement by notice to the Offshore Account Bank. In the event of any notice of termination of the Offshore Bank Account Agreement, the Offshore Bank Account Agreement provides that: (a) the Offshore Account Bank shall assist the other parties thereto to effect an orderly transition of the banking arrangements documented thereby and (b) the Offshore Bank Account Agreement shall not terminate until a replacement agreement therefore becomes effective with a replacement financial institution that meets the Offshore Account Bank Required Rating and the amount standing to the credit of the Offshore Bank Accounts are transferred to new accounts at such replacement financial institution (which new accounts shall thereafter be the Non-TL Designated Account(s), the Non-TL Hedge Collection Account(s), the Agency Account and the Hedge Collateral Account(s), as applicable).

“*Offshore Account Bank Event*” means the applicable rating of the Offshore Account Bank is no longer at least the Offshore Account Bank Required Rating.

“*Offshore Account Bank Required Rating*” means if the Relevant Rating Agency is: (a) Moody’s, a “Baa1” long-term bank deposit rating (local), or (b) another rating agency, the rating applicable to the Offshore Account Bank specified in the Master Definitions and Construction Schedule. Should there be more than one Relevant Rating Agency, then the Offshore Account Bank must satisfy each of the applicable such minimum rating requirements.

Transfer Agent:..... The Bank of New York Mellon SA/NV, Luxembourg Branch has been appointed pursuant to the Agency Agreement as transfer agent (with its successors in such capacity, the “*Transfer Agent*”).

Registrar:..... The Bank of New York Mellon SA/NV, Luxembourg Branch has been appointed pursuant to the Agency Agreement as registrar (with its successors in such capacity, the “*Registrar*”).

Exchange Agent:..... The Bank of New York Mellon, London Branch has been appointed pursuant to the Agency Agreement as exchange agent (with its successors in such capacity, the “*Exchange Agent*”).

Covered Bond Calculation Agent:..... “Covered Bond Calculation Agent” means each person appointed in respect of a Series of Covered Bonds to act as calculation agent under a calculation agency agreement or, if applicable, any successor covered bond calculation agent appointed in accordance with such calculation agency agreement. As of the date of this Base Prospectus, no Covered Bond Calculation Agent has been appointed.

Calculation Agent:..... The Bank of New York Mellon, London Branch has been appointed as calculation agent (with its successors in such capacity, the “Calculation Agent”) pursuant to the calculation agency agreement dated the Programme Closing Date and amended and restated on 5 May 2020 and made among the Issuer, the Security Agent and the Calculation Agent (the “Calculation Agency Agreement”).

Fiscal Agent:..... The Bank of New York Mellon, London Branch has been appointed to act as fiscal agent and principal paying agent (with its successors in such capacity, the “Fiscal Agent”) in respect of the Covered Bonds (with any other paying agent appointed from time to time pursuant to the Agency Agreement, the “Paying Agents”).

Security Agent:..... The Bank of New York Mellon, London Branch has been appointed as security agent (with its successors in such capacity, the “Security Agent”) to hold the benefit of all of the Non-Statutory Security for the Covered Bondholders and the other Secured Creditors under the Transaction Security Documents. Such appointment has been made pursuant to the amended and restated Security Agency Agreement dated 5 May 2020 and made between the Issuer and the Security Agent (the “Security Agency Agreement”). See “Security for the Covered Bonds” below.

“Covered Bond” means each covered bond issued pursuant to the Programme Agreement, which covered bond may be represented by a Covered Bond in definitive form (a “Definitive Covered Bond;” a “Registered Definitive Covered Bond” if in registered form and “Bearer Definitive Covered Bond” if in bearer form) or a Global Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 1.1.

“Covered Bondholder” in relation to any Covered Bonds mean: (a) in the case of a Bearer Covered Bond, the holder of such Covered Bond, and (b) in the case of a Registered Covered Bond, the Person(s) in whose name such Covered Bond is registered in the Register and shall, in relation to any Covered Bonds represented by a Global Covered Bond, have the meaning given to such terms in Condition 1.2.

As of the date of this Base Prospectus, the Issuer is (in accordance with the Debt Instruments Communiqué) required to inform the Central Registry İstanbul within three İstanbul business days from the applicable Issue Date of a Tranche of Covered Bonds of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Covered Bonds and the country of issuance.

Covered Bonds that are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of the Depository Trust Company (“DTC”), Euroclear Bank SA/NV (“Euroclear”), Clearstream Banking S.A. (“Clearstream, Luxembourg” and, with DTC and Euroclear, the “Clearing Systems”), as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so admits, be deemed to include reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

“*Istanbul Business Day*” means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in İstanbul.

Hedging Counterparties: The Issuer is not obligated to enter into a Hedging Agreement; *however*, the Issuer may, from time to time, enter into Hedging Agreements (as defined below) with one or more hedge provider(s) to hedge certain interest rate risks (each an “*Interest Rate Hedge Provider*”) and/or currency risks (each a “*Currency Hedge Provider*”) and, with the Interest Rate Hedge Providers, the “*Hedging Counterparties*” and each a “*Hedging Counterparty*”) associated with the Cover Pool and/or the Covered Bonds. The rights of the Issuer under any such Hedging Agreement shall form part of the Cover Pool.

Hedging agreements that do not satisfy the requirements of Article 11 of the Covered Bonds Communiqué will not form part of the Cover Pool and hedging counterparties to such hedging agreements will not benefit from the Transaction Security (including the Statutory Segregation over the Cover Pool Assets).

Listing Agent: Arthur Cox Listing Services Limited (the “*Listing Agent*”).

Relevant Rating Agencies: “*Relevant Rating Agency*” means, in respect of each Series of Covered Bonds that is rated, any rating agency so indicated in Part B of the Final Terms in respect of such Series. For the purpose of clarification, a Series need not be rated.

PROGRAMME DESCRIPTION

Description: €2,000,000,000 Global Covered Bond Programme.

Programme Limit: Up to €2,000,000,000 (or its equivalent in other currencies determined in accordance with the provisions of the Programme Agreement) outstanding at any time as described herein (the “*Programme Limit*”). The Issuer may increase or decrease the Programme Limit in accordance with the terms of the Programme Agreement.

Risk Factors: There are certain factors that might affect the Issuer’s ability to fulfil its obligations under the Covered Bonds. In addition, there are certain risk factors that are material for the purpose of assessing the market risks associated with the Covered Bonds. For a discussion of certain risk factors relating to Turkey, the Bank and the Covered Bonds that prospective investors should carefully consider prior to making an investment in the Covered Bonds, including certain risks relating to the structure of particular Series of Covered Bonds and certain market risks, see “*Risk Factors*.”

Certain Restrictions:..... Each issue of Covered Bonds denominated in a currency in respect of which particular Applicable Laws apply will only be issued in circumstances that comply with such Applicable Laws (see “Transfer and Selling Restrictions”).

Issuance in Series:..... Covered Bonds will be issued in Series and each Series may be on the same or different terms from each other or fungible with an existing Series of Covered Bonds, subject to the terms set out in the applicable Final Terms in respect of such Series. The Issuer may issue Covered Bonds without the prior consent of the Covered Bondholders or any other Secured Creditors, including pursuant to Condition 16; *provided* that (among other conditions), a Rating Agency Confirmation from the applicable Relevant Rating Agency(ies) is obtained unless such new issuance is denominated and payable in Turkish Lira. To the extent (and in the form) required by Applicable Law, a document to be provided by the CMB to the Issuer before the issuance of a Tranche will be required to be obtained by the Issuer from the CMB before proceeding with any sale and issuance of such Tranche of Covered Bonds.

The expressions “Covered Bonds of the relevant Series,” “holders of Covered Bonds of the relevant Series” and related expressions shall be construed accordingly.

Final Terms:..... Final terms (*i.e.*, the Final Terms) for a Tranche will be issued and published in accordance with the Conditions of the Covered Bonds concurrent with the issue of such Tranche detailing certain relevant terms thereof, which, for the purposes of that Tranche only, complete the Conditions.

Conditions Precedent to the Issuance of a new Series or Tranche of Covered Bonds: Pursuant to the Programme Agreement, it is a condition precedent to a Dealer’s purchase of Covered Bonds that (*inter alia*):

- (a) no Potential Breach of Statutory Test, Issuer Event or Event of Default has occurred which is continuing and the proposed issue and purchase of Covered Bonds will not cause a Potential Breach of Statutory Test, Issuer Event or Event of Default to occur,
- (b) to the extent required by Condition 16, each Relevant Rating Agency has provided a Rating Agency Confirmation in respect of each Series of Covered Bonds then outstanding (excluding for this purpose Covered Bonds due to be redeemed on or before the proposed Issue Date) for which it is a Relevant Rating Agency, and (if so provided) no Relevant Rating Agency, between the date of such Rating Agency Confirmation and the applicable Issue Date, having downgraded (or given notice or made any public announcement of any intended or potential downgrading, review or surveillance with negative implications of) the rating accorded by such Relevant Rating Agency to the Covered Bonds of any Series, and

- (c) the relevant final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*) and the approval of the CMB for the particular Tranche of Covered Bonds having been obtained by the Issuer on or prior to the proposed Issue Date for such Covered Bonds, in each case to the extent (and in the form) then required by Applicable Law.

See Condition 16.

Proceeds of the Issue of Covered Bonds:..... The net proceeds from each issue of Covered Bonds will be used by the Issuer for its general corporate purposes; *however*, for any particular Series, the Issuer may agree (and so specify in the applicable Final Terms) with the relevant Dealer(s) or investor(s) that the proceeds of the issuance of such Series shall be used for one or more specific purpose(s), such as environmental development or sustainability.

Forms of Covered Bonds:..... The Covered Bonds may be issued in either bearer or registered form; *it being understood* that Global Covered Bonds may be in registered or (other than those held by or on behalf of DTC) bearer form. A Registered Covered Bond may not be exchanged for a Bearer Covered Bond or *vice versa*.

Specified Currency:..... “*Specified Currency*” with respect to any Series means, subject to any restrictions in Applicable Law, such currency or currencies as may be agreed from time to time by the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) (as set out in the applicable Final Terms).

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Fiscal Agent to an account of the Exchange Agent in the relevant Specified Currency for: (a) payment in such Specified Currency or (b) conversion into U.S. dollars for payment through DTC, in each case, in accordance with the provisions of the Agency Agreement.

Except with respect to Covered Bonds held through DTC, payment in respect of Covered Bonds denominated in Turkish Lira may be made in U.S. dollars subject and pursuant to Condition 5.8 if an irrevocable election to receive such payment in U.S. dollars is made. See Condition 5.8.

Denominations:..... The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) and set out in the applicable Final Terms, except that the minimum denomination of each Covered Bond to be admitted to trading on a regulated market for the purposes of MiFID II and/or that are to be offered to the public in a Member State in circumstances that would otherwise require the publication of a prospectus pursuant to the Prospectus Regulation will be: (a) such minimum amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any Applicable Laws and (b) equal to or greater than €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency as of the applicable Issue Date).

Notwithstanding the above, and unless set forth in the applicable Final Terms otherwise, IAI Definitive Covered Bonds and beneficial interests in IAI Global Covered Bonds will be issued only in minimum denominations of US\$500,000 and integral multiples of US\$1,000 in excess thereof (or its approximate equivalent in the applicable Specified Currency at the applicable Issue Date).

Redenomination: The applicable Final Terms may provide that certain Covered Bonds issued in a Specified Currency other than euro may be redenominated in euro on a Redenomination Date. If so, the redenomination provisions will be set out in the applicable Final Terms. See Condition 5.10.

“Redenomination Date” means, with respect to any Series, any Interest Payment Date under such Series specified by the Issuer in the notice given to the applicable Covered Bondholders pursuant to Condition 5.10 and that falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of the European economic and monetary union.

Fixed Rate Covered Bonds: A Final Terms may provide that the corresponding Covered Bonds will bear interest at a fixed rate (“Fixed Rate Covered Bonds”), which will be payable in arrear on one or more Interest Payment Date(s) in each year as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) and on redemption and will be calculated on the basis of such Day Count Fraction (as set out in the applicable Final Terms) as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s).

Floating Rate Covered Bonds: A Final Terms may provide that the corresponding Covered Bonds bear interest at a floating rate (“Floating Rate Covered Bonds”). Floating Rate Covered Bonds will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions,
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service, or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s),

as set out in the applicable Final Terms.

The margin (if any) relating to any Floating Rate Covered Bonds (the “Margin”), including, if applicable, any rate multiplier and any change in margin will be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) for each issue of Floating Rate Covered Bonds and set out in the applicable Final Terms.

“*ISDA Definitions*” means, with respect to any Series, the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of Covered Bonds of the relevant Series.

Benchmark Discontinuation - Reference Rate Replacement:.....

On the occurrence of a Benchmark Event for a Series of Floating Rate Covered Bonds, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments in accordance with Condition 4.8.

Other provisions in relation to Floating Rate Covered Bonds:

Floating Rate Covered Bonds may have a Maximum Rate of Interest, a Minimum Rate of Interest or both (as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s), will be payable in arrear on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) as reflected in the applicable Final Terms.

“*Interest Period*” for a Series means the period from (and including) an Interest Payment Date for such Series (or, for the first Interest Period for such Series, the Interest Commencement Date for such Series) to (but excluding) the next (or first) Interest Payment Date for such Series.

“*Maximum Rate of Interest*” means, in respect of a Tranche of Floating Rate Covered Bonds, the percentage rate *per annum* (if any) specified as such in the applicable Final Terms. If such rate is so specified, then the interest rate of such Floating Rate Covered Bonds will not exceed such rate even if it might otherwise do so pursuant to the method of calculating the interest rate for such Floating Rate Covered Bonds.

“*Minimum Rate of Interest*” means, in respect of a Tranche of Floating Rate Covered Bonds, the percentage rate *per annum* (if any) specified as such in the applicable Final Terms. If such rate is so specified, then the interest rate of such Floating Rate Covered Bonds will not be less than such rate even if it might otherwise be pursuant to the method of calculating the interest rate for such Floating Rate Covered Bonds. Unless otherwise specified in the applicable Final Terms, the Minimum Rate of Interest for the applicable Tranche shall be deemed to be zero.

Instalment Covered Bonds:.....

A Final Terms may provide that the corresponding Series of Covered Bonds is redeemable in instalments (“*Instalment Covered Bonds*”); *provided* that an instalment may only be scheduled to be payable on an Interest Payment Date for the applicable Series. The form Final Terms permits the Issuer to indicate therein that the principal of a Series will be due and payable in equal instalments from the indicated Interest Payment Date through the Final Maturity Date for such Series.

Ranking of the Covered Bonds:

All Covered Bonds (and any related Receipts and Coupons) will, upon issue, constitute direct, unconditional and unsubordinated obligations of the Issuer in accordance with the Turkish Covered Bonds Law and (in the case of any insolvency, bankruptcy, liquidation or similar event relating to the Issuer) will rank *pari passu* without any preference or priority amongst themselves, irrespective of their Series and Issue Date, for all purposes (for the purpose of clarification, each Series may have a different timing for the repayment of principal and the timing and amount of interest payable).

Under the Covered Bonds Communiqué and by virtue of the priority established thereunder, the Covered Bondholders, Receiptholders, Couponholders and Hedging Counterparties (if any) will (subject to the following paragraph) have an exclusive, equal and *pro rata* preferential legal claim over the Cover Pool; *it being understood* that any payments under the Transaction Documents made by the Issuer shall, except to the extent provided otherwise in the Covered Bonds Communiqué and in the Transaction Security Documents, be applied in the manner determined by the Issuer.

The claims of the Other Secured Creditors against the Cover Pool are permitted only to the extent that the Issuer has provided Additional Cover in the manner described in Article 29 of the Covered Bonds Communiqué; *however*, the Covered Bonds Communiqué does not, as of the Programme Closing Date, provide for the Other Secured Creditors to have any senior or *pari passu* claims over any such Additional Cover. If the Issuer:

- (a) has not provided Additional Cover, the Other Secured Creditors will not be permitted to have recourse to the Cover Pool and (except to the extent of any applicable Non-Statutory Security available to such Other Secured Creditors pursuant to the Transaction Documents and, with respect the Reserve Fund Secured Creditors, except with respect to the Agency Account) their claims will rank *pari passu* with the other unsecured creditors of the Issuer, and
- (b) has provided Additional Cover, then the Other Secured Creditors would have access to any remaining such Additional Cover after the Total Liabilities have been paid in full, with any remaining claims against the Issuer (after applying any applicable Non-Statutory Security available to such Other Secured Creditors) ranking *pari passu* with the other unsecured creditors of the Issuer;

provided that, as described in “*Description of the Transaction Documents - Security Assignment*,” if the Covered Bonds Communiqué is amended after the Programme Closing Date to permit Other Secured Creditors to have access to the Additional Cover on a priority or a *pari passu* basis with the Covered Bondholders and/or the Hedging Counterparties, then the Security Assignment (and, to the extent applicable, other Transaction Documents) will be amended to reflect the statutory order of priority prescribed by the Covered Bonds Communiqué in respect of Additional Cover from time to time.

Taxation:

All payments of principal or interest in respect of the Covered Bonds (including with respect to the Receipts and the Coupons, if any) by (or on behalf of) the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, 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 Applicable Law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts (“*Additional Amounts*”) as shall be necessary in order that the net amounts received by the holders of the Covered Bonds, Receipts or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of such Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction. See “Taxation - Certain Turkish Tax Considerations” and Condition 5.1.

All payments in respect of the Covered Bonds will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 5.1; *it being understood* that, in accordance with Condition 7.1, no additional amount will be payable by the Issuer, any Paying Agent or any other Person in respect of any such withholding or deduction. See Condition 7.1.

Status of the Covered Bonds:

The Covered Bonds are issued in accordance with Articles 4 and 5 of the Covered Bonds Communiqué. In accordance with the Turkish Covered Bonds Law, by virtue of the Transaction Documents, registration in the Cover Register and any registrations required to update the Cover Register (each a “*Security Update Registration*”), the Covered Bonds shall be secured by the Cover Pool (which includes all cashflows derived from the Cover Pool). In addition to the Cover Pool, the Covered Bonds are backed by the other Transaction Security (other than the security interest over the Agency Account). See also “Summary of the Turkish Covered Bonds Law” below.

Cover Register:

“*Cover Register*” means the security book (*teminat defteri*) related to the assets in the Cover Pool maintained by the Issuer pursuant to the Turkish Covered Bonds Law (a copy of which security book may also be retained at another institution as may be required by the CMB).

Security for the Covered Bonds:

In accordance with the Turkish Covered Bonds Law, by virtue of the Transaction Documents and pursuant to the Cover Register and any Security Update Registration, the Cover Pool and the other Transaction Security (including any amounts standing to the credit of the Collection Account, the Designated Accounts, the Hedge Collateral Accounts (other than Excess Hedge Collateral) and the Non-TL Hedge Collection Account(s) but excluding the Agency Account) will be available to satisfy the obligations of the Issuer under the Total Liabilities (and the claims of Other Secured Creditors to the extent described in “*-Ranking of the Covered Bonds*”) following the occurrence of a Potential Breach of Statutory Test (which is continuing), an Issuer Event (which is continuing) or the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), in priority to the Issuer’s obligations to any other creditors, until the repayment in full of the Covered Bonds and payment of the Issuer’s other Secured Obligations under the Transaction Documents to the applicable Secured Creditors.

Pursuant to the Security Assignment, the Secured Obligations owing to the Secured Creditors will be secured by the following (the “*Security Assignment Security*”):

- (a) a security assignment over all the Issuer’s rights, title, interest and benefit, present and future in, to and under:
 - (i) each of the Offshore Bank Accounts,
 - (ii) the English Law Transaction Documents (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement), including, without limitation, any guarantee, credit support document or credit support annex entered into pursuant to the Hedging Agreements governed by the laws of England and Wales and any eligible credit support (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Deed or the 1995 English Law Credit Support Deed, each as defined by the International Swaps and Derivatives Association, Inc.) delivered or transferred to the Issuer thereunder, including, without limitation, all moneys received in respect thereof, all dividends paid or payable thereon, all property paid, distributed, accruing or offered at any time to or in respect of or in substitution thereof and the proceeds of sale, repayment and redemption thereof, and
 - (iii) all payments of any amounts that may become payable to the Issuer under the items described in clauses (i) and (ii), all payments received by the Issuer thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof,

which is held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for: (A) other than Excess Hedge Collateral and the Agency Account, the Secured Creditors to whom the Secured Obligations from time to time become due, owing or payable, (B) in the case of Excess Hedge Collateral, the relevant Hedging Counterparty as security for the Issuer’s obligations to transfer or deliver such Excess Hedge Collateral pursuant to the terms of the relevant Hedging Agreement to the relevant Hedging Counterparty, and (C) in the case of the Agency Account, the Reserve Fund Secured Creditors, and

- (b) a charge, by way of first fixed equitable charge to the Security Agent, over all the Issuer’s rights, title, interest and benefit, present and future, in, to and under the Authorised Investments denominated in a currency other than Turkish Lira and that are Cover Pool Assets (and all moneys, income and proceeds to

become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same), which are held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for the Secured Creditors to whom the Secured Obligations from time to time become due, owing or payable.

From time to time, additional security may be created for the benefit of the Security Agent on behalf of some or all of the Secured Creditors in respect of certain assets or certain accounts that are not otherwise subject to a perfected security interest for the benefit of the Security Agent on behalf of the Secured Creditors. If any such security document is designated as a Transaction Security Document by the Issuer and the Security Agent, then such security document shall be a Transaction Security Document for the purposes of the Programme.

“*Additional Cover*” means the overcollateralisation of the Cover Pool by the Issuer from Substitute Assets or Mortgage Assets (as determined by the Issuer in its sole discretion) to pay the Issuer’s obligations under the Transaction Documents to the Agents, the Security Agent, the Calculation Agent, the Cover Monitor, the Offshore Account Bank, the Covered Bond Calculation Agents and any other Other Secured Creditor permitted by Article 29 of the Covered Bonds Communiqué to benefit from such overcollateralisation (for the purpose of clarification, the Issuer is not required by the Covered Bonds Communiqué to provide any Additional Cover). Each such asset shall be an “*Additional Cover Cover Pool Asset*.” Any such assets shall be specifically identified by the Issuer in the Cover Register. For the avoidance of doubt, the Additional Cover Cover Pool Assets do not include the Mandatory Excess Cover. To the extent that the Issuer has not provided Additional Cover, the Other Secured Creditors will not be permitted to have recourse to the Cover Pool.

“*Agents*” means the Paying Agents, the Fiscal Agent, the Exchange Agent, the Registrar and the Transfer Agents.

“*Couponholders*” means the holders of the Coupons (which expression, unless the context otherwise requires, includes the Talonholders).

“*Excess Hedge Collateral*” means: (a) the remaining Hedge Collateral due to be returned to a Hedging Counterparty after termination payments payable by such Hedging Counterparty to the Issuer in respect of the relevant Hedging Agreement have been satisfied, (b) if no termination payments were payable by such Hedging Counterparty to the Issuer after the occurrence of an Early Termination Date (as defined in the ISDA Master Agreement) in respect of the relevant Hedging Agreement, the Hedge Collateral due to be returned to the Hedging Counterparty in accordance with the provisions of the relevant credit support annex, in each case, under the terms of the relevant Hedging Agreement, or (c) any amounts in the applicable Hedge Collateral Account in excess of the amount of collateral required to be maintained in such account pursuant to the applicable Hedging Agreement.

“*Mandatory Excess Cover*” means the overcollateralisation of the Cover Pool by the Issuer from Substitute Assets in accordance with the minimum cover requirement provided under the Covered Bonds Communiqué that

has to be maintained at all times (each such asset defined as a “*Mandatory Excess Cover Pool Asset*”). Mandatory Excess Cover Pool Assets are not subject to the Substitute Asset Limit and do not count towards the Substitute Asset Limit. For the avoidance of doubt, the Mandatory Excess Cover does not refer to the Additional Cover.

“*Other Secured Creditors*” means the Agents, the Security Agent, the Calculation Agent, any Receiver, the Cover Monitor, the Offshore Account Bank, the Covered Bond Calculation Agents, the Insurers and (other than the Covered Bondholders, the Receiptholders, the Couponholders, the Talonholders and the Hedging Counterparties) any other creditor of the Issuer having the benefit of the Transaction Security in accordance with the Turkish Covered Bonds Law or pursuant to any Transaction Document entered into by the Issuer in the course of the Programme. To the extent that the Issuer has not provided sufficient Additional Cover in the manner described in Article 29 of the Covered Bonds Communiqué, the Other Secured Creditors will not be permitted to have recourse to the Cover Pool and (except to the extent of any applicable Non-Statutory Security available to such Other Secured Creditors pursuant to the Transaction Documents and, with respect to the Reserve Fund Secured Creditors, except with respect to the Agency Account) their claims will rank *pari passu* with the other unsecured creditors of the Issuer. See “-Ranking of the Covered Bonds.”

“*Programme Closing Date*” means 21 April 2017.

“*Receiptholders*” means the persons who are for the time being holders of the Receipts.

“*Receiver*” means any person appointed (and any additional person appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the applicable secured property by the Security Agent pursuant to a Transaction Security Document.

“*Secured Creditors*” means the Covered Bondholders, the Receiptholders, the Couponholders, the Talonholders, the Other Secured Creditors and the Hedging Counterparties.

“*Talonholders*” means the several Persons who are for the time being holders of the Talons.

“*Transaction Security*” means: (a) the property, assets and undertakings included in the Cover Pool (including, as applicable, the Mortgage Rights) and, subject to the provisions of the Covered Bonds Communiqué, for the benefit of the applicable Secured Creditors and (b) the Non-Statutory Security.

“*Transaction Security Documents*” means the Security Assignment and any other document entered into from time to time and designated by the Issuer and the Security Agent as a Transaction Security Document.

Cross-collateralisation and Recourse:.....

By operation of the Covered Bonds Communiqué and in accordance with the Transaction Documents, the Cover Pool Assets shall form a single portfolio, irrespective of the date of their inclusion in the Cover Pool, and shall be held for the payment of the Total Liabilities to the Covered Bondholders, Receiptholders, Couponholders and Hedging Counterparties (and claims of the Other Secured Creditors to the extent described in “-Ranking of the Covered Bonds”) irrespective of the Issue Date of the relevant Tranche, the date of any applicable Hedging Agreement or otherwise. The Secured Creditors shall (with respect to the Other Secured Creditors, to the extent described in “-Ranking of the Covered Bonds”) have recourse to the Transaction Security for the payment of the Issuer’s obligations under the Programme.

In accordance with the provisions of the Covered Bonds Communiqué, the Cover Pool Assets may not be seized or attached in any form by creditors of the Issuer and may be used only to pay the applicable Secured Creditors.

The Issuer is entitled, within certain limits and upon certain conditions, to effect certain changes to the Cover Pool. See “Changes to the Cover Pool” below.

Issue Price:

Covered Bonds of each Tranche may be issued at par or at a premium or discount to par on a fully-paid basis (in each case, the “*Issue Price*” for such Tranche) as specified in the applicable Final Terms.

Interest Payment Dates:

“Interest Payment Date” has the meaning specified in: (a) for Fixed Rate Covered Bonds, Condition 4.1, and (b) for Floating Rate Covered Bonds, Condition 4.2(a)(ii).

Extended Series Payment Date:

In relation to any Series of Soft Bullet Covered Bonds that has been extended, “*Extended Series Payment Date*” shall be a monthly or other date as specified as such in the applicable Final Terms for such Series of Soft Bullet Covered Bonds.

“*Soft Bullet Covered Bonds*” means Covered Bonds for which, if so provided in the applicable Final Terms, the applicable Final Maturity Date shall be extended automatically to the applicable Extended Final Maturity Date specified in the applicable Final Terms if the Issuer does not pay on the relevant Final Maturity Date any amount representing the amount due on such Soft Bullet Covered Bonds on such Final Maturity Date as set out in the applicable Final Terms (the “*Final Redemption Amount*”); *provided* that such extended final maturity date may only be scheduled to occur on an Extended Series Payment Date for such Series of Soft Bullet Covered Bonds (such date, the “*Extended Final Maturity Date*”).

Upon any automatic deferral described in the preceding paragraph, the Issuer shall:

- (a) without prejudice to its obligations in Schedule 1, Parts 1(c) and (d) of the Security Agency Agreement, promptly liquidate all Authorised Investments that are Cover Pool Assets (which, for the avoidance of doubt, do not include any investments that are Hedge Collateral) and Substitute Assets to the extent necessary to pay the Final Redemption Amount for the applicable Series of Soft Bullet Covered Bonds,
- (b) deposit the proceeds of such liquidation (the “*Liquidation Proceeds*”) into the relevant Designated Account(s) (such proceeds to form part of the Available Funds), and
- (c) on the Final Maturity Date for such Series and on each Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date, apply all Available Funds towards the payment of any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds *plus* accrued interest thereon; *provided* that where an Interest Payment Date (including any such date that is also an Extended Series Payment Date) of any other Series of Covered Bonds (or any payment by the Issuer under a Hedging Agreement) corresponds with such Extended Series Payment Date, the Issuer shall apply all Available Funds towards payment of amounts due and payable in respect of such Series of Soft Bullet Covered Bonds, such other Series of Covered Bonds and such Hedging Agreement(s), as applicable, on a *pro rata* basis (as a result of any such payment, the amount that otherwise would be payable to a Covered Bondholder pursuant to any purchase or redemption of the applicable Series by the Issuer, including with respect to the interest that will accrue after such payment, will be reduced).

Any extension of the maturity of Soft Bullet Covered Bonds shall be irrevocable. Any non-payment of such Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds shall not constitute an Event of Default for any purpose or give any Covered Bondholder, Receiptholder or Couponholder any right to receive any payment of interest, principal or otherwise on the relevant Soft Bullet Covered Bonds other than as expressly set out in the Conditions; *however*, such non-payment of such Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds to their Extended Final Maturity Date shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

In the event of the extension of the maturity of Soft Bullet Covered Bonds, interest rates, interest periods and interest payment dates on such Soft Bullet Covered Bonds from (and including) the Final Maturity Date of such Soft Bullet Covered Bonds to (but excluding) their Extended Final Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.

“*Available Funds*” means, following the occurrence of an automatic deferral of a Final Maturity Date of any Series of Soft Bullet Covered Bonds, all amounts standing to the credit of the Collection Account, the Designated Accounts and the Non-TL Hedge Collection Account(s) and any Liquidation Proceeds.

Redemption:.....

A Final Terms may specify that either the relevant Series of Covered Bonds can be redeemed prior to its stated maturity for taxation reasons in the manner set out in Condition 6 or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the applicable Covered Bondholder(s), in each case on a date or dates specified prior to such stated maturity and at a price or prices as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) in such Final Terms.

As noted in “-Instalment Covered Bonds” above, the applicable Final Terms may provide that Instalment Covered Bonds may be redeemed in two or more instalments (each an “*Instalment*”) on such Interest Payment Dates as are indicated in such Final Terms.

Final maturity and extendable obligations under the Covered Bonds:.....

The final maturity date for each Series (the “*Final Maturity Date*”) will be specified in the applicable Final Terms as agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s); *provided* that the Final Maturity Date for a Series may only be scheduled to occur on an Interest Payment Date for such Series. Unless previously redeemed as provided in the Conditions, the Covered Bonds of a Series will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date.

As noted in “-Extended Series Payment Date” above, the applicable Final Terms relating to a Series of Soft Bullet Covered Bonds may also provide that the Issuer’s obligations under the relevant Covered Bonds to pay their Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date. Such deferral will occur automatically if the Issuer does not pay any amount representing the Final Redemption Amount in respect of the relevant Series of Soft Bullet Covered Bonds on their Final Maturity Date.

Voting Rights:.....

The entitlements of Covered Bondholders in respect of voting rights (including with respect to the exercise of remedies) under the Conditions, the Agency Agreement and the Transaction Security Documents (and the other Transaction Documents to the extent applicable) upon the occurrence of an Issuer Event and/or an Event of Default will be determined by reference to the Principal Amount Outstanding of the relevant Covered Bond(s) held by the relevant Covered Bondholder(s). For the purposes of calculating the Principal Amount Outstanding of any Covered Bonds denominated in a currency other than Turkish Lira, the Principal Amount Outstanding of any such Covered Bonds shall be notionally converted into a Turkish Lira equivalent using the Applicable Exchange Rate for purposes of determining voting rights.

“*Applicable Exchange Rate*” means:

- (a) in respect of the non-Turkish Lira currency Covered Bonds of a particular Tranche:
 - (i) to the extent that a Hedging Agreement that is a currency swap transaction, cross currency and interest rate swap transaction or option contract, foreign exchange, derivative or similar agreement is in the Cover Pool in connection with the issuance of such Tranche of Covered Bonds, the rate at which the relevant currency is exchangeable into Turkish Lira pursuant to such Hedging Agreement, and
 - (ii) to the extent that clause (a)(i) above is not applicable, the Spot Rate,
- (b) in respect of the non-Turkish Lira currency amount of a Cover Pool Asset:
 - (i) to the extent that a Hedging Agreement that is a currency swap transaction, cross currency and interest rate swap transaction or option contract, foreign exchange, derivative or similar agreement is in the Cover Pool in connection with such Cover Pool Asset, the rate at which the relevant currency is exchangeable into Turkish Lira pursuant to such Hedging Agreement, and
 - (ii) to the extent that clause (b)(i) above is not applicable, the Spot Rate, and
- (c) in respect of the expenses not denominated in U.S. dollars that are covered by the Reserve Fund, the Spot Rate.

“*Spot Rate*” means: (a) with respect to the conversion of the relevant non-Turkish Lira currency into Turkish Lira, the relevant “mid” price spot rate of exchange obtained by the Issuer, the Fiscal Agent and/or the Security Agent, as applicable, on the relevant day using the BFIX page of Bloomberg (or any successor service thereof) or such other page as may replace that page on that service for the purpose of displaying a currency exchange rate for Turkish Lira and the non-Turkish Lira currency, expressed as the amount of Turkish Lira per one non-Turkish Lira currency at 11:00 a.m. (Istanbul time) on such day; and (b) with respect to the conversion of a non-U.S. Dollar currency into U.S. Dollars, the relevant “mid” price spot rate of exchange obtained by the Issuer, the Fiscal Agent and/or the Security Agent, as applicable, on the relevant day using the BFIX page of Bloomberg (or any successor service thereof) or such other page as may replace that page on that service for the purpose of displaying a currency exchange rate for U.S. Dollars and such non-U.S. Dollar currency, expressed as the amount of U.S. Dollars per one non-U.S. Dollar currency at 11:00 a.m. (London time) on such day.

“*Principal Amount Outstanding*” means, in respect of a Covered Bond on any day of determination, the principal amount of that Covered Bond on the relevant Issue Date thereof less the sum of all amounts of principal paid by

the Issuer in accordance with the provisions of the Conditions and the relevant Covered Bonds in respect thereof on or prior to that day of determination.

“*Subsidiary*” means, in relation to any person, any company or other entity: (a) in which such person holds a majority of the voting rights, (b) of which such person is a member and has the right to appoint or remove a majority of the board of directors (or similar body) or (c) of which such person is a member and controls a majority of the voting rights, and includes any company that is a Subsidiary of a Subsidiary of such person. In relation to the consolidated financial statements of the Issuer, a Subsidiary shall also include any other entities that are (in accordance with Applicable Law and the applicable accounting standards) consolidated into the Issuer.

Purchases of Covered Bonds:

The Issuer and/or any of its Subsidiaries may at any time purchase or otherwise acquire (or have a third party do so for its benefit) Covered Bonds (or beneficial interests therein) (*provided* that, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market, whether by tender, exchange, private agreement or otherwise. If any such purchases or acquisitions of Covered Bonds are made by tender, exchange or other process, then such tender, exchange or other process does not need to be available to all Covered Bondholders of the applicable Series alike except to the extent required by Applicable Law. Such Covered Bonds (and the related Receipts, Coupons and Talons) may be held, resold or, at the option of the Issuer or any such Subsidiary (as the case may be) for those Covered Bonds held by it, surrendered to any Paying Agent and/or the Registrar for cancellation; *provided* that any such resale or surrender of a Covered Bond will include a sale or surrender (as applicable) of all related Receipts, Coupons and Talons. The Covered Bonds so purchased or acquired, while held by or on behalf of the Issuer or any such Subsidiary, will (except to the extent held as broker or otherwise for one or more other Person(s)) not entitle it (as the Covered Bondholder with respect thereto) to vote at any meeting of the Covered Bondholders and will (except to the extent held as broker or otherwise for one or more other Person(s)) not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Covered Bondholders or for the purposes of Condition 15.1. See Condition 6.7.

Clearing Systems:

For any Series of Global Covered Bonds, DTC, Euroclear, Clearstream, Luxembourg and/or any other clearing system approved by the Issuer and the Fiscal Agent and specified in the applicable Final Terms will be the applicable clearing system(s).

Rating:

Series of Covered Bonds may be rated or unrated. Where a Tranche of Covered Bonds is rated (other than unsolicited ratings), the initial such rating(s) will be disclosed in the applicable Final Terms. A rating is not a recommendation to a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

ERISA:

Subject to certain conditions and the applicable selling and transfer restrictions, the Covered Bonds may be invested in by an “employee benefit plan” as defined in and subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”), of the United States, 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.”

Listing and Admission to Trading: An application has been made to Euronext Dublin for Covered Bonds issued during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on the Regulated Market.

Covered Bonds of a Series may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or investor(s). Covered Bonds that are neither listed nor admitted to trading on any market may also be issued. The Final Terms for a Tranche of Covered Bonds will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or market(s).

Turkish Covered Bonds Law: Means the Capital Markets Law, the Covered Bonds Communiqué and other relevant capital markets Applicable Law of Turkey pursuant to which the Covered Bonds are issued (together, the “*Turkish Covered Bonds Law*”).

The Covered Bonds will be issued pursuant to the Turkish Covered Bonds Law. For further information on the Turkish Covered Bonds Law, see “Summary of the Turkish Covered Bonds Law” below.

Covered Bonds Communiqué: Means the Communiqué on Covered Bonds No. III-59.1 published by the CMB (as amended from time to time) (*i.e.*, the Covered Bonds Communiqué).

Governing Law: The Covered Bonds (other than as set forth in the following paragraph), the Agency Agreement, the Security Assignment, the Offshore Bank Account Agreement, the Security Agency Agreement, the Calculation Agency Agreement, the Programme Agreement, each Subscription Agreement and (unless specified otherwise in the applicable Hedging Agreement) each Hedging Agreement (and any non-contractual obligations arising out of or in connection with any of the above) are or will be (as applicable) governed by, and construed in accordance with, English law. The Deed of Covenant and the Deed Poll (and any non-contractual obligations arising out of or in connection with either) are governed by, and construed in accordance with, the law of England and Wales.

The Cover Monitor Agreement is governed by, and construed in accordance with, Turkish law. In addition, the Statutory Segregation referred to in Condition 3 is governed by and construed in accordance with Turkish law.

Statutory Segregation: “*Statutory Segregation*” means the statutory protection of the Cover Pool against competing claims for the benefit of the Covered Bondholders, Receiptholders, Couponholders, Hedging Counterparties (if any) and (with respect to the Additional Cover and subject to the provisions of Article 29 of the Covered Bonds Communiqué) the Other Secured Creditors pursuant to Article 13 of the Covered Bonds Communiqué to the extent described in “*-Ranking of the Covered Bonds.*”

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Covered Bonds (or beneficial interests therein) in (*inter alia*) Turkey, the United States, the

EEA (including Belgium), the United Kingdom, Singapore, Japan and Switzerland, and there will be such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds. See “Transfer and Selling Restrictions.”

United States Selling Restrictions:..... Regulation S (Category 2), Rule 144A and Section 4(a)(2). Bearer Covered Bonds with a term greater than one year will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (“*TEFRA D*”) or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (“*TEFRA C*”) such that the Bearer Covered Bonds will not constitute “registration-required obligations” under Section 4701(b) of the Code, as specified in the applicable Final Terms. Such rules impose certain additional restrictions on transfers of Bearer Covered Bonds (or, for Bearer Global Covered Bonds, beneficial interests therein).

Distribution: Covered Bonds may be distributed by way of private or (other than in the United States) public placement and in each case on a syndicated or non-syndicated basis.

Maturities: The Covered Bonds will have such maturities as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s) the relevant Covered Bondholder(s) (as set out in the applicable Final Terms), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any Applicable Law in relation to the Issuer or the relevant Specified Currency.

CREATION AND ADMINISTRATION OF THE COVER POOL

The Cover Pool:..... Pursuant to the Turkish Covered Bonds Law, the Issuer is entitled to create the Statutory Segregation over:

- (a) mortgage loans meeting: (i) the requirements set out in Articles 9(2), 10(1)(a) and 10(1)(c) of the Covered Bonds Communiqué and (ii) though not required by the Turkish Covered Bonds Law, the Individual Asset Eligibility Criteria (such assets included in the Cover Pool being the “*Mortgage Assets*”), and all receivables relating to such Mortgage Assets (for the purpose of clarification, the Cover Pool shall include all assets included in the Cover Register from time to time notwithstanding that such assets may have ceased to satisfy the statutory requirements for covered assets specified in the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria),
- (b) Substitute Assets (subject to the Substitute Asset Limit), and
- (c) its rights in, to and under Hedging Agreements (if any),

(each such asset included in the Cover Register, a “*Cover Pool Asset*” and collectively the “*Cover Pool*”).

For the avoidance of doubt, a mortgage loan or derivative contract intended to become a Cover Pool Asset is required to meet the asset requirements set out in Article 10 (in the case of mortgage loans) and Article 11 (in the case of derivative contracts) of the Covered Bonds Communiqué at the time of

inclusion in the Cover Register. In the event that a Cover Pool Asset thereafter ceases to meet the asset requirements of the Covered Bonds Communiqué (or failed to have satisfied such requirements at the time of its inclusion in the Cover Register), the Issuer is obliged under Article 13(5) of the Covered Bonds Communiqué to replace such asset with Cover Pool Assets that do satisfy the requirements of Articles 10 and 11 (as applicable) of the Covered Bonds Communiqué unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer is not obliged to remove any such ineligible Cover Pool Asset). See “*Changes to the Cover Pool*” below.

By virtue of the creation of the Cover Pool by registration in the Cover Register (including through any Security Update Registration(s)) on or prior to the First Issue Date, the Issuer shall segregate the Cover Pool for the satisfaction of the rights of the Covered Bondholders, the Couponholders, the Receiptholders and the Hedging Counterparties (if any) (and the Other Secured Creditors to the extent described in “General Description of the Programme – The Programme – Programme Description - Ranking of the Covered Bonds”).

All Mortgage Rights relating to the Mortgage Assets are themselves included in the Cover Pool as part of the receivables of such Mortgage Assets; *however*, if it is subsequently judicially determined that all or part of the Mortgage Rights of the type referred to in clauses (b) and (c) of the definition of Mortgage Rights below (all such items being “*Ancillary Rights*”) do not constitute receivables of Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué, then such Ancillary Rights shall not be Cover Pool Assets and thus not benefit from Statutory Segregation.

The rights, title and interest (both present and future) of the Bank in, to and under: (a) any valuation and (b) all causes and rights of action in favour of the Bank against any person (other than the applicable Borrower) in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion, in each case given in connection with a Mortgage Asset or affecting the decision of the Bank to make the relevant advance (all payments received by the Bank for either clause (a) or (b) being a “*Related Payment*”), do not constitute receivables of the Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué and therefore do not benefit from Statutory Segregation; *however*, at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), as an unsecured contractual obligation only, the Issuer will transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Security Agent, by the next day that is both an İstanbul Business Day and a business day for the Security Agent) all Related Payments to the Security Agent for the benefit of the Secured Creditors to be applied in satisfaction of the Secured Obligations; *it being understood* that (as such do not constitute receivables of the Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué and therefore do not benefit from Statutory Segregation) any such Related Payments shall not be deposited into the Collection Account or the Designated Accounts and shall otherwise remain segregated from the Cover Pool Assets.

“*Mortgage Rights*” shall, with respect to a Mortgage Asset, mean:

- (a) any prepayment fees or other fees payable by the Borrower of such Mortgage Asset,
- (b) to the extent that they are assignable, the benefit of all collateral security and any guarantees or indemnities from the Borrower or a guarantor for such Mortgage Asset, and
- (c) all right, title, interest and benefit in favour of the Bank (both present and future) in relation to any insurance contracts relating to such Mortgage Asset, including the right to receive the proceeds of any insurance claims in so far as they relate to such Mortgage Asset.

The Bank will act in a manner consistent with that of a Prudent Lender and Servicer of Mortgage Assets in respect of the Mortgage Assets; *provided* that:

- (a) during the continuance of an Issuer Event, the Bank may not make any Mortgage Asset Modification(s) other than in accordance with its then prevailing servicing and collection procedures in respect of mortgage assets that are not part of the Cover Pool, and
- (b) the Bank shall service the Mortgage Assets with no less care than the Bank exercises or would exercise in connection with the servicing of mortgage assets held for its own account as if such Mortgage Assets were not part of the Cover Pool.

“*Mortgage Asset Modification*” means any modification, variation amendment, release or waiver of a Mortgage Asset, including as to, but not limited to, interest rates, repayment schedule and/or maturity of such Mortgage Asset.

“*Prudent Lender and Servicer of Mortgage Assets*” means acting in a manner consistent with that of an experienced lender and servicer of mortgage loans granted to obligors in Turkey.

“*First Issue Date*” means the date on which the Issuer issues a Series of Covered Bonds for the first time pursuant to the Programme.

“*Substitute Assets*” means: (a) the assets permitted by the Covered Bonds Communiqué to constitute substitute assets (as of the date of this Base Prospectus, such assets are cash, certificates of liquidity issued by the Central Bank of Turkey, government bonds issued domestically (in Turkey) or abroad, lease certificates issued by asset leasing corporations established by the Turkish Treasury, securities guaranteed by the Turkish Treasury within the framework of the Law on the Regulation of Public Financing and Debt Management dated 28 March 2002 and numbered 4749 and securities issued by or with the guarantee of the central administrations and/or central banks of the countries which are members of the Organisation for Economic Co-operation and Development) and (b) other assets that the CMB approves and discloses to the public.

Changes to the Cover Pool:.....

The Issuer shall be entitled (and, in the circumstances set out in Article 13(5) of the Covered Bonds Communiqué, shall be obliged) to add, remove or substitute Cover Pool Assets, subject to making appropriate Security Update Registration(s), to:

- (a) *Allocation of Further Assets:* allocate to the Cover Pool additional assets at any time, including for the purposes of issuing further Series of Covered Bonds, complying with the Statutory Tests and/or the Required Overcollateralisation Percentage of any Series, maintaining the rating(s) assigned to any Series of the Covered Bonds and/or maintaining or increasing the creditworthiness of the Cover Pool; *provided* that such new assets meet the requirements of the Covered Bonds Communiqué, comply with the Individual Asset Eligibility Criteria and do not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, and
- (b) *Removal or Substitution of Cover Pool Assets:* remove (including to substitute) one or more Cover Pool Asset(s) (including any Cover Pool Assets that cease to comply or did not comply at the time of their registration in the Cover Register with the requirements of the Covered Bonds Communiqué and/or the Individual Asset Eligibility Criteria) from the Cover Pool at any time in accordance with the Covered Bonds Communiqué and to the extent not prohibited by the Transaction Documents; *provided* that, in addition to the requirements of the Covered Bonds Communiqué: (i) any assets added to the Cover Pool by way of substitution must comply with the Individual Asset Eligibility Criteria, (ii) any asset added to the Cover Pool by way of substitution or any removal of assets from the Cover Pool does not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, (iii) neither any Potential Breach of Statutory Test nor any Issuer Event of the type described in clauses (a) through (f) of the definition thereof would occur as a result of such removal or Cover Pool Asset Substitution and (iv) any collections in respect of any such removed Cover Pool Assets will no longer be transferred to the Collection Account. The Issuer is obliged to substitute any Cover Pool Assets that cease to comply with the requirements of the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer may either keep such ineligible Cover Pool Asset within the Cover Pool or remove such ineligible Cover Pool Asset without new eligible assets being registered in the Cover Register). Also see “*Changes to the Cover Pool*” below.

It is agreed that:

- (a) upon the occurrence of any Potential Breach of Statutory Test or an Issuer Event that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, and

- (b) upon the occurrence of an Event of Default that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless:
 - (i) such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, or
 - (ii) such substitution or removal is made by the Administrator in accordance with the provisions of the Covered Bonds Communiqué or by the Security Agent in accordance with the Transaction Documents.

Sale of Cover Pool Assets by the Administrator:.....

Under Articles 27(4) and (6) of the Covered Bonds Communiqué and in the circumstances specified therein, the Administrator may administer the sale of the Cover Pool Assets.

“Administrator” means the person appointed by the CMB to administer the Cover Pool under the Covered Bonds Communiqué.

Representations and Warranties of the Bank in its capacity as Issuer:.....

Under the Security Agency Agreement, as of the Programme Closing Date, each Issue Date and each date on which additional Cover Pool Assets are added to the Cover Pool, the Bank has made (or will make) certain representations and warranties regarding itself and the Cover Pool Assets in favour of the Security Agent (for itself and for the benefit of the other Secured Creditors) that:

- (a) it is a corporation, duly incorporated and validly existing under the laws of Turkey,
- (b) the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations, subject to equitable principles and to applicable insolvency or other similar laws affecting the rights of creditors generally,
- (c) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is a party and the transactions contemplated by those Transaction Documents,
- (d) the Cover Pool Assets are in existence,
- (e) except to the extent provided otherwise pursuant to the Transaction Documents, it is the sole absolute owner of the Cover Pool Assets with full title guarantee and all rights, title and interest therein free and clear of all Security Interests of any nature whatsoever; *it being understood* that: (i) pursuant to the Covered Bonds Communiqué, the Cover Pool Assets are segregated under Turkish law for the benefit of the Covered Bondholders, the Couponholders, the Receiptholders, the Talonholders, the Hedging Counterparties (if any) and (with respect to the Additional Cover and in the manner described in Article 29 of the Covered Bonds Communiqué) the Other Secured Creditors, and (ii) the Borrowers and other obligors under Cover Pool

Assets might have a right of set-off, and

- (f) it is not in liquidation, bankruptcy or receivership and will not go into liquidation, bankruptcy or receivership as a result of the issuance of any Covered Bonds or the entering into of the Transaction Documents.

Individual Asset Eligibility Criteria:

Each mortgage loan to be included in the Cover Pool shall comply with the following criteria (the “*Individual Asset Eligibility Criteria*”):

- (a) the requirements of Articles 9(2) and 10(1) of the Covered Bonds Communiqué,
- (b) such mortgage loan is denominated in Turkish Lira,
- (c) such mortgage loan is not a commercial loan or related receivable,
- (d) the applicable Borrower is not an employee of the Bank,
- (e) the principal amount outstanding of such mortgage loan at the time of its inclusion in the Cover Pool must be lower than or equal to the Turkish Lira-equivalent of €1,000,000 (using the TL/€ sell-side exchange rate most recently published by the Central Bank at such time of inclusion),
- (f) such mortgage loan is secured by a first ranking mortgage,
- (g) at the time of the inclusion of such mortgage loan in the Cover Pool, the applicable LTV is not greater than the maximum percentage (if any) for calculations relating to cover matching principles specified in the Covered Bonds Communiqué (as of the date of this Base Prospectus, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 80%),
- (h) the applicable Borrower is a natural person,
- (i) such mortgage loan is not Delinquent, and
- (j) such mortgage loan constitutes a valid and enforceable claim against the applicable Borrower, subject to customary bankruptcy and similar exceptions and general principles of equity.

“*Borrower*” means, with respect to a mortgage loan, the borrower or borrowers specified in respect of such mortgage loan.

“*Delinquent*” means, in respect of a mortgage loan, that one or more payment(s) in respect of such mortgage loan has/have become due in accordance with the terms and conditions of such mortgage loan and remain unpaid by the relevant Borrower for more than 30 days; *provided* that the aggregate amount of such payment(s) is greater than TL 5.

“*LTV*” means, with respect to a mortgage loan, the percentage determined by dividing the principal amount outstanding of such mortgage loan by the Most Recent Appraised Value of the applicable residential property.

“*Most Recent Appraised Value*” means, with respect to a mortgage loan at any time of determination, the appraised value of the applicable residential property that has been obtained most recently prior to such date of determination.

Substitute Assets may not be added to the Cover Pool if, immediately following such addition, the Cover Pool would not comply with the requirement of Article 19(3) of the Covered Bonds Communiqué that the net present value of the Substitute Assets included in the Cover Pool shall not exceed 15% of the total Net Present Value of the Cover Pool (the “*Substitute Asset Limit*”) (disregarding, for these purposes, Mandatory Excess Cover Pool Assets (which are not subject to the restriction contained in Article 19(3) of the Covered Bonds Communiqué and, accordingly, do not count towards the Substitute Asset Limit)).

Monitoring of the Cover Pool:

The Cover Monitor shall, pursuant to the Cover Monitor Agreement, in respect of each Cover Monitor Calculation Date analyse and verify whether the Cover Pool satisfies each of the tests related to the Cover Pool as required by the Covered Bonds Communiqué, being (as of the date of this Base Prospectus):

- (a) the Nominal Value Test,
- (b) the Net Present Value Test,
- (c) the Cash Flow Matching Test, and
- (d) the Stress Test,

(collectively, the “*Statutory Tests*” and each a “*Statutory Test*”).

In addition, the Issuer shall, in accordance with Article 20(1) of the Covered Bonds Communiqué, test whether the Cover Pool complies with the Statutory Tests (*e.g.*, as required as of the date of this Base Prospectus, at every change to the Cover Register and, in any case, at least once per calendar month as long as any Series of Covered Bonds is outstanding and, as applicable, in the case of the issuance of a new Series of Covered Bonds) (each a “*Statutory Test Date*”) (see “Description of the Transaction Documents—Security Agency Agreement”).

The Cover Monitor shall, pursuant to the Cover Monitor Agreement, after testing the Statutory Tests as described above, send a copy of the report indicating compliance or non-compliance with the Statutory Tests to the Issuer and the Security Agent as soon as reasonably practicable and in any event not later than 20 İstanbul Business Days following each Cover Monitor Calculation Date.

“Cover Monitor Calculation Date” means the dates: (a) the first of which shall be a date falling within six months after the First Issue Date (as agreed between the Issuer and the Cover Monitor), (b) the subsequent of which falls on the last İstanbul Business Day of the last month of the six month period starting from such agreed upon first Cover Monitor Calculation Date and (c) in the event there is a report prepared at the request of the Issuer in respect of an Issue Date, the subsequent of which falls on the last İstanbul Business Day of the last month of the six month period starting from the date of such report.

Statutory Tests:

The Cover Pool is subject to the Statutory Tests as set out in the Covered Bonds Communiqué. The Statutory Tests are (as of the date of this Base Prospectus) the following:

- (a) *The Nominal Value Test:* The “Nominal Value Test” means the test set out in Article 15(1) of the Covered Bonds Communiqué.
- (b) *The Cash Flow Matching Test:* The “Cash Flow Matching Test” means the test set out in Article 16(1) of the Covered Bonds Communiqué.
- (c) *The Net Present Value Test:* The “Net Present Value Test” means the test set out in Article 17 of the Covered Bonds Communiqué.
- (d) *The Stress Test:* The “Stress Test” means the test set out in Article 18 of the Covered Bonds Communiqué.

The Statutory Tests (both their nature and their method of calculation) might vary from time to time to the extent that the Covered Bonds Communiqué is amended; *provided* that all Series of Covered Bonds are subject to the Statutory Tests as in force at the time of their issuance unless expressly provided otherwise by the Turkish Covered Bonds Law.

The method of calculating the Statutory Tests shall (within the requirements of the Covered Bonds Communiqué) be determined by the Issuer, acting reasonably (and subject to any guidance, pronouncement, rule, official directive or guideline (whether or not having the force of law) issued by the CMB to the Issuer specifically or to covered bond issuers generally in relation to the method of calculating the Statutory Tests). For the avoidance of doubt with respect to any Covered Bonds with a floating interest rate, the Issuer may at any time perform such calculations utilising the interest rate in effect at such time.

The following are not included in calculations related to the Statutory Tests (without duplication of any exclusion):

- (a) assets: (i) that are mortgage loans that do not satisfy the Individual Asset Eligibility Criteria, (ii) that are Substitute Assets all or portions of which is/are to be excluded in order for the Cover Pool to satisfy the Substitute Asset Limit; *it being understood* that if only portions of such assets are so excluded, then the part thereof that is not so excluded shall be included in the calculation of the Statutory Tests to the extent otherwise eligible, or (iii) that, pursuant to Article 10(1)(a) of the Covered Bonds Communiqué, are mortgage loans that would not qualify to be registered in the Cover Register,

- (b) the portion (if any) of a Mortgage Asset in excess of the percentage of the value of the residential property securing the corresponding loan in the manner specified in the Covered Bonds Communiqué (as of the date of this Base Prospectus, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 80%),
- (c) the rights in, and cash amounts standing to the credit of, the Collection Account (and investments made with such amounts),
- (d) Cover Pool Assets that are Additional Cover Cover Pool Assets pursuant to Article 29 of the Covered Bonds Communiqué,
- (e) Hedge Collateral (if applicable), and
- (f) the Reserve Fund; *it being understood* that the Reserve Fund and the Agency Account are not included in the Cover Pool.

For further information concerning each of the above Statutory Tests, see “Summary of the Turkish Covered Bonds Law” below.

Required Overcollateralisation
Percentage:

In addition to the Statutory Tests, the Issuer shall at all times ensure that the Nominal Value of the Cover Pool is not less than the product of: (a) the Turkish Lira Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds outstanding and (b) the sum of one plus the decimal equivalent of the highest then-existing Required Overcollateralisation Percentage among all then-outstanding Series. The then-existing Required Overcollateralisation Percentage for each Series shall be specified in each Investor Report.

“*Nominal Value*” means, in respect of the Cover Pool, the sum of: (a) the outstanding principal amounts of the Mortgage Assets, (b) the issue price of discounted debt securities that are included in the Cover Pool and (c) the nominal value of debt securities issued at a premium that are included in the Cover Pool (in the case of clauses (b) and (c), excluding any Hedge Collateral that might then be in the Cover Pool), in each case as such is determined pursuant to the Covered Bonds Communiqué.

“*Required Overcollateralisation Percentage*” means, for a Series, the percentage set forth in Part B of the Final Terms for such Series (the “*Issue Date Required Overcollateralisation Percentage*”) or such other percentage from time to time thereafter selected by the Issuer and notified to the Relevant Rating Agency (to the address specified to the Issuer by the Relevant Rating Agency from time to time) and the Fiscal Agent (each such notice, a “*Change Notice*”); *provided that*:

- (a) if the current rating of such Series from such Relevant Rating Agency is the same as or higher than the Issue Date Rating of such Series from such Relevant Rating Agency, then the percentage shall not be so reduced unless a Rating Agency Confirmation has been obtained with respect thereto from such Relevant Rating Agency, and
- (b) if the current rating of such Series from such Relevant Rating Agency is below the Issue Date Rating of such Series from such

Relevant Rating Agency, then the percentage shall not be so reduced to below the percentage applicable immediately prior to the most recent downgrade of such Series by such Relevant Rating Agency.

Until a new Required Overcollateralisation Percentage for any Series is selected by the Issuer, the Required Overcollateralisation Percentage for such Series shall be the last figure so notified in a Change Notice from the Issuer to the Relevant Rating Agency and the Fiscal Agent (or, if applicable, the Issue Date Required Overcollateralisation Percentage). Should a Series have more than one Required Rating Agency, then the above in this definition shall be determined independently for each such Required Rating Agency and the Required Overcollateralisation Percentage for such Series shall be the highest resulting percentage.

The Issuer, in its discretion, may increase or, as provided above, decrease the Required Overcollateralisation Percentage for any Series at any time without the consent of the Covered Bondholders, the Agents and/or any other Secured Creditors. For the avoidance of doubt, the Issuer is under no obligation to increase the Required Overcollateralisation Percentage for any Series regardless of any positive impact doing so might have on the ratings of the Covered Bonds. The Issuer shall notify the Covered Bondholders of a Series of any such change to the Required Overcollateralisation Percentage for such Series in accordance with Condition 14.

“*Issue Date Rating*” means, in respect of a Series of Covered Bonds and a Relevant Rating Agency, the rating assigned by such Relevant Rating Agency to such Series on the relevant Issue Date.

“*Turkish Lira Equivalent*” means, in respect of a Covered Bond that is denominated in: (a) a currency other than Turkish Lira, the Turkish Lira equivalent of such amount ascertained using the relevant Covered Bond Exchange Rate relating to such Covered Bond, and (b) Turkish Lira, the applicable amount in Turkish Lira.

“*Covered Bond Exchange Rate*” means, in respect of a Covered Bond, the exchange rate specified in the Currency Hedging Agreement relating to the Series of which such Covered Bond is a part, or, if there is no Currency Hedging Agreement relating to such Series (including if the Currency Hedging Agreement for such Series has been terminated), the applicable Central Bank Spot Rate.

“*Central Bank Spot Rate*” means, with respect to the conversion of a non-Turkish Lira currency into Turkish Lira on a specific day, the relevant foreign exchange buying rate (currently referred to as the “Forex Buying” exchange rate (*Döviz Alış*)) (or its replacement from time to time as determined by the Bank) announced by the Central Bank at which it would purchase such non-Turkish Lira currency for Turkish Lira, expressed as the amount of Turkish Lira per one non-Turkish Lira currency at approximately 3:30 p.m. (İstanbul time) on the most recent İstanbul Business Day before such conversion day on which such rate was announced.

Rating Agency Confirmation:

“*Rating Agency Confirmation*” means, with respect to any Series of Covered Bonds and any specified action or determination, the Relevant Rating Agency has indicated in writing (which may be by email, a signed letter (including facsimile), a public press release, a rating report or any other publication, including a publication on such Relevant Rating Agency’s

website) that such action or determination would not result in the credit rating then assigned to such Series by such Relevant Rating Agency being reduced, removed, suspended or placed on negative credit watch with an indication of a potential reduction. For any Series that is not rated by a Relevant Rating Agency, no Rating Agency Confirmation will be required in respect of such unrated Series notwithstanding anything to the contrary in the Transaction Documents.

Whenever the implementation of certain matters is, pursuant to the Conditions and/or the other Transaction Documents, subject to a Rating Agency Confirmation, the requirement shall be satisfied by receipt of (or access to) the Rating Agency Confirmation by the Security Agent; *provided* that: (a) if the applicable Relevant Rating Agency provides a waiver or any communication indicating its decision not to review (or otherwise declining to review) the matter for which the Rating Agency Confirmation is sought, then the requirement for the Rating Agency Confirmation from such Relevant Rating Agency with respect to such matter will be deemed waived, or (b) the Security Agent shall, where directed by the Covered Bondholder Representative or as otherwise provided in the Conditions and/or the other Transaction Documents, waive the requirement for a Rating Agency Confirmation to be obtained.

Breach of Statutory Tests:.....

If, on a Statutory Test Date, there is a Potential Breach of Statutory Test, then the Issuer must cure any breach(es) of the relevant Statutory Test(s) within one month of such Statutory Test Date.

If, in its own monitoring of the Statutory Tests, the Issuer identifies a Potential Breach of Statutory Test, then it will promptly notify the Fiscal Agent, the Security Agent and the Cover Monitor of such breach and must cure such breach within one month of the Issuer’s detection of such breach.

Failure by the Issuer to cure a breach of any one of the Statutory Tests within such one month period (and if there is no corresponding day in the following calendar month, then the relevant Statutory Test will be required to be cured on or before the last day in the aforementioned following calendar month) will constitute a “*Breach of Statutory Test*” and result in: (a) until such breach is cured, an Issuer Event and the Issuer not being able to issue further Covered Bonds, and (b) the actions as set out in “*Accounts and Cash Flow Structure – Designated Account(s)*.”

“*Potential Breach of Statutory Test*” means a breach by the Issuer of any one of the Statutory Tests that has not yet become a Breach of Statutory Test.

Issuer Events:.....

The occurrence of any of the following events shall constitute an “*Issuer Event*.”

- (a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof,
- (b) the Issuer fails to pay any principal in respect of the Covered Bonds of any Series (including any Receipts) within a period of seven İstanbul Business Days from the due date (including, in the case of a Series of Covered Bonds that is subject to an Extended Final Maturity Date, the applicable Final Maturity Date) thereof,

- (c) the Issuer fails to perform or observe any of its obligations (other than any obligation for the payment of interest, Additional Amounts or principal due under the Covered Bonds, Receipts or Coupons of any Series) under the Agency Agreement, the Transaction Security Documents or any other Transaction Document to which the Issuer is a party, which failure could reasonably be expected to have a materially prejudicial effect on the interests of the Covered Bondholders of any Series and/or any Hedging Counterparties and the Issuer has received notice of the reasonable expectation of such a materially prejudicial effect from the Security Agent and (except where such failure is, or the effects of such failure are, incapable of remedy, in which event no such continuation and notice as is hereinafter mentioned will be required) such failure continues for at least 30 days after the Issuer's receipt of such notice requiring such failure to be remedied,
- (d) if: (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any originally applicable grace period, (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other Person subject to any applicable grace period; *provided* that the aggregate principal amount of: (A) such Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of clauses (i), (ii) and/or (iii) above, and/or (B) the maximum amount payable by the Issuer or Material Subsidiary under such guarantee and/or indemnity of the Issuer or such Material Subsidiary in the case of clause (iv) above, exceeds US\$50,000,000 (or its equivalent in other currencies),
- (e) if:
 - (i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries,
 - (ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Covered Bondholders,
 - (iii) the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any Applicable Law or is adjudicated or found by a competent authority to be (or becomes) bankrupt or insolvent,

- (iv) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness, or
- (v) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken by it or its regulators or legal proceedings are started by it or its regulators: (1) for its winding-up, dissolution, administration, bankruptcy or reorganisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Covered Bondholders) or (2) for the appointment of a liquidator, receiver, administrator, administrative receiver, trustee or similar officer of it or any substantial part or all of its revenues and assets or (B) shall or proposes to make a general assignment for the benefit of its creditors or shall enter into any composition with its creditors,

in each case in sub-paragraphs (i) to (v) above, save for the solvent voluntary winding-up, dissolution or reorganisation of any Material Subsidiary in connection with any combination with, or transfer of all or substantially all of its business and/or assets to, the Issuer or one or more other Subsidiary(ies) of the Issuer,

- (f) if the banking licence of the Issuer is temporarily or permanently revoked or management of the Issuer is taken over by the Savings Deposit Insurance Fund or other public institution (within the meaning of the Covered Bonds Communiqué) under the provisions of the “*Banking Law*”) of Turkey, or
- (g) a Breach of Statutory Test.

Notwithstanding anything in the Transaction Documents to the contrary, in the case of Covered Bonds where the applicable Final Terms provide that the Issuer’s obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date, any non-payment by the Issuer of the Principal Amount Outstanding on such Covered Bond on the Final Maturity Date shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

“*Indebtedness for Borrowed Money*” of any person means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of:

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

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

- (a) whose total assets (consolidated in the case of a Subsidiary that itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles relate, are equal to) not less than 15% of the consolidated total assets of the Issuer, all as calculated respectively by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary prepared in accordance with BRSA Principles and the then latest audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles; *provided* that: (i) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles relate or (ii) in the case of any such Subsidiary for which its then latest relevant audited financial statements, at the time of such acquisition, are not prepared in accordance with BRSA Principles, the reference to the then latest audited consolidated financial statements of the Issuer and the relevant then latest financial statements of such Subsidiary for the purposes of the calculation above shall, until audited consolidated financial statements prepared in accordance with BRSA Principles for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such consolidated financial statements of the Issuer as if such Subsidiary had been shown in those financial statements by reference to such Subsidiary’s then latest relevant audited financial statements, adjusted as deemed appropriate by the Issuer (including to reflect a conversion of such financial statements into BRSA Principles if the then latest relevant audited financial statements of such Subsidiary were not prepared in accordance with BRSA Principles),
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer that immediately prior to such transfer is a Material Subsidiary; *provided* that the transferor Subsidiary shall upon such transfer immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this clause (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer’s next audited consolidated financial statements prepared in accordance with BRSA Principles unless it would then be a Material Subsidiary under clause (a) above, or
- (c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer prepared in accordance with BRSA Principles relate, are equal to) not less than 15% of the consolidated total assets of the Issuer (calculated as set out in clause (a)); *provided* that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer immediately cease to

be a Material Subsidiary unless, immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 15% of the consolidated total assets of the Issuer (all as calculated as set out in clause (a)), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this clause (c) on the date of the publication of the Issuer's next audited consolidated financial statements prepared in accordance with BRSA Principles; *provided* that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of clause (a) or, prior to or after such date, by virtue of any other applicable provision of this definition.

A report by the auditors of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not (as applicable) at any particular time a Material Subsidiary will, in the absence of manifest or proven error, be conclusive and binding upon all parties (for the avoidance of doubt, such is not the only method of determining whether a Subsidiary of the Issuer is or is not or was or was not a Material Subsidiary).

“*Coupons*” means interest coupons in respect of Bearer Definitive Covered Bonds.

“*Receipt*” means a receipt for the payment of Instalments of principal (other than the final Instalment) attached on issue to Bearer Definitive Covered Bonds repayable in Instalments, such receipt being substantially in the form set out in the Agency Agreement or in such other form as may be agreed among the Issuer, the Fiscal Agent and the relevant Dealer(s) or Lead Manager (in the case of syndicated issues) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s), and includes any replacements for Receipts issued pursuant to Condition 11.

“*Talon*” means a talon attached on issue to a Bearer Definitive Covered Bond that is exchangeable in accordance with its provision for further Coupons appertaining to such Covered Bond.

“*Lead Manager*” means, in relation to any Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement or, when only one Dealer signs such Subscription Agreement, such Dealer.

Authorised Investments:.....

Pursuant to the Offshore Bank Account Agreement, the Issuer is entitled to draw sums from time to time standing to the credit of the Non-TL Designated Account(s) maintained with the Offshore Account Bank for purchasing Authorised Investments. For the avoidance of doubt: (a) Hedge Collateral and/or amounts standing to the credit of the Hedge Collateral Account(s) may not be used to purchase Authorised Investments; *however*, Hedge Collateral can (to the extent agreed between the Issuer and the applicable Hedging Counterparty) be provided in investments (*e.g.*, securities) other than cash, (b) amounts standing to the credit of the Non-TL Hedge Collection Account(s) may not be used to purchase Authorised Investments and (c) amounts standing to the credit of the Agency Account may be used to purchase Authorised Investments only in the manner described in the Offshore Bank Account Agreement. Notwithstanding

anything in the Transaction Documents to the contrary, no Issuer Event or Event of Default shall occur in respect of the invalidity or non-perfection of the Non-Statutory Security in respect of Authorised Investments not held in the Non-TL Designated Account and the Issuer makes no representations with respect thereto.

“*Authorised Investments*” means: (a) government and public securities and (b) demand or time deposits, certificates of deposits and short-term debt obligations; *provided* that all such Authorised Investments meet the: (i) requirements for eligible assets that can be Substitute Assets, (ii) criteria (which are commensurate with the then current rating of the highest-rated Tranche of Covered Bonds rated by such Relevant Rating Agency) of the applicable Relevant Rating Agency (and should there be more than one Relevant Rating Agency, then any such investment must satisfy each of the applicable above minimum rating requirements) and (iii) requirement that they are denominated in the same currency as the currency of the applicable Offshore Bank Account.

ACCOUNTS AND CASH FLOW STRUCTURE:

Collection Account: On or about the Programme Closing Date, a Turkish Lira-denominated segregated account was established, and shall be thereafter maintained, at the Bank (the “*Collection Account*”).

The Bank will deposit or credit within two İstanbul Business Days of receipt all collections of interest and principal and any other amounts it receives on the Cover Pool Assets denominated in Turkish Lira (including all moneys received from Authorised Investments denominated in Turkish Lira, if any, and payments under Hedging Agreements (if any)) included in the Cover Pool Assets into the Collection Account; *provided* that such need not apply with respect to any such amounts that the Issuer collects on behalf of a governmental authority or other third party (*e.g.*, taxes) or for house-related payments due by the applicable Borrower to third parties for which the Issuer is acting as a collection agent (*e.g.*, home insurance). The Bank will not commingle any of its other funds and general assets (including any Related Payments) with amounts standing to the credit of the Collection Account. For purposes of calculating compliance with the Statutory Tests: (a) cash amounts standing to the credit of the Collection Account (and investments made with such amounts) shall not constitute part of the Cover Pool and (b) the TL Designated Account (and investments made with such amounts) shall constitute part of the Cover Pool.

All amounts deposited in, and standing to the credit of, the Collection Account and the TL Designated Account shall constitute segregated property distinct from all other property of the Bank pursuant to Article 13 of the Covered Bonds Communiqué.

Unless an Issuer Event of the type described in clauses (a) through (f) of the definition thereof or an Event of Default is then continuing, the Bank will be entitled to withdraw amounts from time to time standing to the credit of the Collection Account, if any, that (if such amounts were transferred to the TL Designated Account) would result in there being funds that are in excess of any cash amounts required to satisfy the Statutory Tests (for the avoidance of doubt, the Issuer shall not withdraw or use such amounts if a Potential Breach of Statutory Test is continuing on the applicable withdrawal date).

With respect to any Turkish Lira payments received by the Issuer under Hedging Agreements (if any), such amounts deposited into the Collection Account or the TL Designated Account (and any proceeds of Authorised Investments made with such funds) will be technically and separately tracked by the system of the Issuer so as to distinguish them from the other amounts in the Collection Account or TL Designated Account, as applicable; *however*, all such amounts shall, for all other purposes of the Transaction Documents, otherwise be treated as part of the Collection Account or TL Designated Account, as applicable.

Designated Account(s):

On or about the Programme Closing Date, a segregated TL-denominated account was established, and has thereafter been maintained, at the Bank (the “*TL Designated Account*”).

Pursuant to Article 26(4) of the Covered Bonds Communiqué, where the Cover Monitor determines that the Issuer has not satisfied the conditions specified in Article 26(3) of the Covered Bonds Communiqué, it shall submit a notice to the Borrowers of the Mortgage Assets, notifying them that they have to make their payments to an account, which is not held with the Issuer and does not belong to the Issuer, within the scope of Article 13(8) of the Covered Bonds Communiqué, or take equivalent measures approved by the CMB.

With respect to payments made to the Issuer on Substitute Assets in currencies other than Turkish Lira, the applicable accounts into which such payments shall be deposited shall be located outside Turkey and maintained at the Offshore Account Bank. A separate account will be established for each such applicable currency (such accounts together being the “*Non-TL Designated Account(s)*,” and with the TL Designated Account, the “*Designated Account(s)*”) in the name of the Issuer. Notwithstanding the above, such payments may be payable directly to the Issuer (including within Turkey and/or through a clearing system such as Euroclear or Clearstream, Luxembourg); *provided* that the Issuer shall transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Offshore Account Bank, by the next day that is both an İstanbul Business Day and a business day for the Offshore Account Bank) all such amounts to the applicable Non-TL Designated Account(s).

Unless an Issuer Event of the type described in clauses (a) through (f) of the definition thereof or an Event of Default is then continuing, the Issuer will be entitled to withdraw amounts from time to time standing to the credit of the relevant Designated Account(s), if any, that are in excess of any cash amounts required to satisfy the Statutory Tests; *provided* that the Issuer shall not be entitled to withdraw amounts from the Non-TL Designated Account(s) during the continuance of a Transferability and Convertibility Event other than in accordance with the provisions of the Calculation Agency Agreement and the Offshore Bank Account Agreement to pay Secured Creditors (for the avoidance of doubt, the Issuer shall not withdraw any amount from such accounts if a Potential Breach of Statutory Test is continuing on the applicable withdrawal date).

“*Transferability and Convertibility Event*” means, with respect to any Series:

- (a) the occurrence of any event that is continuing on an İstanbul Business Day that generally makes it impossible to convert Turkish Lira into the applicable Specified Currency in Turkey through customary legal channels, and/or
- (b) the occurrence of any event that is continuing on an İstanbul Business Day that generally makes it impossible to deliver: (i) Turkish Lira or the applicable Specified Currency from accounts inside Turkey to accounts outside Turkey or (ii) Turkish Lira or the applicable Specified Currency between accounts inside Turkey to a party that is a non-resident of Turkey;

provided that where such impossibility to convert or deliver (as described in clauses (a) and (b) above) arises as a direct result of *force majeure* (including earthquake, but excluding any governmental action or laws that result in either clause (a) or (b) above), a Transferability and Convertibility Event shall only occur if the impossibility to convert or deliver continues for longer than 10 İstanbul Business Days.

After the occurrence of a Potential Breach of Statutory Test, an Event of Default or an Issuer Event, the Issuer shall procure that within two İstanbul Business Days of its detection thereof (and on each İstanbul Business Day thereafter for so long as such Potential Breach of Statutory Test, Event of Default or Issuer Event is continuing), all amounts on deposit in the Collection Account are transferred by the Issuer to the TL Designated Account (and the Issuer may also cause any or all of such amounts to be paid directly into the TL Designated Account). Other than Turkish Lira that is identified to act as Substitute Assets, the Issuer will not commingle any of its other funds and general assets with amounts standing to the credit of the TL Designated Account.

During the continuance of an Issuer Event or an Event of Default, the Designated Account(s) will be the bank account(s) used for the crediting of, *inter alia*, the amounts standing to the credit of the Collection Account or in respect of the Cover Pool Assets (other than Hedge Collateral, which will continue to be paid into the applicable Hedge Collateral Account, and non-Turkish Lira payments under Hedging Agreements (if any), which will continue to be paid into the applicable Non-TL Hedge Collection Account) and to make payments under the Covered Bonds and Hedging Agreements (if any), including:

- (a) the amounts in the Collection Account transferred by the Issuer from the Collection Account to the TL Designated Account or amounts deposited directly into the TL Designated Account, in each case as described above,
- (b) other than funds transferred as described in clause (a), any amounts (to the extent part of the Cover Pool) received by the Issuer in respect of the Mortgage Assets (for the avoidance of doubt, such does not include Related Payments),

- (c) any amounts received in respect of Authorised Investments made from funds in the applicable Designated Account(s),
- (d) any amounts credited into the applicable Designated Account(s) by the Issuer from its own funds, including Authorised Investments that are Substitute Assets, for effecting payments on the Covered Bonds,
- (e) any amounts received in Turkish Lira under a Hedging Agreement (other than Hedge Collateral), and
- (f) any amounts transferred by the Issuer or the Administrator, as applicable, in connection with the sale of Cover Pool Assets.

Non-TL Hedge Collection Account(s):

With respect to payments to (or for the benefit of) the Issuer under the Hedging Agreements in currencies other than Turkish Lira, a separate account (each such account being a “*Non-TL Hedge Collection Account*”) will be established and maintained for each applicable currency with the Offshore Account Bank pursuant to the Offshore Bank Account Agreement, each of which accounts is to be in the name of the Security Agent for the benefit of and on trust for the Secured Creditors (for the purpose of clarification, a transfer or delivery by a Hedging Counterparty of Hedge Collateral is not a payment on a Hedging Agreement). Payments that are not in Turkish Lira made to (or for the benefit of) the Issuer under each Hedging Agreement will be credited to the relevant Non-TL Hedge Collection Account.

Hedge Collateral Account(s):.....

With respect to Hedge Collateral provided by Hedging Counterparties to the Issuer pursuant to the Hedging Agreements (other than with respect to Hedge Collateral in Turkish Lira, which will be managed in the manner agreed in the applicable Hedging Agreement), a separate account (each such account being a “*Hedge Collateral Account*”) will be established and maintained pursuant to the Offshore Bank Account Agreement for each applicable currency and for each applicable Hedging Counterparty in respect of each relevant Hedging Agreement with the Offshore Account Bank in the name of the Security Agent for the benefit of and on trust for the Secured Creditors (to the extent such Hedge Collateral does not constitute Excess Hedge Collateral) and for the benefit of and on trust for the relevant Hedging Counterparty (to the extent such Hedge Collateral constitutes Excess Hedge Collateral). Hedge Collateral (other than in Turkish Lira) provided to the Issuer by a Hedging Counterparty under a Hedging Agreement shall be credited to the relevant Hedge Collateral Account.

“*Hedge Collateral*” means, at any time, any asset or right (including, without limitation, cash and/or securities) that is paid, transferred or pledged by a Hedging Counterparty to (or for the benefit of) the Issuer as collateral in respect of the performance by such Hedging Counterparty of its obligations under the relevant Hedging Agreement, together with any income or distributions received in respect of such asset or right and any equivalent of such asset or right into which such asset or right is transformed.

All amounts deposited in, and standing to the credit of, a Designated Account shall constitute segregated property distinct from all other property of the Bank pursuant to Article 13 of the Covered Bonds Communiqué.

Events of Default:.....

An “*Event of Default*” arises if one or both of the following events occurs and is continuing:

- (a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof, or
- (b) on the Final Maturity Date (in the case of Covered Bonds that are not subject to an Extended Final Maturity Date) or Extended Final Maturity Date (in the case of Covered Bonds that are subject to an Extended Final Maturity Date), as applicable, of any Series of Covered Bonds there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of seven İstanbul Business Days from the due date thereof.

At any time following the occurrence of any Event of Default and for so long as such Event of Default is continuing, the Security Agent, acting as directed by the Covered Bondholder Representative, may serve a notice of default on the Issuer (such notice, a “*Notice of Default*”), upon the Issuer’s receipt of which the Principal Amount Outstanding of the Covered Bonds of each Series shall become immediately due and payable at their Early Redemption Amount as set out in the Final Terms.

In such circumstances, interest shall continue to accrue on any Covered Bond that has not been redeemed and any payments of interest or principal in respect of such Covered Bond shall be made until the date on which such Covered Bond is cancelled or redeemed.

In the case of Soft Bullet Covered Bonds where the applicable Final Terms provide that the Issuer’s obligations under the relevant Covered Bonds to pay the applicable Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date, any non-payment by the Issuer of the Principal Amount Outstanding on such Soft Bullet Covered Bonds on such Final Maturity Date shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

Cover Monitor Agreement:

Under the terms of the cover monitor agreement (in Turkish: *Teminat Sorumlusu Sözleşmesi*) entered into on 13 April 2017 between the Cover Monitor and the Issuer (the “*Cover Monitor Agreement*”), the Cover Monitor has agreed to carry out any and all assessments, checks and notification duties in relation to the calculations performed by the Issuer in relation to the Statutory Tests. The Cover Monitor Agreement is executed in Turkish and English.

Security Assignment:..... The Issuer has assigned to the Security Agent its rights arising under the Hedging Agreements (if applicable and to the extent governed by the laws of England and Wales) and the other Transaction Documents governed by the laws of England and Wales (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement) pursuant to an amended and restated security assignment entered into on 5 May 2020 (the “*Security Assignment*”).

Agency Agreement:..... Under the terms of an amended and restated agency agreement dated 5 May 2020 among the Issuer, the Agents and the Security Agent (the “*Agency Agreement*”), the Agents have each agreed to provide the Issuer with certain agency services. In particular, each Paying Agent has agreed to hold available for inspection at its specified office during normal business hours copies of all documents required to be so available by the Conditions of any Covered Bonds. For these purposes, the Issuer shall provide the Paying Agents with sufficient copies of each of the relevant documents.

Deed of Covenant:..... The Covered Bondholders are entitled to the benefit of a deed of covenant dated 30 April 2018 executed as a deed by the Issuer in favour of certain direct participants with DTC, Euroclear, Clearstream, Luxembourg and any other agreed clearing system (the “*Deed of Covenant*”) pursuant to which, if a Global Covered Bond becomes void, the Covered Bondholders will acquire direct rights of enforcement against the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Offshore Bank Account Agreement:..... Under the terms of an amended and restated Offshore Bank Account Agreement dated 5 May 2020 among the Issuer, the Offshore Account Bank and the Security Agent (the “*Offshore Bank Account Agreement*”), the Offshore Account Bank has agreed to open and maintain the Offshore Bank Accounts.

Hedging Agreements:..... The Issuer is not obligated to enter into a Hedging Agreement; *however*, the Issuer may, from time to time, enter into hedging agreements that satisfy the requirements of the Covered Bonds Communiqué (the “*Hedging Agreements*”) with one or more Hedging Counterparty(ies) to hedge certain interest rate and currency risks associated with the Mortgage Assets and/or the Covered Bonds and where the relevant Hedging Counterparties benefit from the Statutory Segregation over the Cover Pool Assets. The Issuer’s rights under each Hedging Agreement shall form part of the Cover Pool.

Hedging agreements that do not satisfy the requirements of the Covered Bonds Communiqué will not form part of the Cover Pool and hedging counterparties to such hedging agreements will not benefit from the Statutory Segregation over the Cover Pool Assets.

Where a Hedging Counterparty provides Hedge Collateral (other than in Turkish Lira) to the Issuer in accordance with the terms of a Hedging Agreement, such collateral will be credited to the relevant Hedge Collateral Account. Any Hedge Collateral applied in satisfying any termination payments payable by the relevant Hedging Counterparty to the Issuer in respect of the relevant Hedging Agreement: (a) if not in Turkish Lira, shall be transferred to the Non-TL Hedge Collection Account of the corresponding currency, and (b) if in Turkish Lira, shall be transferred to the

Collection Account or the TL Designated Account, as applicable. Excess Hedge Collateral (including any standing to the credit of the Hedge Collateral Account(s)) shall not be available to Secured Creditors (other than to the relevant Hedging Counterparty) and (if in a Hedge Collateral Account) shall be returned by the Offshore Account Bank to the relevant Hedging Counterparty upon a request from the Issuer.

The Hedging Agreements included in the Cover Pool shall be governed by the laws of England and Wales unless specified otherwise in the applicable Hedging Agreement.

“*Currency Hedging Agreement*” means an agreement among the Issuer, the relevant currency hedge provider and the Security Agent governing a foreign exchange transaction (including, without limitation, an option or forward) in the form of: (a) an ISDA Master Agreement, including a schedule and one or more confirmation(s) and a credit support annex, (b) a foreign exchange facility or line or (c) an analogous market agreement for the purchase or sale (or hedge) of foreign currencies.

“*Interest Rate Hedging Agreement*” means an agreement among the Issuer, the relevant interest rate hedge provider and the Security Agent governing an interest rate hedge in the form of an ISDA Master Agreement, including (as applicable) a schedule, one or more confirmation(s) and a credit support annex.

Transaction Documents:

The Programme Agreement, the Agency Agreement, the Security Agency Agreement, the Transaction Security Documents, the Calculation Agency Agreement, the Offshore Bank Account Agreement, the Cover Monitor Agreement, the Master Definitions and Construction Schedule, the Hedging Agreements (if any), the Insurance Policies, the Insurance Agreements, the Deed Poll, the Deed of Covenant, the Conditions, the Covered Bonds, the Receipts, the Coupons, each of the Final Terms, each Subscription Agreement and each custody agreement entered into from time to time in connection with the holding of any Authorised Investments, together with any other agreement or document entered into in respect of the Covered Bonds and/or the Cover Pool and designated as a Transaction Document by the Issuer and the Security Agent, are together referred to as the “*Transaction Documents*.”

“*Subscription Agreement*” means an agreement (by whatever name called) in or substantially in the form set out in the Programme Agreement or in such other form as may be agreed between the Issuer and the Lead Manager (named therein) or one or more Dealer(s) (as the case may be) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s).

“*Insurance Agreement*” means an agreement entered into by the Insurer and the Issuer with respect to an Insurance Policy, such agreement as identified in the applicable Final Terms.

“*Insurance Policy*” means an insurance policy for the benefit of investors in any Series as identified in the applicable Final Terms, which policy covers transfer, convertibility, foreign currency, interest rate and/or other risks relating to such Series.

“*Insurer*” means the insurance company or other Person providing an Insurance Policy.

Amendment:.....

The Agency Agreement provides that the Issuer may (without the consent of the other parties thereto and, subject to the provisions of the other applicable Transaction Documents, the other parties thereto and any other Secured Creditors) make certain amendments to the Transaction Documents as provided in “*Description of the Transaction Documents – Agency Agreement – Amendments.*”

Investor Report:

On or before the İstanbul Business Day that falls 25 days after the expiration of each Collection Period (each an “*Investor Report Date*”), the Issuer will (to the extent required to be published with respect to such Collection Period) produce an investor report (the “*Investor Report*”) that will contain information regarding the Covered Bonds and the Cover Pool Assets, including statistics relating to the financial performance of the Cover Pool Assets for the immediately preceding Collection Period. Such report will be available to prospective investors in the Covered Bonds and to Covered Bondholders on the Issuer’s website.

“*Collection Period*” means the period from (but excluding) 11:59 pm (İstanbul time) on the last İstanbul Business Day of a calendar month (or, in the case of the first collection period, from and including 11:59 pm (İstanbul time) on the Programme Closing Date) to (and including) 11:59 pm (İstanbul time) on the last İstanbul Business Day of the next immediately following calendar month; *provided* that, in the event that the first “*Collection Period*” would (but for the operation of this proviso) be for a duration of less than 15 days, the first “*Collection Period*” means the period from and including 11:59 pm (İstanbul time) on the Programme Closing Date to (and including) 11:59 pm (İstanbul time) on the last calendar day of the calendar month immediately following the calendar month in which the Programme Closing Date occurs.

RISK FACTORS

An investment in the Covered Bonds involves risk. Investors in the Covered Bonds assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Covered Bonds. There is a wide range of factors that individually or together might result in the Issuer becoming unable to make all payments due in respect of the Covered Bonds. It is not possible to identify all such factors or (other than the most material within each category of risks) to rank their materiality as the Issuer might not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Base Prospectus. The Issuer has identified in this Base Prospectus a number of factors that might materially adversely affect its ability to make payments due under the Covered Bonds.

In addition, factors identified by the Issuer that are material for the purpose of assessing the market risks associated with the Covered Bonds are also described below.

Prospective investors in the Covered Bonds should also read the detailed information set out elsewhere in (or incorporated by reference into) this Base Prospectus and reach their own views prior to making any investment decision relating to the Covered Bonds; however, the Issuer does not represent that the risks set out herein are exhaustive or that other risks might not arise in the future. Prospective investors in the Covered Bonds should consult with appropriate professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Covered Bonds.

As a large national Turkish bank, the Issuer's business is significantly impacted by the condition of the Turkish economy, which itself is significantly influenced by Turkish political circumstances and global economic conditions (particularly in those countries with whom Turkey has a material trading relationship). The category of risk factors entitled "Risks Relating to Turkey" below describes the material such risks relating to the Issuer that have been identified by the Issuer's management, including those impacting materially on its business, financial condition and/or results of operations and thus on its ability to make payments due in respect of the Covered Bonds. In addition to the macroeconomic conditions relating to Turkey, the Group's business, financial condition and results of operations, and thus its ability to make payments due in respect of the Covered Bonds, are also subject to significant risks specific to the Group, including the ones discussed in the category of risk factors entitled "Risks Relating to the Group and its Business" below. Prospective investors in the Covered Bonds should also consider risks relating to the structure of, and market for, the Covered Bonds, the material ones of which that have been identified by the Issuer's management are described in the category of risk factors entitled "Risks Relating to the Covered Bonds" below.

It is important to note that the exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, might exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial losses due to an economic downturn in Turkey, then its need for liquidity and/or capital might rise sharply while its access to such liquidity and/or capital might be impaired. In addition, in conjunction with an economic downturn, the Group's customers might incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. As such, the below risks should be understood in the context that more than one might apply concurrently and compound any adverse effects on the Group's business, financial condition and/or results of operations.

Risks Relating to Turkey

The most material risk to the Issuer's ability to make payments due in respect of the Covered Bonds is that its business, including its loan portfolio, deposit base and government securities holdings, is concentrated in Turkey. For example, as of 31 December 2019: (a) the Bank's loans (net) constituted 57.8% of its total assets, substantially all of which loans were made to borrowers located in Turkey, (b) the Bank's deposits from customers (excluding interbank deposits) constituted 62.2% of its total liabilities, almost all of which deposits were located in Turkey, and (c) 17.2% of the Bank's total assets were invested in securities issued by the Turkish Treasury. In addition, the Group's non-Turkish business and assets (including the business and assets of the Group's non-Turkish subsidiaries) are largely related to Turkey, such as being related to Turkish customers, exports and imports.

The Group's business is significantly dependent upon its customers' desire to borrow money from the Group and their ability to meet their obligations to the Group and deposit funds with the Group, all of which is materially impacted by

the strength of the Turkish economy. A slowdown or downturn in the Turkish economy because of, among other factors, inflation, an increase in domestic interest rates, a decrease in consumer demand, an increase in unemployment or changes in exchange rates for the Turkish Lira might reduce the demand for the Group's services and products, negatively impact the ability of the Group's customers to meet their obligations to the Group and/or decrease the amount of deposits held at the Group.

Accordingly, the Group's business, financial condition and results of operations are significantly subject to the political and economic conditions prevailing in Turkey, the Turkish regulatory environment and other conditions relating to Turkey. These principal sub-categories of the risks relating to Turkey are set out in “-Political Conditions,” “-Economic Conditions” and “-Turkish Regulatory and Other Matters” below.

Political Conditions

The political circumstances in Turkey have had (and will continue to have) a material influence on the Turkish economy, which in turn have resulted (and will continue to result) in material impacts on the Group's business, financial condition and/or results of operations. These conditions include (*inter alia*) domestic political events, Turkey's relationship with other nations, internal and regional conflicts and the regulatory framework. The political conditions that the Issuer's management has identified as having a material impact on the Issuer, including on its ability to make payments due in respect of the Covered Bonds, are set out in this section.

Political Developments – Political developments in Turkey might negatively affect the Group's business, financial condition and/or results of operations

Negative changes in Turkey's domestic and international political circumstances, including the inability of the Turkish government to devise or implement appropriate economic programmes, might adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Unstable coalition governments have been common, and Turkey has had numerous, short-lived governments, with political disagreements frequently resulting in early elections, which has resulted in political and economic uncertainty.

The Turkish political environment has recently been particularly volatile, specifically following an attempted coup on 15 July 2016 by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, including during a two year state of emergency implemented by the government, the government has initiated legal proceedings against numerous institutions (including schools, universities, hospitals, associations and foundations), some of which were closed down and their assets and receivables were seized by the Turkish Treasury or the General Directorate of Foundations (*T.C. Vakıflar Genel Müdürlüğü*), and arrested, discharged or otherwise limited thousands of members of the military, the judiciary and the civil service, restricted media outlets and otherwise taken actions in response to the coup attempt, including expansion of these actions to members of the business community and journalism sector. There might be further arrests and actions taken by the Turkish government, including changes in Applicable Laws. Although, through the date of this Base Prospectus, the Group's operations have not been materially affected by the attempted coup, the political circumstances following the attempted coup, its aftermath (including rating downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), Turkey's relationships with the EU, the United States and/or other jurisdictions, the institutional (including as a result of arrests, suspension or dismissal of a number of individuals working in the public sector) and regulatory framework, the Bank's and/or the Group's business, results of operations and/or conditions (financial or otherwise) and/or the market price of an investment in the Covered Bonds.

In a referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including replacing the existing parliamentary system of government with an executive presidency and a presidential system. In elections held on 24 June 2018, President Erdoğan received approximately 53% of the votes, being re-elected as the President, and the Justice and Development Party (*Adalet ve Kalkınma Partisi* (the “AKP”)), the President's party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (*MHP*), which formed the “People's Alliance” bloc with the AKP, together received sufficient votes to hold a majority of the seats in Parliament. As of 9 July 2018, the parliamentary system was transformed into a presidential one and President Erdoğan thus now holds the additional powers granted to the President pursuant to the referendum described above.

On 9 July 2018, President Erdoğan announced the new ministers of his cabinet, which included the appointment of the former minister of Energy and Natural Resources and his son-in-law, Berat Albayrak, as the minister of Treasury and Finance. On 10 July 2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, whereas this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requirement for deputy governors of the Central Bank to have at least ten years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years (in any case, the governor's term of office is limited to the term of the President who is on duty at the date of the appointment of such governor). On 6 July 2019, the governor of the Central Bank was removed from his post by a Presidential Decree and, on the same day, President Erdoğan appointed Mr. Murat Uysal, one of the Central Bank's then-deputy governors, as the new governor of the Central Bank. This was followed on 9 August 2019 by the board of the Central Bank, as part of its reorganisation, removing from office its chief economist and some other high-ranking officials. Any failure of the Central Bank and/or the Turkish Treasury to implement effective policies might adversely affect the Turkish economy and thus have a material adverse effect on the Group's business, financial condition and/or results of operations.

There has been recent political tension between Turkey and the EU, certain members of the EU and the United States. With respect to the EU, see “-*Relationship with the European Union*” below. With respect to the United States, various recent events have impacted the relationship. For example, on 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey responded by issuing a statement that restricted the visa application process for United States citizens. While visa services have since resumed to normal, relations between the two countries remain strained on various topics, including: (a) the conflicts against the self-proclaimed jihadist Islamic State (“*ISIS*”) and in Syria (as described further below), (b) relationships with Iran, (c) the October 2019 U.S. federal indictment of state-controlled bank Türkiye Halk Bankası A.Ş. (“*Halkbank*”) asserting violations of U.S. sanctions on Iran and (d) Turkey's December 2017 entry into a contract with Russia for the purchase of S-400 missile defence systems (including, with respect to clauses (b) and (d), as described further below).

On 1 August 2018, the Office of Foreign Assets Control of the U.S. Department of Treasury (“*OFAC*”) took action targeting Turkey's Minister of Justice and Minister of Interior, indicating that these Ministers played leading roles in the organisations responsible for the arrest and detention of American pastor Andrew Brunson. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he had authorised higher tariffs on steel and aluminium imports from Turkey. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. These actions contributed to a decline in the value of the Turkish Lira, which fell to a record low (exceeding TL 7.2 per U.S. dollar in the week ended 12 August 2018) before strengthening to TL 5.3 as of 31 December 2018, due to various reasons, including the higher than expected interest rate hike (625 basis points) by the Central Bank on 13 September 2018, improving relations between Turkey and the United States following the release of Mr. Brunson on 12 October 2018 and the 2 November 2018 removal of the sanctions imposed upon the two Turkish ministers and reciprocal sanctions imposed by Turkey.

On 5 November 2018, in an effort to constrain Iran's nuclear programme, the United States reinstated United States sanctions on Iran that had been removed in 2015 as part of the Joint Comprehensive Plan of Action, a multilateral treaty signed with Iran on 14 July 2015 on the Iranian nuclear programme (the “*Joint Comprehensive Plan of Action*”), including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran, including (after a short exemption period that has since expired) Turkey's import of Iranian oil. The impact of this action, including any additional costs that might be borne by Turkish importers of oil (and thus on the country's current account deficit) or any sanctions that might be imposed for violations of these requirements and/or Turkey's relationship with Iran, might have a material negative impact on the Turkish economy and thus have a material adverse effect on the Group's business, financial condition and/or results of operations.

Municipal elections were held on 31 March 2019, as a result of which the AKP lost control of several major cities, including İstanbul, Ankara and Antalya; *however*, the AKP claimed election fraud in, and requested to repeat the elections in, İstanbul. On 6 May 2019, the Supreme Election Board ordered a revote for İstanbul mayor in an election to be held on 23 June 2019. In the revote, Mr. Ekrem İmamoğlu, the CHP's candidate who had been declared the winner of the 31 March 2019 elections and had been installed as mayor until the revote decision of the Supreme Election Board, increased his majority to 54.21% and he was reinstalled as mayor on 27 June 2019.

In December 2017, Turkey entered into a contract with Russia for the purchase of S-400 missile defence systems, the first shipments of which were received on 12 July 2019. As a result, Turkey was excluded from NATO's F-35 stealth-fighter-jet programme on 17 July 2019. As of the date of this Base Prospectus, it is uncertain if the United States and/or any other NATO member will impose any sanctions or other measures against Turkey and, if imposed, how such might impact the Turkish economy and/or the relationship between Turkey and the United States and/or any other NATO member.

In October 2019, the Turkish military, following a pullback by the United States of its presence in northern Syria, commenced military operations to create a "safe zone" in northern Syria in an effort to enhance Turkey's border security. As this territory was largely held by the People's Protection Units (YPG) in Syria, which had assisted the U.S. in the fight against ISIS but that Turkey designates as a terrorist organisation and believes is affiliated with the Kurdistan Worker's Party (the "PKK") (an organisation that is listed as a terrorist organisation by various states and organisations, including Turkey, the EU and the United States), significant conflict in the region might occur. In addition to objections raised by Syria, Iran and Russia to this military activity, the United States (*inter alios*) has taken certain actions (including sanctions on three Turkish ministers and the ministries of defense and energy, though such sanctions were lifted quickly upon an agreement for a pause of operations by Turkey's military) and might impose additional sanctions upon Turkish military personnel, political figures and/or entities and/or take other actions that might negatively impact the Turkish economy and/or Turkey's relationship with the United States (in fact, both the U.S. House of Representatives and the Foreign Relations Committee of the U.S. Senate in late 2019 passed bipartisan approvals for sanctions (including, without limitation, freezing assets of senior Turkish officials, banning arms transfers to the country, imposing sanctions on Halkbank and potentially imposing fees and penalties on Turkish financial institutions who are found to have knowingly facilitated certain transactions relating to Turkey's military operations in Syria)). While Turkey has entered into separate agreements with the United States and Russia that aim to achieve multi-party agreement on this "safe zone," the parties might disagree about the implementation of these agreements and/or the parties' adherence to their terms.

On 27 November 2019, the Turkish government signed a Memorandum of Understanding with Libya's Government of National Accord to recognise a shared maritime boundary in the Mediterranean running from Southwestern Turkey to Northeastern Libya. This was further supported by a separate agreement signed in order to expand security and military cooperation between the two countries. On 2 January 2020, the military resolution was accepted by the Turkish parliament and a small contingent of Turkish troops has been deployed in Libya.

The above-mentioned events, future elections and/or other political circumstances might: (a) result in the volatility of Turkish financial markets, have an adverse effect on investors' perception of Turkey and/or have an adverse effect on Turkey's ability to support economic growth and manage domestic social conditions, (b) result in (or contribute to) a deterioration of the relationship between Turkey and the EU, certain members of the EU, the United States, Russia and/or other countries and/or (c) have an adverse impact on the Turkish economy or Turkish institutions, any of which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Covered Bonds.

Terrorism and Conflicts – Turkey and its economy are subject to external and internal unrest and the threat of terrorism

Turkey is located in a region that has been subject to ongoing political and security concerns, including political instability and frequent incidences of violence in a number of countries in the Middle East and North Africa. In particular, the on-going conflicts in Syria and against ISIS have been the subject of significant international attention and conditions in the region remain volatile. Unrest in these countries might affect Turkey's relationships with its neighbours, have political implications both within Turkey and in its relationship with other countries and/or have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts might occur (*inter alia*) through the significant movement of Syrian refugees (including through Turkey into the EU), a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets.

In connection with the conflicts in Syria, there have been military and civilian hostilities in both directions across the Syrian-Turkish border followed by the above-described commencement by the Turkish military to establish a "safe zone" in northern Syria, which might have political repercussions both within Turkey and in its relationship with the United States, Russia, Syria, Iran and/or other countries and/or have an adverse impact on the Turkish economy. See "Political Developments" above. The conflict with the PKK, which has intensified since 2015, also might (*inter alia*) negatively impact the Turkish economy and/or Turkey's relationship with the United States.

As also discussed in “-Political Developments” above, the Turkish military commenced military operations in northern Syria in October 2019. This engagement expanded, including in particular around Idlib, and has resulted in many Turkish casualties and increased direct conflicts between the Turkish and Syrian militaries. Although Turkey and Russia reached a ceasefire agreement in March 2020 that has since reduced the level of conflict, a permanent diplomatic solution has not yet been reached and it is possible that this conflict might escalate further, including resulting in further conflicts with Russia and other nations.

The above (or similar) circumstances have had and might continue to have a material adverse effect on the Turkish economy and thus on the Group’s business, financial condition and/or results of operations, including as a result of reduced revenues from tourism following heightened insecurity and any deterioration in the relationship between Turkey and the United States, Russia and/or other countries (including any sanctions or other governmental actions).

Relationship with the European Union – Uncertainties relating to Turkey’s relationship with the European Union might adversely affect the Turkish financial markets and result in greater volatility

Turkey has had a long-term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey’s integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey’s candidacy to join the EU was to be judged by the same 28 criteria (or “Chapters”) applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented.

Although Turkey has implemented various of these reforms and has continued harmonisation efforts with the EU, the relationship between the EU and Turkey has at times been strained, including due to the passage of Syrian and other refugees through Turkey into the EU. The Parliamentary Assembly of the Council of Europe voted on 25 April 2017 to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy and officials of the EU and certain of its Member States have since made various references about the suspension of negotiations for Turkey’s potential membership in the EU. On 15 July 2019, the EU adopted certain measures against Turkey over Turkey’s drilling for gas in waters off Cyprus, including reducing certain funding (including loans via the European Investment Bank) and the suspension of high level communications and of the negotiations for a comprehensive air transport agreement. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities and, in February 2020, instituted sanctions against two executives of the Turkish drilling company. Any decision by the EU to end Turkey’s EU accession bid or to impose additional sanctions on Turkey might result in (or contribute to) a deterioration of the relationship between Turkey and the EU.

These circumstances might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or certain of its Member States. There can be no assurance that the EU or Turkey will continue to maintain an open approach to Turkey’s EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State. In the event of a loss of market confidence as a result of deterioration, suspension or termination in Turkey’s EU accession discussions or any other international relations between Turkey and the EU (or any of its Member States), the Turkish economy might be adversely affected, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Economic Conditions

As a large national bank in Turkey, the Group’s business, financial condition and results of operations are significantly dependent upon the economic conditions in Turkey. In addition to domestic influences on the strength of Turkey’s economy, Turkey’s economy has been and will continue to be significantly impacted by a number of external factors, including (*inter alia*) the economic conditions of Turkey’s primary trading partners, external fund flows, international trade, interest rate and other actions by the U.S. Federal Reserve and the ECB, geopolitical tensions and fiscal, regulatory and other actions by other governments. These and other factors might have a material adverse impact on international financial markets and/or economic conditions, which, in turn, might result in a material adverse effect on the Turkish economy and thereby might have a material adverse effect on the Group’s business, financial condition and/or results of operations. In addition, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets, including adversely affecting the cost and availability of funding for the Group.

In recent years, Turkey's gross domestic product ("GDP") growth rates have been volatile. The GDP growth was 6.1% in 2015 and 3.2% in 2016; *however*, the Turkish economy recorded a robust growth of 7.5% in 2017, fuelled by a combination of government support and improving macroeconomic conditions. While 2018 started in similar fashion, there was a marked slowdown in growth in the second half of 2018 due to significant volatility in foreign exchange rates and increases in interest rates, particularly in the third quarter. With negative growth of 2.8% in the final quarter of 2018, the Turkish economy only grew by 2.8% in 2018. The first two quarters of 2019 also experienced negative GDP growth, though growth in the second half of the year recovered, resulting in a positive growth in GDP of 0.9% during 2019. This weak growth has negatively impacted the Bank and further weak growth in GDP is likely to have a material adverse effect on the Group's business, results of operations and financial condition.

Government actions to stimulate the Turkish economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the country's economic stability. It should be noted that these GDP results are in inflation-adjusted Turkish Lira terms and, as the exchange rate of the Turkish Lira against the U.S. dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly) were they determined in U.S. dollar terms (*e.g.*, in 2018, according to the Central Bank's published buying rate, the Turkish Lira depreciated by 38.1% against the U.S. dollar, which greatly exceeded the year's GDP increase even without adjusting for inflation, resulting in a significant decline in the Turkish GDP in U.S. dollar terms).

It is important to note that the Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of any of the factors described above or any other reason, then this might increase the number of the Group's customers who are not able to repay loans when due or meet their other obligations to the Group or who seek to restructure their loans, which would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and/or reduce its net profit/(loss) and capital levels. In addition, volatility in the international or Turkish financial markets and/or economy and/or any tightening in credit conditions might result in decreased demand for the Group's products and services, increased borrowing costs (including due to increased competition for deposits) and reduced, or no, access to capital markets. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations, including a decline in its net interest income and/or decreases in the Group's fee and commission income.

The economic conditions that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Covered Bonds, are set out in this sub-category.

Turkish Economy – The Turkish economy is subject to significant macroeconomic risks

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 macroeconomic imbalances, including significant current account deficits, high rates of interest, significant currency volatility and persistent unemployment. In addition, the Turkish economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion, outbreaks of disease (*e.g.*, SARS and the COVID-19 coronavirus) and natural events such as earthquakes. For example, the unknown impact of the COVID-19 coronavirus on the global economy (including precautions taken to minimise transmission, including travel restrictions, the closure of factories and restrictions on public gatherings) has increased risks to global growth and financial markets. See "-COVID-19" below. Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Turkish economy.

Domestic macroeconomic factors, including the current account deficit, high levels of unemployment (13.7% as of December 2019), high levels of inflation and interest rate and currency volatility, remain of concern, particularly in light of the recent depreciation of the Turkish Lira. These conditions have had, and likely will continue to have, a material adverse effect on the Group's business, financial condition and/or results of operations, including as a result of their impact on the Group's customers. The Turkish government has sought to improve economic growth and, in September 2019, the Turkish Treasury announced a new three-year medium-term economic programme (the "*New Economic Programme*") for 2020 to 2022 under which GDP growth was estimated to be 5.0% for each year (the 0.9% increase in 2019 exceeded the 0.5% that had been estimated); *however*, such has been superseded by the impact of the COVID-19 pandemic.

In the first half of 2019, Treasury and Finance Minister Mr. Albayrak announced “Structural Transformation Steps” as tools under the New Economic Programme, which tools are intended to support and strengthen: (a) the financial sector, (b) the fight against inflation, (c) budget discipline and tax reform and (d) sustainable growth. On the financial sector side, the main efforts have been focused on increased capitalisation and strengthening the asset quality of the banking sector, including additional capital infusions into the public banks and guidance to private banks to increase capital (including a temporary prohibition on the distribution of dividends). The targets for sustainable growth and an improving employment environment concentrate on certain strategically defined sectors, including energy, mining, petrochemical, pharmacy, tourism, automotive and information. Turkey’s sovereign wealth fund (*Türkiye Varlık Fonu*) (the “*Turkey Wealth Fund*”) is also intended to be used to support investments in these strategic sectors. There can be no assurance that these targets will be reached or that the Turkish government will implement its current and proposed economic and fiscal policies successfully, including the Central Bank’s efforts to curtail inflation and simplify monetary policy.

Since February 2001, the Central Bank has applied a floating exchange rate policy. Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile and recent events have further contributed to significant fluctuations in the value of the Turkish Lira and various governmental policies to respond to currency volatility and the resulting economic conditions. In recent years, there have been a number of periods of sharp depreciation and some recovery in the value of the Turkish Lira (e.g., the Turkish Lira depreciated against the U.S. dollar by 38.1% in 2018, 12.9% in 2019 and 9.7% in the first three months of 2020). The Central Bank has from time to time used its interest rate policy, reserve requirements and other tools to try to lower inflationary pressures arising from exchange rate volatility, including some fairly large hikes in interest rates in 2018 (which were then followed by large decreases in 2019 as inflation moderated). The impact of these circumstances, including changes in the exchange rates of the Turkish Lira, might have a material adverse effect on the Group, including through borrower defaults, increased NPLs, reduced loan volumes and reduced earnings, the revaluation of assets and liabilities (including increases in the Turkish Lira-equivalent value of the Group’s obligations in other currencies), a decline in capital and/or rapid changes in the economic and legal environment.

Any further significant depreciation of the Turkish Lira against the U.S. dollar or other major currencies, or any actions taken by the Central Bank or other Turkish authorities to protect the value of the Turkish Lira (such as increased interest rates), might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a material negative effect on the Group’s business, financial condition and/or results of operations. On 30 April 2019, the Central Bank noted that it has been actively using short-term swap transactions, borrowing U.S. dollars from local banks with an agreement to repay at a later date, to limit the impact of the tight liquidity of the Turkish Lira. While the accounting of these swap transactions might be viewed as overstating the Central Bank’s foreign reserves, the Central Bank has stated that such method of accounting is in line with international standards.

Any monetary policy tightening of the U.S. Federal Reserve, the Bank of Japan and/or the ECB, or any other increase in market interest rates, particularly if it is more accelerated than expected, might have an adverse impact on Turkey, including on Turkey’s external financing needs, and might reduce the availability of and/or increase the cost of funding to the Turkish banking sector.

In March 2019, the United States announced that imports from Turkey and India would no longer be eligible for tariff relief under the “Generalized System of Preferences” programme, which programme seeks to promote economic growth in countries identified as being developing countries. In Turkey’s case, the United States cited Turkey’s rapid economic development since its entry into the programme and that it thus no longer qualified to benefit from these tariff preferences. Regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey’s economy and/or the financial condition or one or more industries within Turkey.

Should Turkey’s economy experience macroeconomic imbalances or otherwise be unsuccessful, it might have a material adverse impact on the Group’s business, financial condition and/or results of operations.

COVID-19 – The outbreak of the COVID-19 coronavirus has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of the Group and/or its clients

The ongoing COVID-19 pandemic has caused significant disruption in the global and Turkish economy and financial markets. Within Turkey and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial

transactions, labour shortages, supply chain interruptions and overall economic and financial market instability. The impacts of the pandemic might materially and adversely impact the Group's business, financial condition and/or results of operations in the following ways, among others:

- including with respect to mortgage loans, the quality of the Group's loans and other assets (and the value of collateral securing the same) might deteriorate, particularly in those sectors (such as services and tourism) that are most dramatically impacted, which might lead (*inter alia*) to increases in NPLs, reductions in demand for loans and/or the Group's fee and commission-generating services and/or reductions in customer payments (*e.g.*, loans under credit cards), and/or
- continued depreciation of the Turkish Lira could affect Turkey's current account deficit and/or the ability of Turkish borrowers to repay obligations denominated in (or linked to) foreign currencies, which could impact not only the Group's own loan portfolio but also Turkey's economy generally, including by way of increased unemployment.

Through the date of this Base Prospectus, the pandemic has already resulted in significant contractions in many economies, including those of the United States and the EU, and the future impact of the outbreak is highly uncertain and cannot be predicted. There is no assurance that the outbreak will not have a material adverse impact on the Group's business, financial condition and/or results of operations. The extent of the impact, if any, will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19.

It should be noted that the impact of COVID-19, including actions taken to contain it, might heighten many of the other risks noted within these Risk Factors, including through increasing both the probability of negative impacts as well as the severity of such impacts.

High Current Account Deficit – Turkey's high current account deficit might result in governmental efforts to decrease economic activity

Turkey's high current account deficit has long created a significant risk for the Turkish economy, including contributing to the country's need for external funding to support its balance-of-payment position. According to the Central Bank, Turkey's current account deficit was US\$40.6 billion in 2017 (4.8% of GDP) but decreased to US\$20.7 billion in 2018 (2.6% of GDP) due to an increase in exports, a slowdown of domestic demand and an increase in tourism revenues. Due to ongoing weakness in economic activity, Turkey's current account balance in 2019 showed a surplus of US\$8.0 billion, which was the first surplus since 2001; *however*, this development is likely to be temporary. Various events and circumstances, including (*inter alia*) a decline in Turkey's foreign trade and tourism revenues, political risks and an increase in the price of oil, might result in an increase in the current account deficit. The current account deficit is a principal concern for Turkish policy makers as it increases Turkey's vulnerability to changes in global macroeconomic conditions, and the Turkish government might take policy actions to reduce the current account deficit, including policies that might have a material negative impact on domestic growth and consumption. Any negative impact on economic growth or the introduction of policies that curtail the economy's activity might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Although Turkey's economic growth depends to some extent upon domestic demand, Turkey's economy is also dependent upon trade, in particular with Europe. The EU remains Turkey's largest export market. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, might have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Diplomatic or political tensions between Turkey and the EU (or any of its Member States) or other countries might impact trade or demand for imports and exports. A decline in demand for imports into the EU or Turkey's other trading partners might have a material adverse effect on Turkish exports and thus on Turkey's economic growth and thereby result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in Russia and the Middle East, and the continuing political and/or economic turmoil in certain of those markets might lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

If the value of the Turkish Lira relative to the U.S. dollar and other relevant trading currencies declines, then the cost of importing oil and other goods and services might increase, resulting in potential increases in Turkey's current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank

takes (and has taken) certain actions to maintain price and financial stability, which actions (including changes to interest rates and reserve requirements) might materially adversely affect the Group's business, financial condition and/or results of operations.

Turkey is an energy import-dependent country and recorded US\$33.3 billion of net energy imports in 2019, which decreased from US\$37.8 billion in 2018, itself an increase from US\$32.9 billion in 2017. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Turkey's current account balance. Volatile oil and natural gas prices (including as a result of agreements among the members of the Organisation of the Petroleum Exporting Countries (*OPEC*) and/or other oil-exporting nations to cut output or any geopolitical development concerning energy security and prices, such as the United States' withdrawal from the Joint Comprehensive Plan of Action and re-imposing previously suspended secondary sanctions on Iran or the decision of the United States to impose sanctions on Venezuela), together with the Turkish Lira's depreciation against the U.S. dollar (in which most of Turkey's energy imports are priced), might have a negative impact on Turkey's current account deficit.

If the current account deficit widens, then financial stability in Turkey might deteriorate. In addition, financing a current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Turkey, and a failure to reduce the current account deficit might have a negative impact on Turkey's sovereign credit ratings. Any such difficulties might lead the Turkish government to seek to raise additional revenue to finance the current account deficit, reduce domestic demand and/or stabilise the Turkish financial system, any of which might materially adversely affect the Group's business, financial condition and/or results of operations.

Inflation – 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. In 2017, the annual consumer price index ("*CPI*") inflation rate was 11.9% due to an increase in the price of food and energy, the lagged impact of the depreciation of the Turkish Lira and strong domestic demand, while annual producer price inflation was 15.5% due to the increase in both intermediate and commodity prices in terms of Turkish Lira. The annual CPI inflation rate was 20.3% in 2018, while annual domestic producer price inflation during the year was 33.6%, both increasing significantly due principally to the depreciation of the Turkish Lira. In 2019, the CPI was 11.8% and domestic producer price inflation was 7.4%. On 30 January 2020, the Central Bank published its first inflation report of 2020, maintaining its inflation forecasts for 2020 and 2021 at 8.2% and 5.4%, respectively. As of March 2020, the last 12 month CPI inflation was 11.9% and the last 12 month domestic producer price inflation was 8.5%.

Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase inflation pressures in Turkey. Such inflation, particularly if combined with further depreciation of the Turkish Lira, might result in Turkey's inflation exceeding the Central Bank's inflation target, which might cause the Central Bank to modify its monetary policy. Inflation-related measures that might be taken by the Central Bank and/or other Turkish authorities might have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Potential Overdevelopment – Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, travel and tourism facilities and other real estate-related projects and various energy-related projects. For example, significant growth in the number of hotels occurred over recent years in anticipation of a continuing growth in international tourism, whereas in fact tourism declined very significantly in 2015 and 2016 as a result of the conflicts in Syria and Iraq and Turkish political and security concerns and the tourism industry has suffered significantly (while Turkey's tourism revenues started to improve slightly starting from the second quarter of 2017, the industry remains significantly below full capacity and is also likely to be severely negatively impacted by the COVID-19 pandemic, including the related travel restrictions). Any such overdevelopment might lead to a rapid decline in prices of these and other properties or the failure of some of these projects, which might then lead to a deterioration of the asset quality of Turkish banks and, in case of any restructuring with any borrowers resulting in more

favourable terms to borrowers, might lead to a decrease in income for Turkish banks. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish Regulatory and Other Matters

While political and economic conditions in Turkey tend to have the most significant impact on the Group's business, financial condition and results of operations, various other Turkey-related matters are also important. These matters, the most material of which is the Turkish regulatory environment, that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Covered Bonds, are set out in this sub-category.

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to Applicable Laws, the interpretation or enforcement of such Applicable Laws and/or any failure to comply with such Applicable Laws might have a material adverse impact on the Group's business, financial condition and/or results of operations

The Group is subject to a number of banking, consumer protection, competition/antitrust and other Applicable Laws designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These Applicable Laws include Applicable Laws of Turkey (in particular those of the BRSA) as well as the laws of other countries in which the Group conducts business. These Applicable Laws, which can increase the cost of doing business and limit the Group's activities, include (*inter alia*):

(a) the Regulation on Equities of Banks was published in the Official Gazette No. 28756 dated 5 September 2013 (the “*2013 Equity Regulation*”) and the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks published in the Official Gazette No. 29511 dated 23 October 2015 (the “*Capital Adequacy Regulation*”); the 2013 Equity Regulation introduced: (i) core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital and (ii) new Tier 2 rules and determined new criteria for debt instruments to be included in a bank's Tier 2 capital, whereas the Capital Adequacy Regulation requires 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 changed the risk weights of certain items that are categorised under “other assets,” with the BRSA amending its guidance on 24 February 2017 to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight,

(b) a regulation (the “*D-SIBs Regulation*”) regarding systemically important banks (“*D-SIBs*”), which regulation introduced additional capital requirements for D-SIBs in line with the requirements of Basel III (as of the date of this Base Prospectus, the Bank has been classified as a D-SIB under the D-SIBs Regulation),

(c) the BRSA's: (i) decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (ii) decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer (together, the “*BRSA Decisions on the Countercyclical Capital Buffer*”), pursuant to which decisions the countercyclical capital buffer for Turkish banks' (including the Bank's) exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio can fluctuate between 0% and 2.5% as announced from time to time by the BRSA,

(d) the Regulation on Measurement of Liquidity Coverage Ratio of Banks published in the Official Gazette No. 28948 dated 21 March 2014 (the “*Regulation on Liquidity Coverage Ratios*”) in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, according to which regulation the liquidity coverage ratios of banks is not permitted to fall below 100% on an aggregate basis and 80% on a foreign currency-only basis; *provided that*, on 26 March 2020, the BRSA announced that any non-compliance by a bank with the minimum requirements for liquidity coverage ratios will not require such bank to report their remediation measures under the Regulation on Liquidity Coverage Ratios to the BRSA until 31 December 2020,

(e) the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (the “*Classification of Loans and Provisions Regulation*”) (which replaced the former “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside” (the “*Regulation on Provisions and Classification of Loans and Receivables*”) and entered into effect as of 1 January 2018) in order to ensure compliance with the requirements of TFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank; this regulation required banks to adopt TFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk and to account for expected credit losses in line with such principles,

(f) the BRSA and Central Bank issued separate decrees in February and March 2020 that impose new limitations on certain fees and commissions that Turkish banks may charge to customers, including imposing a limit on fees for electronic funds transfers, which might negatively impact the fees and commissions earned by the Group,

(g) according to amendments to the 2013 Equity Regulation and the Capital Adequacy Regulation, from 1 January 2022, general provisions will: (i) no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and (ii) be deducted from their risk-weighted assets, and

(h) on 18 April 2020, the BRSA introduced a new concept referred to as the “Asset Ratio” (the “*Asset Ratio*”), which ratio (which banks are required to calculate on a weekly basis starting from 1 May 2020) is calculated as follows:

(i) the sum of: (A) the total amount of loans provided by the bank but excluding NPLs, (B) 0.75 *multiplied by* the sum of: (1) the total amount of bonds in the bank’s portfolio excluding securities issued by issuers resident outside of Turkey and (2) the total amount of all debt instruments, including lease certificates and eurobonds, issued by the Turkish Treasury in the bank’s portfolio and (C) 0.50 *multiplied by* the amount of the bank’s swaps with the Central Bank pursuant to which the bank sells foreign currency and receives Turkish Lira, *divided by*

(ii) the sum of: (A) the total amount of Turkish Lira deposits and participation funds but excluding interbank deposits and (B) 1.25 *multiplied by* the total amount of foreign currency deposits and participation funds (including in this clause (B) all gold and precious metal accounts);

the monthly average of this ratio should not be lower than 100% for deposit-taking banks and 80% for participation banks; any failure to satisfy this minimum level subjects the applicable bank to a fine of up to 5% of the shortfall, which fine shall not be less than TL 500,000 in any case.

See “Turkish Regulatory Environment” for a description of the Turkish banking regulatory environment, including the implementation of Basel III in Turkey. The BRSA conducts examinations of all banks operating in Turkey and financial information, capital ratios, open positions, liquidity, interest rate risks and credit portfolios (*inter alia*) are followed up in detail at frequent intervals by the BRSA.

Such measures might also limit or reduce growth of the Turkish economy and, consequently, the demand for the Group’s products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and/or might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements. New or revised Applicable Laws might also increase the Group’s cost of doing business and/or limit its activities, such as the Central Bank’s frequent changes to monetary policy and reserve requirements. For example, the Turkish government (including the BRSA and the Central Bank) has introduced (and might introduce in the future) Applicable Laws that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards or increase reserves. The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group’s profitability might be materially adversely impacted until (if ever) such changes can be incorporated into the Group’s pricing (and even then such changes might affect the Group’s profitability as increased pricing for customers might reduce customer demand for the Group’s products and services).

Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework (whether in Turkey or any other jurisdiction in which the Group operates) might have an adverse effect on the Group's business, financial condition and/or results of operations. In addition, non-compliance with Applicable Laws might expose the Group to potential liabilities and fines and/or damage its reputation.

Emerging Markets Risk – International investors might view Turkey negatively based upon adverse events in other emerging markets

In general, investing in the securities of issuers that have operations primarily in emerging market countries like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced not only by economic and market conditions in Turkey but also market conditions in other emerging market countries, the United States and the EU. For example, developments or economic conditions in one or more other emerging market(s) have at times adversely affected the prices of securities from, and the availability of credit to, other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies might dampen capital flows to Turkey and/or otherwise adversely affect the Turkish economy. As a result, investors' interest in the Covered Bonds (and thus the market price of an investment in the Covered Bonds) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group. There can be no assurance that investors' interest in Turkey in general, and the Covered Bonds in particular, will not be negatively affected by events in other emerging markets or the global economy in general.

Risks Relating to the Group and its Business

While Turkish political, economic, regulatory and other circumstances are the most material category of risks relating to the Group's business, financial condition and results of operations, matters specific to the Group also might have a material impact on the Issuer's ability to make payments due in respect of the Covered Bonds, particularly the Group's exposure with respect to the loans and other credits that it extends to borrowers and other counterparties. Such risks that the Issuer's management has identified as having a material impact on the Issuer are set out in this section. The principal sub-categories of the risks relating to the Group and its business are credit risks, market risks, funding risks, operational risks and other Group-related risks, each as set out in their corresponding section below.

Credit Risks

Counterparty Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties

The Group's primary business risk is the inherent risk that its borrowers and other counterparties might not be able to meet their obligations to the Group, which ability is affected by many factors. These counterparties include (*inter alios*) borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties and customers of letters of credit provided by the Group, the Group's exposures to certain of which (particularly for loans for infrastructure and energy projects) are large. Any of these counterparties might default in their obligations to the Group due (*inter alia*) to the factors described in "*-Risks Relating to Turkey*" and/or adverse changes in consumer spending, consumer confidence, unemployment levels, corporate restructurings, bankruptcy rates and/or market volatility, including due to local, national and/or global factors. Many of these factors are difficult to anticipate and are outside of the Group's control. If the Group's customers are unable to meet their obligations to the Group when due, then this would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and reduce its net profit/(loss) and capital levels, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

For example, if the Turkish Lira were to depreciate materially against foreign currencies, then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated loans (*e.g.*, in part due to the recent significant depreciation of the Turkish Lira and declining economic growth in Turkey, some corporate borrowers (including some large corporate borrowers) have entered into discussions with Turkish banks in connection with restructuring their loans and some of these loans have already been restructured; *however*, such borrowers might continue to have difficulties supporting their debt obligations, particularly if the Turkish Lira depreciates further, which might result in additional NPLs).

Compounding this risk, and notwithstanding the credit risk policies and procedures that the Group has in place, the Group might not correctly assess the creditworthiness of its credit applicants or other counterparties (or their financial conditions might change) and, as a result, the Group might suffer material credit losses. If the Group is unable to accurately model the risk associated with borrowers, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations. Furthermore, should any large debtor to the Turkish financial system experience financial difficulties, as has happened in the recent past, then that might have a negative impact on the Group, including indirectly through having a negative impact on the Turkish banking sector.

The Group's financial results can be significantly affected by the amount of provisions for expected credit losses. Determining the amount of such provisions involves the use of numerous estimates and assumptions. As a result, the level of provisions and other reserves that the Group has set aside might prove insufficient and the Group might be required to create significant additional provisions and other reserves in future periods. Primarily due to an increase in NPLs as a consequence of the depreciation of the Turkish Lira and the contraction in the growth of the Turkish economy, the Group's NPL ratio increased from 4.0% as of 31 December 2018 to 6.3% as of 31 December 2019 and the ratio of Stage 2 loans to performing loans increased from 11.9% as of 31 December 2018 to 12.8% as of 31 December 2019. It should be noted that, as a result of March 2020 decisions by the BRSA relating to the government's response to the COVID-19 pandemic, the length of the period of non-payment before a loan or other receivable is considered to be non-performing was temporarily extended through 31 December 2020, which thus might result in some loans and other receivables with an overdue amount between 90 and 180 days to remain classified as performing during this period when they might have been classified as NPLs absent these temporary actions.

The Group's efforts to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, might be insufficient to protect the Group against material credit losses. For example, as described in "-Insufficient Collateral" below, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk (and an increased risk of non-recovery) if related credit exposures fail to perform.

Loan Concentrations – The Group's credit portfolio has significant industry and borrower concentrations, particularly in retail and SME loans, which renders it susceptible to any deterioration in the financial condition of such industries and borrowers

Although the Group seeks to maintain diversity within its loan book with respect to industry, customer type, customer and loan product, certain concentrations are inherent in the Group's business. For example, as of 31 December 2019, retail loans accounted for 23.6% of the Bank's loan portfolio (18.1% consumer loans and 5.5% retail credit card loans), loans to SMEs (according to the BRSA SME Definition) accounted for 21.7% and the remaining share of the Bank's loan portfolio consisted of loans to corporates (according to the Corporate Definition).

Retail and SME customers typically have less financial strength than corporate borrowers, and negative developments in the Turkish economy might affect retail and SME customers more significantly than large corporate borrowers. On a Bank-only basis as of 31 December 2019, SMEs (as defined by the BRSA SME Definition) accounted for 27.6% of total NPLs and retail loans (which consist of consumer loans, overdrafts and credit cards) accounted for 10.3%, with the remainder constituted by loans to corporate borrowers. The Bank's NPL ratio for retail loans was 2.6%, 3.1% and 3.0%, respectively, as of 2017, 2018 and 31 December 2019 whereas the Bank's NPL ratio for SME loans was 3.2%, 5.5% and 8.2%, respectively, as of such dates. A negative impact on the financial condition of the Group's retail or SME customers might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Turkish government announced in December 2016 that the Turkish Treasury would provide a guarantee for SME loans up to an aggregate amount of TL 250 billion under the Credit Guarantee Fund (*Kredi Garanti Fonu*) (the "KGF") programme, which aimed to boost economic growth, support high potential companies that have difficulty accessing funding due to collateralisation constraints and help Turkish banks to grow by allowing 0% risk weight to be applied to the guaranteed portion of these loans. The available amount under this facility was increased by TL 55 billion in February 2018, TL 35 billion in May 2018 (to replace KGF-guaranteed loans that had already been repaid), TL 20 billion in January 2019 (for SMEs with 2017 annual turnover of TL 25 million or less), TL 25 billion in March 2019 (for SMEs with a yearly turnover of TL 125 million or less without any industry-specific limitations) and TL 25 billion in June 2019 (for SMEs and non-SMEs). On 30 March 2020, in order to address the economic impact of the COVID-19 coronavirus, the amount available under the KGF programme was increased from TL 25 billion to TL 50 billion and the total amount of

guarantees that may be given by the KGF was increased from TL 250 billion to TL 500 billion (along with increases in the guarantee limits with respect to individual borrower groups). Banks are assigned certain limits to grant these loans and the amount up to 100% of such limit (for both SMEs and non-SMEs) is guaranteed by the Turkish Treasury; *however*, with respect to each such scheme, to the extent that the non-performing loans (calculated in a specific manner applicable to the KGF programme resulting in a “compensation upper-limit ratio”) from the loans made under such scheme exceed 7%, the relevant bank will bear the risk for the amount of such non-performing loans in excess of such 7% level. As of 31 December 2019, the Bank’s total loan disbursements under the KGF programme were TL 35.5 billion (of which TL 16.2 billion remained outstanding) and the Bank’s “compensation upper-limit ratio” for the loans made under each scheme was less than 7%. To the extent that the “compensation upper-limit ratio” of the KGF loans of any scheme exceeds 7%, the Bank would lose the advantages of the KGF programme in terms of collections and risk weights.

With respect to loans to corporate borrowers, concentrations by industry (*e.g.*, construction) or product type (*e.g.*, project financings) exist from time to time, including (particularly for project or acquisition financings) potentially large individual exposures. As a specific example, the Bank granted loans (which amounted to TL 2,082,881 thousand as of 31 December 2017) to Ojer Telekomünikasyon A.Ş. (“OTAŞ”) (the then-majority shareholder of Türk Telekomünikasyon A.Ş. (“*Türk Telekom*”)), which loans were classified as Group II loans (Loans Under Close Monitoring) in the Bank’s BRSA Financial Statements as of and for the year ended 31 December 2017. In July 2018, all of OTAŞ’ lenders (including the Bank) reached an agreement on the restructuring of its debt, which was secured by OTAŞ’ majority shares in Türk Telekom. Pursuant to this restructuring agreement, it was decided for the lenders to obtain direct or indirect ownership in a newly created special purpose vehicle to own these shares of Türk Telekom. Accordingly, LYY Telekomünikasyon A.Ş. (“*LYY*”) was established as a special purpose vehicle for the restructuring of OTAŞ’ debt. The Bank acquired 11.5972% of LYY’s shares in proportion with its share in OTAŞ’ debt. On 21 December 2018, as per the agreed structure, LYY took title to the Türk Telekom shares held by OTAŞ (corresponding to 55% of Türk Telekom’s shares). The lenders extended loans to LYY to finance its acquisition of these Türk Telekom shares. In the last quarter of 2018, the Bank reclassified the OTAŞ loan (then amounting to TL 3,102,293 thousand) from Stage 2 loans to Stage 3 loans and wrote-off TL 945,297 thousand as of 31 December 2018. Subsequently, the Bank’s loan extended to LYY (amounting to TL 2,126,927 thousand as of 31 December 2018) was classified as “financial assets at fair value through profit and loss” in the Bank’s BRSA Annual Financial Statements as of and for the year ended 31 December 2018. Following the restructuring, the Bank’s loan to OTAŞ was extinguished and payment on the Bank’s loan to LYY is now dependent upon the sale of the Türk Telekom shares held by LYY. In September 2019, LYY mandated financial advisers to assist in the offering and sale of either LYY or its stake in Türk Telekom. As per the restructuring documents, the shareholders of LYY, at its ordinary general assembly meeting held on 23 September 2019, decided to increase LYY’s share capital by TL 3,982,230 thousand, all to be covered by converting shareholders’ loans to LYY on a *pro rata* basis among the shareholders (thus resulting in no change in ownership percentages). As a result of such conversion, the remaining amount of the Bank’s loan to LYY was TL 1,886,716 thousand as of 31 December 2019.

A downturn in any sector or specific borrower to which the Group has significant exposure might result in, among other things, a decrease of funds that such customers hold on deposit with the Bank, a default on their obligations owed to the Group and/or a need for the Group to increase its provisions in respect of such obligations, any of which might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Government Default – The Group has a significant portion of its assets invested in Turkish government obligations, making it highly dependent upon the continued credit quality of, and payment of its obligations by, the Turkish government

The Group has significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2019, 90.5% of the Group’s total securities portfolio (15.9% of its total assets and equal to 137.0% of its shareholders’ equity) was invested in government securities, primarily in securities issued by the Turkish Treasury. In addition, the Group has exposure to the Turkish government through the Group’s participation in financing state-sponsored infrastructure projects and the KGF-guaranteed loan programme, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or deterioration of the Turkish government’s creditworthiness.

Turkey’s sovereign debt ratings have been subject to various downgrades recently and might be further downgraded. For example, Turkey’s sovereign debt rating was downgraded by Moody’s on 23 September 2016 to below investment-grade status. On 27 January 2017, Fitch downgraded Turkey’s sovereign credit rating to sub-investment grade in line with the rating of Moody’s. On 17 March 2017, Moody’s revised the outlook of Turkey from stable to negative. On 7 March 2018, Moody’s announced a downgrade of Turkey’s sovereign debt rating and revised the outlook from negative to

stable. On 1 June 2018, Moody's placed Turkey's "Ba2" long-term issuer rating and "Ba2" senior unsecured bond rating on review for downgrade. On 13 July 2018, Fitch downgraded Turkey's long-term foreign-currency issuer default rating to "BB" from "BB+" and assigned the outlook as negative. On 17 August 2018, Moody's lowered Turkey's foreign currency long-term credit rating to "Ba3" from "Ba2" and Turkey's foreign currency deposit ceiling to "B1" from "Ba3." On 24 September 2018, Moody's further lowered Turkey's foreign currency deposit ceiling to "B2" from "B1." On 14 June 2019, Turkey's foreign currency long-term credit rating was further downgraded to "B1 (negative outlook)" from "Ba3 (negative outlook)" by Moody's. On 12 July 2019, Fitch downgraded Turkey's long-term foreign currency issuer default credit rating to "BB- (negative outlook)" from "BB (negative outlook)" and long-term local currency issuer default credit rating to "BB- (negative outlook)" from "BB+ (negative outlook)." On 1 November 2019, Fitch revised the outlook of Turkey from negative to stable, following up on 12 November 2019 with a similar outlook change on certain Turkish banks (including the Bank). On 21 February 2020, Fitch affirmed Turkey's long-term foreign-currency issuer default rating at "BB-" with a stable outlook.

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 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. Enforcing rights against governmental entities might be subject to structural, political or practical limitations.

Insufficient Collateral – Security interests or loan guarantees provided in favour of the Group might not be sufficient to cover any losses in the event of defaults by debtors and might entail long and costly enforcement proceedings

While certain of the Group's loans are unsecured, many of the Group's loans are protected by collateral and/or a personal guarantee. Accepting collateral and foreclosing on security interests are subject to certain costs and formal limitations under Applicable Law, with enforcement against any type of collateral potentially involving a long and costly procedure under Turkish or other applicable law. For example, the Group might have difficulty foreclosing on collateral when debtors default on their loans or apply to the courts for *concordat* proceedings, which might temporarily interrupt enforcement or foreclosure proceedings. In addition, the time and costs associated with enforcing security interests might make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses, which might have a direct impact on the Group's financial condition and results.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets might reduce the value of the collateral securing the Group's loans (and/or the ability of borrowers to post additional collateral), increasing the risk that the Group would not be able to recover the full amount of any such loans in a default. If the Group seeks to realise on any such collateral, then it might be difficult to find a buyer and/or the collateral might be sold for significantly less than its appraised or actual value.

Market Risks

The Group is subject to risks that arise from open positions in currency, interest rate and (to a lesser extent) equity products, all of which are exposed to general and specific market movements. While the Group seeks to manage its market risk exposure through a range of measures (see "Risk Management – Market Risk" for further information), such measures might not be successful in mitigating all market risk. The Group's exposure to market risks might lead to a material adverse effect on the Group's business, financial condition and/or results of operations. Certain of these risks are described below.

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations, which might have a material adverse effect on the Group

As a significant portion of the Group's assets and liabilities (including off-balance sheet commitments such as letters of credit) is denominated in, or indexed to, foreign currencies (primarily U.S. dollars and euro), the Group is exposed to the effects of fluctuation in foreign currency exchange rates, which can have a material impact on its business, financial condition (including capitalisation) and/or results of operations. These risks are both systemic (*e.g.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and specific to the Group (*e.g.*, due to the Group's own net currency positions). If the Turkish Lira depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's U.S. dollar-denominated long-term loans and other debt) and would experience currency translation gains on its

assets denominated in (or indexed to) foreign currencies. Furthermore, a significant depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies. The overall effect of exchange rate movements on the Group's financial condition and results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

The Group seeks to manage the mismatch between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. If the Group is unable to manage this mismatch, then volatility in exchange rates might have a negative effect on the value of the Group's assets and/or lead to increased expenses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, in recent years, the Bank has had significant excess foreign exchange liquidity as a result of customers' preference to hold foreign exchange-denominated deposits while foreign exchange-denominated lending has been limited due to measures to limit foreign exchange lending, slower economic conditions and foreign exchange rate volatility. To support its Turkish Lira denominated business, the Bank has utilised swap transactions to exchange excess liquidity in foreign currencies with Turkish Lira. This has resulted in an increase in the Bank's swap costs and, as a result, had a negative impact on net interest margin (in 2019, such swaps had a 179 basis point negative impact on the Bank's net interest margin).

In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on such balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group's balance sheet and net profit/(loss) are affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group's balance sheet and results of operations primarily depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

For example, as a result of the depreciation of the Turkish Lira by 38.1% against the U.S. dollar in 2018 according to the Central Bank's published buying rate, the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets, liabilities and capital increased significantly in 2018. The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 54.3% and 47.8%, respectively, as of 31 December 2018 to 54.9% and 47.9%, respectively, as of 31 December 2019, largely due to the depreciation of the Turkish Lira. In addition, there was in 2019 a 1.2% decrease (in Turkish Lira terms) in foreign currency-denominated loans despite the depreciation of the Turkish Lira. Accordingly, the growth in total loans during 2019 was only 7.6%, with the increase principally resulting from the growth in Turkish Lira-denominated loans.

From a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group) and reduced repayment capacity of such customers might have a material negative impact on the Group's financial condition. A number of Turkish borrowers have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk and certain foreign currency-denominated loans in the Turkish market have been (or are in the process of being) restructured. As of 31 December 2019, foreign currency-denominated loans (including applicable lease receivables and factoring receivables) comprised 47.9% of the Group's loan portfolio (of which U.S. dollar-denominated obligations were the most significant) (51.7% as of 31 December 2018).

Compounding the impact of normal market movements, any actions taken by the Central Bank or other authorities to intervene in the value of the Turkish Lira (such as via increased interest rates or capital controls) might have a material negative effect on the Group's business, financial condition and/or results of operations. 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 recent years, including as a result of, among other factors, expectations regarding slower growth and low commodity and oil prices, monetary policy remains subject to uncertainty.

Interest Rate Risk – The Group might be negatively affected by volatility in interest rates

The Group's results of operations depend significantly 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 is the principal source of income for the Group, contributing 64.8% of the Group's total operating income and profit/loss from associates accounted for using the equity method for 2019 (63.7% for 2018) and the net interest margin (which is measured on a Bank-only basis) was 5.6% in 2019 (5.1% in 2018). As a result, the differential between the average interest rates that the Group charges on interest-earning assets and the average interest rates that it accrues on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have the most significant impact on the Bank's results of operations.

Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Turkish government and domestic and international economic and political conditions, and the Group might be unable to take actions to mitigate any adverse effects of interest rate movements. In particular, the Group might be affected by the Central Bank's policies with respect to interest rates and reserve requirements. Changes in market interest rates might affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities, thereby affecting the Group's results of operations.

For example, an increase in interest rates (such as the large increase that the Central Bank implemented in its September 2018 meeting to combat high inflation) might cause interest expense on deposits (which are typically short-term and repriced frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential short-term reduction in net interest income and net interest margin. In addition, a significant decline in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant increase in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, might have a material adverse effect on the Group's business, financial condition and/or results of operations; *however*, the impact will depend upon the respective repricing of loans and funding (for example, in a time of generally declining interest rates, banks generally benefit for a period as deposits reprice more quickly than loan portfolios).

Although the Group uses various instruments and measures to manage exposures to interest rate risk (see "Risk Management – Interest Rate Risk"), these instruments and measures might not protect the Group from the risks of changing interest rates.

Reduction in Earnings on Investment Portfolio – The Group might be unable to sustain the level of earnings on its securities portfolio obtained during recent years

The Group has historically generated a portion of its interest income from its total securities portfolio, with interest derived from the Group's total securities portfolio in 2019 accounting for 21.2% of its total interest income and 16.6% of its gross operating income (that is, the sum of interest income, fees and commissions received, dividend income, trading income/loss and other operating income with no deductions for interest expense or fee and commission expense) (19.5% and 15.4%, respectively, in 2018). The Group has also obtained large realised gains from the sale of securities in its available-for-sale portfolio. The CPI-linked securities in the Group's investment securities portfolio provided high real yields compared to other government securities in each of such years, benefiting from the high inflation environment, but their impact on the Group's earnings might vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income might not be as large in coming years. As securities in its portfolio are repaid, the Group might not be able to re-invest in assets with a comparable return. As such, the Group might experience declining levels of earnings from its securities portfolio. If the Group is unable to sustain its level of earnings from its securities portfolio, then this might have a material adverse effect on its business, financial condition and/or results of operations.

Funding Risks

Liquidity Risk – The Group might have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet payment obligations on time and satisfy regulatory capital requirements. It includes (*inter alia*) the risk of lack of access to funding (other than from the reserves held with the Central Bank and limits granted to the Bank by the Central Bank both in Turkish Lira and foreign currency), the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets (an asset-liability maturity mismatch). The Group's inability to meet its net funding requirements due to inadequate liquidity might materially adversely affect its business, financial condition and/or results of operations.

There can be no assurance that the Group will not experience liquidity issues. In the event that the Group experiences liquidity issues, its ability to access certain sources of funding at such time might be negatively impacted by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or sovereign credit rating downgrades. For example, in the case of a global liquidity crisis, wholesale funding would likely become increasingly costly and more difficult to obtain for the Group, which might adversely affect borrowing using capital market instruments.

The Group relies primarily on short-term liabilities in the form of deposits (typically deposits with terms of zero to 30 days) as its source of funding and has a mix of short-, medium- and long-term assets in the form (*inter alia*) of retail, commercial and corporate loans, mortgages and credit cards, which might result in asset-liability maturity mismatches and liquidity problems. The Group's cash loan-to-deposit ratio was 101.6% as of 31 December 2019 (118.6% as of 31 December 2018). In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. If the Group's retail customers become or remain unemployed or earn declining amounts, then they might save less or consume more of their money deposited with the Group, which might negatively affect the Group's access to deposit-based funding. Similarly, if the Group's corporate customers face liquidity problems, then they might draw down their deposits with the Group. An inability on the Group's part to access such funds might put the Group's liquidity at risk and lead the Group to be unable to finance its operations and growth plans adequately.

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank seeks to extend the average maturity of its liabilities in order to manage the maturity mismatch between assets and liabilities, to manage its liquidity coverage ratio requirements and to provide diversity in its funding. The Bank has raised (and likely will seek to continue to raise) longer term funds from syndicated and bilateral loans, "future flow" transactions, bond issuances and other transactions, many of which are denominated in foreign currencies. The Group's non-deposit funding as of 31 December 2019 was equivalent to 23% of its assets (27.6% as of 31 December 2018). If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group will become more reliant upon non-deposit funding sources, some of which might create additional risks of their own such as increased interest rate mismatches and exposure to volatility in international capital markets. If conditions in the international capital markets or interbank lending market, or the Group's and/or Turkey's credit ratings, were to deteriorate, then the Group might be unable to secure funding through international sources.

As noted above, a portion of the Group's wholesale fundraising is denominated in foreign currencies. The Group's total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) equalled 19.9% of its assets as of 31 December 2019 (23.2% as of 31 December 2018). While the Group has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, this might not continue in the future (including if investor confidence in Turkey decreases as a result of political, economic or other factors). Particularly in light of the historical volatility of emerging market financings, the Group might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in asset-liability maturity mismatches. Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations. These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much

of which is likely to be made through borrowings in foreign currency (including refinancing of its foreign currency borrowings).

A rising interest rate environment might compound the risk of the Group not being able to access funds at favourable rates or at all. If central banks unwind their expansive liquidity and quantitative easing programmes, competition among banks and other borrowers for the reduced global liquidity might result in increased costs of funding. These and other factors might lead creditors to form a negative view of the Group's liquidity, which might result in lower credit ratings, higher borrowing costs and/or decreased access to funds.

While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default or other event) might adversely affect the Group's business, financial condition and/or results of operations.

Access to Capital – The Group might have difficulty raising capital on acceptable terms, if at all

By Applicable Law, each of the Bank and the Group is required to maintain certain capital levels and capital adequacy ratios in connection with its business, which capital adequacy ratios depend in part upon the level of risk-weighted assets. Any continued growth in the Group's lending (both in absolute terms as well as proportionately in comparison to the Group's zero risk-weighted investment in Turkish government securities) will likely result in an increase in the Group's risk-weighted assets, which might adversely affect the Group's capital adequacy ratios absent a corresponding increase in capital.

Any changes relating to Basel III or any other capital adequacy-related revisions might impact the manner in which the Bank and/or the Group calculates its capital ratios and might even impose higher capital requirements, which might require the Group to raise additional capital and/or reduce its balance sheet to ensure that it has sufficient capital reserves, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. Additionally, it is possible that the Group's capital levels might decline due to (*inter alia*) credit losses, loan provisions, currency fluctuations or dividend payments. The Group also might need to raise additional capital to ensure that it has sufficient capital to support growth in its assets. Should the Group wish or be required to raise additional capital, it might not be in a position to do so at all or at prices that the Group considers to be reasonable. If any or all of these risks materialise, then this might have a material adverse effect on the Group's liquidity, business, financial condition and/or results of operations.

Operational Risks

Competition in the Turkish Banking Sector – Intense competition in the Turkish banking sector might have a material adverse effect on the Group

The Group faces significant 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 31 December 2019 (according to the Banks Association of Turkey), the top seven banking groups in Turkey (including the Group), three of which were state-controlled, held 72.9% of the Turkish banking sector's total loan portfolio in Turkey, 69.8% of the total bank assets in Turkey and 74.0% of the total deposits in Turkey (in each case, excluding participation banks and development and investment banks). The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, might increase competition in the market, particularly as foreign competitors might have greater resources and more cost-effective funding sources than the Group.

As noted, the Group faces competition from state-controlled financial institutions such as T.C. Ziraat Bankası A.Ş. ("*Ziraat*"), Türkiye Vakıflar Bankası T.A.O ("*Vakıfbank*") and Halkbank. The government-controlled financial institutions are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, the government-controlled institutions might have preferential access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which might result

in a lower cost of funds that cannot be duplicated by private sector banks. Continued expansion by government-controlled financial institutions is, particularly when combined with ongoing competitive pressures from private financial institutions, expected to put downward pressure on net interest margins in at least the short term.

If competitors (including increasingly new technology companies) can offer better lending rates to clients, higher interest rates on deposits or better customer experiences for services and products, then the Group might (*inter alia*) lose customers or market share, be forced to reduce its margins and/or be forced to look for more expensive funding sources, any of which might negatively affect the Group's profitability. Increased pricing competition in the Turkish banking markets through the offer of products at significantly lower prices might also impact customer behavioural patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Dependence upon Banking and Other Licences – Group members might be unable to maintain or secure the necessary licences for carrying on their business

Each of the Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. The Bank's management believes that the Bank and each of its subsidiaries is in compliance with its existing material licence and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a loss of a licence, breach the terms of a licence or fail to obtain any further required licences, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Restrictive Covenants – Restrictive covenants under the Group's agreements might adversely affect the Group's operations and a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties

The Group is party to a range of agreements, including in respect of debt raised by the Group, which contain restrictive covenants, such as negative pledges, requirements for the maintenance of certain regulatory authorisations and requirements to refrain from certain transactions with affiliates. These restrictive covenants might adversely affect the Group's operations, such as its ability to raise funding secured by its properties. In addition, a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties, and such breach and/or acceleration might cross-trigger to other agreements of the Group, any of which events might have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, if the Bank is required to prepay a loan, then it might need to use a significant amount of its liquidity, sell assets (potentially at a disadvantageous price) and/or reduce its business in order to satisfy this unexpected prepayment.

Estimations – Future events might be different from those reflected in the management assumptions and estimates used in the preparation of the Group's financial statements, which might result in unexpected reductions in profitability

Pursuant to accounting rules and interpretations, the Group uses certain estimates in preparing its financial statements, including in determining expected credit losses and the accounting value of certain assets and liabilities. Should the estimated values for such items prove to be materially inaccurate, including as a result of unexpected market movements or external factors (in each case, such as relating to the COVID-19 pandemic), or if the methods by which such values were determined are revised in future accounting rules or interpretations, then the Group might experience unexpected reductions in profitability and/or such inaccuracies might otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, portions of the Group's provisions for loans are determined based upon assumptions about the Turkish economy and thus (particularly if the Turkish economy underperforms such assumptions) the Group might have taken inadequate provisions for loans.

Risk Management – The Group’s efforts to identify, control and manage risk might be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including (*inter alia*) credit risk, market risk, liquidity risk and operational risk (each as separately discussed in these “*Risk Factors*”). Any material deficiency in the Group’s risk management or other internal control policies or procedures might expose it to significant risk, which in turn might have a material adverse effect on the Group’s business, results of operations and/or financial condition. If circumstances arise that the Group has not identified or anticipated adequately, if the security of its risk management systems is compromised or if its risk policies or procedures have material deficiencies, then the Group’s losses from such risks might be greater than expected, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations. In addition, some of the Group’s methods of managing risk are based upon its use of historical data, which might not accurately predict future risk exposures. For example, if the Group’s credit risk policies underestimate the negative impact of a recession on the value of Turkish real property, then loans secured by Turkish real property (including the mortgage loans in the Cover Pool) might be undercollateralised and result in material unexpected losses to the Group.

International Operations – Adverse changes in the regulatory and economic environment in other jurisdictions in which the Group operates might have a material adverse effect on the Group

While a substantial majority of the Group’s operations are in Turkey, it also (as of the date of this Base Prospectus) maintains operations in countries such as Russia, Germany, the Netherlands, the United Kingdom, Bahrain, Iraq, Georgia, Kosovo and the Turkish Republic of Northern Cyprus (the “*TRNC*”). The Group’s operations outside of Turkey are subject to differing regulatory environments and domestic economic conditions and require the Group to engage in transactions in relevant local currencies such as the euro, the Russian ruble and Sterling. In addition, certain of these jurisdictions are emerging markets, which might expose the Group to risks greater than those associated with more developed markets, including political, economic and social instability, uncertainty of local contractual terms and of enforcing terms in disputes before local courts, the introduction of exchange or foreign investment controls and the complexities and uncertainties of complying with local regulatory requirements. Adverse changes in the regulatory environments, tax and/or other laws, economic and political conditions, relevant exchange rates and/or other circumstances in the other jurisdictions in which the Group operates might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Participations – The Bank is exposed to risks relating to its equity investments

The Bank maintains equity participations in companies in various sectors, including financial services and non-financial services in sectors such as glass, software and health. While such investments have historically had an aggregate positive impact on the Group’s financial condition: (a) any particular existing or future investment, or such investments in the aggregate, and/or (b) any divestitures, might result in losses to the Group, which might be material. In addition, the level of profit/loss accounted for using the equity method by the Bank from such investments (which totalled TL 2,806 million in 2019) might vary from year to year and affect the Bank’s net income accordingly.

Operational Risk – The Group might be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorised transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group’s risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruptions to services to the Group’s branches and/or impact customer service. In addition, given the Group’s high volume of transactions, fraud or errors might be repeated or compounded before they are discovered and rectified. Furthermore, a number of banking transactions are not fully automated, which might further increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. For example, if the Group’s operational risk control systems do not identify a weakness in the Group’s mortgage loan application processing system,

then fraud might occur that results in material unexpected losses to the Group (including with respect to mortgage loans in the Cover Pool). If the Group is unable to successfully monitor and control these or any other operational risks, then this might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

Dependence upon Information Technology Systems – The Group's operations might be adversely affected by interruptions to or the improper functioning of its information technology systems

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology ("IT") systems and its ability to increase systems capacity. The proper functioning of the Group's internal control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business.

Any failure, interruption or breach in security of the Group's IT systems might result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period of time, then it might be unable to serve some or all of its customers' needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of the Group's IT systems might result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing IT systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its IT systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. For example, if the Group's IT technicians do not identify a programming error in the software running the Group's mortgage application software, then fraud might occur that results in material unexpected losses to the Group (including with respect to mortgage loans in the Cover Pool). A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the Group's IT systems or increased costs associated with such systems might have a material adverse effect on the Group's business, financial condition and/or results of operations. For further information on the Group's IT system, see "The Group and its Business – Information Technology."

Money Laundering and Terrorist Financing – The Group is subject to risks associated with money laundering or terrorist financing

Although the Group has adopted various policies and procedures, and has put in place systems (including internal controls, "know your customer" rules and transaction monitoring), aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish law and international standards aimed at preventing it from being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Moreover, to a certain extent, the Group must rely upon correspondent banks to maintain and properly apply their own appropriate anti-money laundering, "know your customer" and terrorist financing policies and procedures. If the Group does not comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing laws and/or is associated with money laundering and/or terrorist financing, then its business, financial condition and/or results of operations might be adversely affected, including in manners that significantly exceed the actual value of the underlying transaction. In addition, involvement in such activities might carry criminal or regulatory fines and sanctions and might severely harm the Group's reputation.

Personnel – The Group's success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff is very high and requires the Group to re-assess continually its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group might not continue with the Group. In addition, the Group's success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to

recruit and retain necessary personnel or manage its personnel successfully might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Other Group-Related Risks

Large Shareholders – The interests of the İşbank Personnel Supplementary Pension Fund and the CHP, which together hold a majority of the Bank's outstanding share capital, might not be aligned with the interests of the investors in the Covered Bonds

As of 31 December 2019, 39.10% of the Bank's shares were held by the İşbank Personnel Supplementary Pension Fund and 28.09% (Atatürk's shares) were owned by the Republican People's Party (the "CHP"). The interests of such shareholders might not be aligned with the interests of the investors in the Covered Bonds.

Government officials (including the President) have in recent years made some comments regarding a potential transfer of Atatürk's shares (see "Ownership") to the Turkish Treasury. After Mustafa Kemal Atatürk passed away, his shares in the Bank were transferred to the CHP in accordance with his testamentary will. On 17 September 2018, the Bank made a public announcement in Turkey stating that: (a) under Atatürk's will, any dividends on these shares are paid to two non-profit organisations, the Turkish Language Institute and the Turkish Historical Society, and (b) the İşbank Personnel Supplementary Pension Fund, which acts on behalf of the active and retired employees of the Bank, appoints the majority of the members of the Board of Directors.

Audit Qualification – The auditor's reports in relation to the Group's and the Bank's financial statements have included a qualification and reports in relation to future financial statements might include similar qualifications

The independent auditor's reports included in the BRSA Annual Financial Statements for both the Group and the Bank were qualified with respect to free provisions that were provided by the Bank's management. Specifically, such report in the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2019 states that the qualification was the result of the decision of: "the Bank's management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions, which does not meet the recognition criteria of Turkish Accounting Standards 37 'Provisions, Contingent Liabilities and Contingent Asset'." See also the auditor's reports included in the BRSA Annual Financial Statements. Similar qualifications might be included in the corresponding audit or review reports for future fiscal periods.

The independent auditor's reports included in the BRSA Annual Financial Statements for both the Group and the Bank include a qualification related to the free provision. For the Group, this is (a) amounting to TL 1,740 million as of 31 December 2017, of which TL 800 million was provided in prior years and TL 940 million was provided in 2017, (b) amounting to TL 1,200 million as of 31 December 2018, reflecting TL 540 million in reversals in 2018, and (c) amounting to TL 1,125 million as of 31 December 2019, reflecting a TL 75 million reversal in 2019.

Although general reserves do not impact the Group's level of tax, the Group's capital adequacy ratios and net profit/(loss) might otherwise be higher in the periods in which such reserves are established and lower in the periods in which such reserves are reversed.

Absence of Governmental Support – The Group's non-deposit obligations are not guaranteed by the Turkish or any other government and there might not be any governmental or other support in the event of illiquidity or insolvency

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen in other countries during the global financial crisis), this might not be the case for Turkey in general or the Group in particular. Investors in the Covered Bonds should not place any reliance upon the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "Turkish Regulatory Environment - The Savings Deposit Insurance Fund (SDIF)" for information on the limited government-provided insurance for the Bank's deposit obligations.

Risks Relating to the Covered Bonds

While the risks described above are important with respect to the Issuer's ability to make payments due in respect of the Covered Bonds, there are additional risks that should be considered by investors in the Covered Bonds, including risks relating to the nature of the structure of the Covered Bonds and general risks relating to investments in the Covered Bonds (both of which are set out in the corresponding sub-category below). Such risks that the Issuer's management has identified as having a material impact on investors in the Covered Bonds issued with the terms and conditions set out in this Base Prospectus (the "Conditions") are set out in this category of risk factors; *it being understood* that the following does not address any specific conditions of, or circumstances relating to, any particular investor (including such investor's own tax, regulatory or other circumstances) but rather to investors generally speaking.

Risks Relating to the Transaction Security

The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer, backed by the Transaction Security. As such, an investment in the Covered Bonds represents exposure to both the creditworthiness of the Issuer and assets comprising the Transaction Security. The following discusses certain risks relating to the value of the Transaction Security; *however*, it should also be noted that the impact of the COVID-19 pandemic remains uncertain and might increase the likelihood of and/or negatively increase the negative effects of any of the risk factors noted below in this section (see, *e.g.*, "Risks Relating to Turkey - Economic Conditions - COVID-19" above).

Insufficient Cover Pool – The value of the Cover Pool might be insufficient to ensure payment of all of the Issuer's obligations under the Transaction Documents

The Issuer is required under the Covered Bonds Communiqué to comply with certain cover matching principles (*i.e.*, the Statutory Tests) as long as any Covered Bond is outstanding. Under the Covered Bonds Communiqué, if the Cover Pool does not fulfil any of the Statutory Tests, then the Issuer is required to rectify such non-compliance within one month of its detection of the occurrence of such breach (including, for a Statutory Test Date, within one month of such Statutory Test Date).

As part of the Statutory Tests, the Covered Bonds Communiqué requires that the Issuer ensure that the net present value of the Cover Pool Assets exceeds at all times, by at least 2%, the net present value of the Total Liabilities. See "Summary of the Turkish Covered Bonds Law." Furthermore, the Issuer has covenanted in the Security Agency Agreement to ensure that the Nominal Value of the Cover Pool is not less than the product of: (a) the Turkish Lira Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds outstanding and (b) the sum of one plus the decimal equivalent of the highest then-existing Required Overcollateralisation Percentage among all then-outstanding Series. While such percentage might differ for different Series depending upon their applicable ratings, Relevant Rating Agencies and other factors, the Issuer will (at any applicable time) be required to satisfy the highest Required Overcollateralisation Percentage then applicable among all the outstanding Series. In addition, the Required Overcollateralisation Percentage for a Series can change from time to time, including being reduced in the manner described in "General Description of the Programme - The Programme - Programme Description - Required Overcollateralisation Percentage."

The ability of the Issuer to satisfy the Statutory Tests and maintain the overcollateralised portion of the Cover Pool might be dependent upon factors that are beyond the control of the Issuer (for example, the performance of the Turkish housing market).

If an Administrator is appointed for the administration of the Cover Pool pursuant to Article 27 of the Covered Bonds Communiqué and the Administrator deems it necessary for the benefit of the Covered Bondholders, then the Administrator may recommend to the CMB that the Covered Bonds be redeemed early and, if the CMB deems it appropriate, then the Administrator (without the consent of the Covered Bondholders) may perform the liquidation of the Cover Pool Assets and instruct or cause the Issuer to make an early redemption of the Covered Bonds in whole or in part. This might result in the Covered Bondholders (and Receiptholders and Couponholders) receiving payment according to a schedule that is different than that contemplated by the terms of the Covered Bonds (with accelerations as well as delays) or that the Covered Bondholders (and Receiptholders and Couponholders) are not paid in full.

In addition, in order for the payment of the Total Liabilities on their due dates, the Administrator is entitled to sell Cover Pool Assets, purchase new assets, utilise loans or conduct repurchase transactions without any early redemption decision. This might result in the Covered Bondholders (and Receiptholders and Couponholders) receiving payment according to a schedule that is different than that contemplated by the terms of the Covered Bonds or that the Covered Bondholders (and Receiptholders and Couponholders) are not paid in full.

“*Total Liabilities*” has the meaning given to such term in the Covered Bonds Communiqué (as of the date hereof, the aggregate of all liabilities owed by the Issuer in respect of the Covered Bonds (including Receipts and Coupons) and derivative instruments (if any) registered in the Cover Register).

Default by Borrowers – Default by Borrowers in paying amounts due on their Mortgage Assets might result in the value of the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents

Borrowers might default on their obligations under the Mortgage Assets, which defaults might occur for a variety of reasons. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in the Borrowers’ individual, personal or financial circumstances might adversely affect the ability of the Borrowers to repay the Mortgage Assets, such as loss of earnings, illness, divorce and other similar factors. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Asset at a price sufficient to repay the amounts outstanding under that Mortgage Asset will depend upon a number of factors, including the availability of buyers for that property, the value of that property and the ability and willingness of potential buyers to obtain a mortgage at the time. Any of such circumstances might result in the value of the Cover Pool being insufficient to ensure payment of the Issuer’s obligations under the Transaction Documents.

Changes in Value of Mortgaged Property – The collateral securing the Mortgage Assets might decline in value, which might result in the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents

As loan-to-value ratio limits are imposed by the Issuer when a Mortgage Asset is originated, the value of the individual loan obligation is initially overcollateralised by the mortgage held by the Issuer in respect of such loan; *however*, the value of the mortgaged property might reduce over time as a result of various reasons, including falling property values and inadequate maintenance.

The Covered Bonds Communiqué requires the Issuer to monitor the general changes in the property prices securing the Mortgage Assets and determine the ratio of such change (the “*Property Price Change Ratio*”) annually based upon a generally accepted index, if available. As of the date of this Base Prospectus, the index used by the Issuer is the Property Price Index (*Konut Fiyat Endeksi*) (the “*KFE*”) released by the Central Bank on a monthly basis. The calculation of the KFE is based upon the price data compiled from valuation reports prepared at the approval stage of mortgage loans extended by banks. In this context, all properties appraised are included within the scope of the calculation of the KFE regardless of whether such property is sold or such loan is utilised. If the Issuer identifies a decline in the property prices within a specific geographical region or in Turkey in general, then it must decrease the value of the relevant property for calculating collateral value by applying the Property Price Change Ratio and re-calculating whether the Cover Pool Assets comply with the requirements of the Covered Bonds Communiqué. Correspondingly, though not mandated by the Covered Bonds Communiqué, the Issuer might apply a higher valuation at a future date if the selected index demonstrates an increase in property prices. Any declines in the value of the mortgage collateral might result in the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents, and any increases in the value of the mortgage collateral might enable the Issuer to include fewer assets in the Cover Pool and/or issue additional Covered Bonds against the value of the Cover Pool.

Realisable Value of the Cover Pool – There are various factors that might negatively affect the realisable value of the Cover Pool or any part thereof

If an Event of Default occurs and a Notice of Default is served on the Issuer, then the Security Agent will (upon instructions from the Covered Bondholder Representative) be entitled to enforce the security interests over the Security Assignment Security granted by the Issuer in favour of the Security Agent under and pursuant to the terms of the Security

Assignment and the other Non-Statutory Security, and the proceeds from the realisation of the Transaction Security will be applied towards payment of the Issuer's obligations under the Transaction Documents in the manner provided in the Transaction Documents and the Covered Bonds Communiqué; *it being understood* that the Security Agent does not have a security interest over the portion of the Transaction Security that is included in the Cover Pool, which is subject to liquidation pursuant to the provisions of the Covered Bonds Communiqué (see "Risks Relating to the Covered Bonds Communiqué - No Direct Security Interest in Favour of Covered Bondholders in the Cover Pool").

The realisable value of the Mortgage Assets and their related security included in the Cover Pool might be reduced by (*inter alia*): (a) default by Borrowers, (b) changes to the lending criteria of the Issuer and/or (c) possible changes in Applicable Law, some of which factors are considered in more detail below. For example, such value might be negatively impacted by governmental actions taken to address the COVID-19 pandemic, such as restrictions on taking enforcement actions (including in bankruptcy proceedings) against borrowers. While the Statutory Tests, the Required Overcollateralisation Percentages and the Individual Asset Eligibility Criteria are intended to ensure that there will be an adequate amount of Mortgage Assets and other assets in the Cover Pool to enable the repayment of the Covered Bonds following service of a Notice of Default, there is no assurance that the Mortgage Assets or other Transaction Security could be realised for sufficient value to enable the Issuer's obligations under the Transaction Documents to be paid in full.

Insurance of Mortgage Assets – Insurance with respect to a mortgaged property might be insufficient to cover the remaining obligations of a Borrower under the related Mortgage Asset

As a matter of Turkish Applicable Law, each Borrower of a Mortgage Asset is required to maintain earthquake insurance for the related real property (subject, as of the date of this Base Prospectus, to a maximum claim of TL 240,000) and they are also permitted to enter into life insurance policies that name the Issuer as the primary loss payee in order to secure their obligations under such Mortgage Asset. Any amounts received by the Issuer under such insurance might be insufficient to pay off such Mortgage Asset in full, particularly for damage caused by an earthquake on a property with respect to which the related Mortgage Asset exceeds the maximum claim. Such circumstances might result in the value of the Cover Pool being insufficient to ensure repayment of the Issuer's obligations under the Transaction Documents, particularly if such occurs as a result of an earthquake or other catastrophic event that affects a large number of such properties.

Changes in Applicable Law – Possible changes in Applicable Law (including in the Covered Bonds Communiqué) might negatively affect the value of the Cover Pool

The Cover Pool (including the Mortgage Assets included therein) is subject to a number of requirements under the Applicable Law of Turkey, including those set out in the Covered Bonds Communiqué. These requirements include (without limitation) consumer protection laws, lending criteria requirements, bankruptcy rules and (under the Covered Bonds Communiqué) the Statutory Tests, cover asset eligibility criteria and other measures for the treatment of the Cover Pool. In the event that there are any changes in any of these requirements, including any changes in the Covered Bonds Communiqué that provide for a more lenient monitoring of the Cover Pool, or any new Applicable Law, then the value of the Cover Pool might be insufficient to ensure payment of the Issuer's obligations under the Transaction Documents.

Secondary Mortgage Market – There is no substantial secondary mortgage loan market in Turkey, which might negatively affect the realisation on the Mortgage Assets

The ability of the Cover Pool to cover payment of the Issuer's obligations under the Transaction Documents might depend upon whether the Mortgage Assets and their related security can be sold, realised or refinanced by the Issuer or the Administrator, as applicable, so as to obtain a sufficient amount to cover such obligations. There is not yet an active and liquid secondary market for mortgage loans in Turkey and there is limited experience in Turkey of selling mortgage loans in distressed scenarios (particularly if, at the time thereof, multiple holders of mortgage loans are in distress, which might occur as a result of general macroeconomic or other conditions affecting Turkish lenders generally). Further, no assurance can be given that the CMB or any other regulatory authority will not take action (or that future adverse regulatory developments will not arise) with respect to the enforcement, sale or disposal of the Mortgage Assets. Any such action or developments might have a material adverse effect on the realisable value of the Mortgage Assets and ultimately adversely affect whether the value of the Cover Pool is sufficient to ensure payment of the Issuer's obligations under the Transaction Documents.

Reliance upon Hedging Counterparties – The Hedging Counterparties might not make payments under the Hedging Agreements and/or the Hedging Agreements might be terminated, which might result in the value of the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents

The Issuer is not obligated to enter into any Hedging Agreement; *however*, should any Hedging Agreement be contemplated by the Issuer to provide a hedge against possible variances in the rates of interest payable on, or currency risks associated with, the Mortgage Assets and/or the Covered Bonds, the Issuer may enter into one or more interest rate swap(s) with one or more Interest Rate Hedge Provider(s) and/or one or more currency swap(s) with one or more Currency Hedge Provider(s) under one or more Interest Rate Hedging Agreement(s) and/or Currency Hedging Agreement(s), respectively. The rights of the Issuer in, to and under such Hedging Agreements form part of the Cover Pool.

If the Issuer does not make timely payments of some or all of the amounts due under any Hedging Agreement, then the related Hedging Counterparty might not be obligated to make some or all of the corresponding payments to the Issuer under such Hedging Agreement. If a Hedging Counterparty is not obligated to make any of such payments, or if it defaults on its obligations to make such payments, then the value of the Cover Pool might be insufficient to provide for full payment of the Issuer’s obligations under the Transaction Documents.

In addition, if any Hedging Agreement is terminated or a new Hedging Agreement is desired, the Issuer might have difficulty finding a new or replacement Hedging Counterparty, particularly one that will permit the maintenance of the credit rating of the Covered Bonds. Any of the Hedging Agreements might have provisions that permit one or both parties to terminate such Hedging Agreement (whether voluntarily, upon the occurrence of certain events or otherwise), or both parties might agree to terminate a Hedging Agreement at any time. Any inability to find a new or replacement Hedging Counterparty might have an adverse effect on the Covered Bonds, including their credit rating.

If a Hedging Agreement terminates (in whole or in part), then the Issuer might be obligated to make a termination payment under such Hedging Agreement to the relevant Hedging Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make such a termination payment, nor can there be any assurance that the Issuer will be able to enter into a replacement Hedging Agreement. If the Issuer is obligated to pay a termination payment under any Hedging Agreement, then such termination payment will rank *pari passu* with amounts due on the Covered Bonds and thus there might be insufficient Cover Pool Assets to make all relevant payments to Covered Bondholders.

If (to the extent applicable) any short-term or long-term debt rating of a Hedging Counterparty falls below any minimum short-term or long-term rating level (as the case may be) prescribed in the relevant Hedging Agreement, then such Hedging Counterparty might be obligated to take one or more of the following actions: (a) provide collateral in support of its obligations under such Hedging Agreement, (b) procure a guarantee of its obligations under such Hedging Agreement from an appropriately rated entity, (c) procure a replacement counterparty, being another appropriately rated entity who takes a transfer of such Hedging Counterparty’s obligations under such Hedging Agreement or enters into a replacement Hedging Agreement (*it being understood* that such replacement Hedging Agreement might not be as favourable to the Issuer as the previous Hedging Agreement), and/or (d) take such other actions as shall be agreed in such Hedging Agreement. The timing, extent and availability of such action required to be taken might vary based upon the individual requirements of the Relevant Rating Agency(ies) applicable at the time such Hedging Agreement was entered into and/or the level to which the rating of the relevant Hedging Counterparty has been downgraded.

The Issuer might be obligated under a Hedging Agreement to make payments to the applicable Hedging Counterparty before such Hedging Counterparty makes its corresponding payment into a Non-TL Hedge Collection Account. As such, and notwithstanding the *pro rata* and *pari passu* nature of the Total Liabilities, a Hedging Counterparty might be paid (including from the Transaction Security) before the Covered Bondholders, which (if such Hedging Counterparty does not then make its corresponding payment into a Non-TL Hedge Collection Account) might result in the Covered Bondholders receiving less than a *pro rata* payment with respect to their share of the Total Liabilities.

Copies of Hedging Agreements are available to investors and potential investors in the Covered Bonds, including to review any termination events described in clause (c)(v) of “Summary of the Turkish Covered Bonds Law - Derivative Instruments.”

Reliance upon Offshore Account Bank – The Offshore Account Bank might suffer a decline in credit quality, which might result in the value of the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents

If there is a decline in the credit quality of the Offshore Account Bank, then the ability of the Secured Creditors to receive full payment of the applicable funds in the Offshore Bank Accounts might be negatively affected. In addition, the Issuer might have difficulty finding a new or replacement Offshore Account Bank if it is required to move the Offshore Bank Accounts, including as a result of an Offshore Account Bank Event. Any such circumstance might have an adverse effect on the Covered Bonds, including their credit rating.

Set-off Risk – Borrowers might have set-off rights that reduce the value of the Mortgage Assets

If the Issuer has entered into transactions (including deposit-holding) with a Borrower of a Mortgage Asset, then such Borrower might, under certain conditions, have a right of set-off of its obligations under such Mortgage Asset against any amounts owed to it by the Issuer (either outside of the bankruptcy of the Issuer or in the event of the bankruptcy of the Issuer).

In accordance with the Turkish Code of Obligations (the “TCO”), set-off between two obligations is possible *provided that* the obligations are: (a) mutual, (b) of the same kind and (c) due and payable. In addition, the right of set-off must not have been waived contractually by the debtor nor excluded by Applicable Law.

Although the TCO states that the right of set-off may be waived contractually, the Issuer most likely cannot contractually eliminate the Borrowers’ rights to set-off in the arrangements or contracts in connection with its transactions (including deposit-holding and transactions under loan agreements) with the Borrowers, including the loan agreements underlying the Mortgage Assets, as such a waiver of the set-off right likely would be deemed invalid pursuant to the scrutiny applicable to general terms and conditions introduced by the TCO and Turkey’s consumer protection legislation. This scrutiny aims at protecting the weaker party from general terms and conditions that are imposed upon it and that are “unusual,” “unjust,” “onerous” or “unfair.” Any contractual waiver in respect of set-off rights under standardised general terms and conditions, including under form mortgage loans with retail Borrowers, would most likely be judged invalid.

Consequently, this risk should be given consideration based upon its potential impact on the realisable value of the Mortgage Assets. While the Cover Pool envisages overcollateralisation ratios above statutory requirements, no assurance can be given that, if the right of set-off has been duly exercised by one or more Borrower(s) of the Mortgage Assets, the value of the Cover Pool will be sufficient to pay all amounts due and payable under the Covered Bonds.

Ancillary Rights – A court might determine that some or all of the Ancillary Rights are not eligible to benefit from the Statutory Segregation

The Covered Bonds Communiqué includes a “receivable” of a mortgage loan as eligible for Statutory Segregation; *however*, the precise scope of what constitutes a “receivable” for these purposes is unclear. While the Issuer has contractually agreed that the relevant proceeds of Ancillary Rights shall constitute part of the Cover Pool Assets, if it is subsequently judicially determined that all or part of the Ancillary Rights do not constitute “receivables” of Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué, then the obligation of the Issuer to apply the relevant proceeds of such Ancillary Rights in satisfaction of any obligations owed by the Issuer under the Transaction Documents to the Secured Creditors will be an unsecured contractual obligation only and such Ancillary Rights will not be Cover Pool Assets and thus not benefit from Statutory Segregation.

Geographical Risks – The Mortgage Assets are all secured by real property in Turkey, with significant concentrations in certain locations, which might result in increased exposure to potential national or regional economic, catastrophic and other risks

The Mortgage Assets will be secured by real property located only in Turkey. The value of the Cover Pool might decline sharply and rapidly in the event of a general downturn in the value of real property in Turkey or other national risks. Any such downturn thus might result in the value of the Cover Pool being insufficient to ensure payment of all of the Issuer’s obligations under the Transaction Documents.

The Mortgage Assets will likely be concentrated in certain regions of Turkey, principally in İstanbul and Ankara. Certain geographic regions of Turkey might experience weaker regional economic conditions (including on local employment levels and/or wages) and housing markets or be directly or indirectly affected by civil disturbances or natural disasters, including earthquakes. Such conditions might result in regional declines in the value of real property and/or (such as due to declining regional employment) the ability of Borrowers to make payments on their Mortgage Assets. Mortgage Assets in such areas might experience higher rates of loss and delinquency than other Mortgage Assets, which might result in the value of the Cover Pool being insufficient to ensure payment of all of the Issuer's obligations under the Transaction Documents.

No Due Diligence – None of the Arrangers or Dealers or (other than the Cover Monitor in the limited manner described herein) any other Person has performed or will perform any due diligence in relation to the Cover Pool

No investigations, searches, audits or other actions in respect of any assets contained or to be contained in the Cover Pool has been or will be performed by the Arrangers, the Dealers, the Agents, the Security Agent or (other than the Cover Monitor in the limited manner described herein) any other person. The Issuer is obligated to ensure that the Cover Pool fulfils the requirements of the Covered Bonds Communiqué (including the Statutory Tests), the Required Overcollateralisation Percentage and the Individual Asset Eligibility Criteria.

Cover Pool Description – Covered Bondholders will receive limited information on the Cover Pool

While the Security Agency Agreement provides that investors in the Covered Bonds will have access to the Investor Reports and the Cover Monitor Agreement provides that Covered Bondholders may obtain copies of the Cover Monitor Reports from the Security Agent in the manner permitted in the Cover Monitor Agreement, they will not receive detailed statistics or information in relation to the Mortgage Assets, other assets in the Cover Pool or other Transaction Security. It is expected that the constitution of the Cover Pool will frequently change, including due to the Issuer: (a) assigning additional Cover Pool Assets to the Cover Pool and (b) removing Cover Pool Assets from the Cover Pool or substituting existing Cover Pool Assets in the Cover Pool.

While each Mortgage Asset added to the Cover Pool will be required to meet the Individual Asset Eligibility Criteria and the requirements of the Covered Bonds Communiqué, the constitution of the Cover Pool is dynamic and there are no assurances that the credit quality of the assets in the Cover Pool will remain the same as of the date of this Base Prospectus or on or after the Issue Date of any Covered Bonds. See “General Description of the Programme - The Programme - Creation and Administration of the Cover Pool - Changes to the Cover Pool.”

Loan Origination Guidelines – The Issuer's guidelines for originating or acquiring mortgage loans do not ensure that a Borrower will be able to make payment on its mortgage loan, and such guidelines might be waived or become less rigorous

The Mortgage Assets were (and will be) originated (or purchased) by the Issuer pursuant to certain established origination guidelines and, in certain cases, based upon exceptions to those guidelines. It is expected that the Issuer's lending criteria will generally consider, *inter alia*, the type of property, term of loan, age of applicant, loan-to-value ratio, status of applicant and credit history. The Issuer retains the right to revise its lending criteria from time to time. Although these guidelines have been designed to identify and appropriately assess the repayment risks associated with the origination of mortgage loans, it cannot be ensured that the interest and principal payments due on any Mortgage Asset will be paid when due, or at all, or whether the value of the property securing such Mortgage Asset will be sufficient to otherwise provide for recovery of such amounts.

To the extent exceptions were made to the underwriting guidelines in originating (or purchasing) a Mortgage Asset, those exceptions might increase the risk that principal and interest amounts might not be received or recovered relating to such Mortgage Asset. Compensating factors, if any, that might have formed the basis for making an exception to the underwriting guidelines might not in fact compensate for any additional risk. In addition, the Issuer's origination guidelines might change over time, including to become less rigorous, which might increase the risk of default by a Borrower under a Mortgage Asset.

Any increased risk that principal and interest amounts might not be received or recovered in respect of the Mortgage Assets might have a material adverse effect on the Issuer's financial condition, results of operations and/or ability

to perform its obligations under the Covered Bonds and/or on whether the value of the Cover Pool is sufficient to ensure payment of all of the Issuer's obligations under the Transaction Documents.

Security and Insolvency Considerations – The assignment under the Security Assignment might be negatively affected by an insolvency of the Issuer

Pursuant to the Security Assignment, the obligations of the Issuer to the Secured Creditors, including the Issuer's obligations under the Covered Bonds, are secured by the Security Assignment Security; *provided that*, notwithstanding such assignment, the Issuer is entitled to exercise its rights in respect of the English Law Transaction Documents, but subject to the provisions of the English Law Transaction Documents and certain provisions of the Security Assignment. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise any such security might be delayed and/or the value of the security impaired.

There can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including Turkish insolvency laws) with respect to an insolvency of the Issuer, including with respect to any delays in their ability to exercise any rights against the Issuer.

Risks Relating to the Covered Bonds Communiqué

The Covered Bonds are issued pursuant to the provisions of the Covered Bonds Communiqué and are thus subject to its requirements and its application by Turkish authorities. Set out below is a description of material risks relating to the Covered Bonds Communiqué:

Uncertainty of Legal Implementation – The Covered Bonds Communiqué is untested and thus there is uncertainty as to how its provisions will be implemented or interpreted in any legal or regulatory proceedings

The concept of covered bonds issued under the Covered Bonds Communiqué and governed by foreign law was only introduced to the Turkish market in 2014 and it is not yet certain how the Covered Bonds Communiqué and the relevant provisions of the Turkish insolvency law would be interpreted in judicial, administrative or other relevant practice. Furthermore, the Turkish Covered Bonds Law might be amended or supplemented in a manner that adversely affects the Covered Bonds. The regulatory authorities and courts have significant discretion over enforcement and interpretation of the Applicable Law and the relevant authorities might use such discretion arbitrarily. As a result, no assurance can be given as to the impact of any possible judicial decision or change to the Applicable Law in Turkey (including the Turkish Covered Bonds Law) or administrative or other relevant practice.

While Turkish courts and regulators are generally required to make decisions within the general framework of the Covered Bonds Communiqué, as there are yet no precedents of claims relating to covered bonds being brought before Turkish courts or regulators and the enforcement of covered bond-related claims by Turkish courts and regulators is thus untested, there are uncertainties with regard to the enforcement of matters relating to a covered bond issuance and the Turkish courts' and regulators' approach to such matters. For example, use of enforcement agents is not common in Turkey and whether Turkish courts will accept enforcement agents to act on behalf of investors is not certain.

Furthermore, the interpretation of certain provisions of the Applicable Law of Turkey, in particular commercial, financial and insolvency Applicable Laws, is not very well established due to there being little precedent in respect of sophisticated commercial and financial transactions between private parties. These Applicable Laws are subject to changes and interpretation in a manner that cannot currently be foreseen or anticipated, which changes might adversely affect the rights and obligations of the Issuer and/or the Secured Creditors arising in connection with the Programme.

In addition, any change in Applicable Laws or in practice in Turkey, the United Kingdom or any other relevant jurisdiction might adversely impact: (a) the ability of the Issuer to make payments with respect to the Covered Bonds; and/or (b) the market price of an investment in the Covered Bonds.

No Direct Security Interest in Favour of Covered Bondholders in the Cover Pool – Covered Bondholders will not have direct remedies against the Cover Pool

While the Security Assignment covers the Offshore Bank Accounts and other Non-Statutory Security, the Covered Bonds Communiqué does not confer a direct security interest in favour of the Security Agent or Covered Bondholders over the Cover Pool. As a result, the Security Agent and Covered Bondholders are not entitled to any direct remedy against the Cover Pool, such as selling the Cover Pool Assets, if the Issuer defaults (including in its payment obligations) under the Covered Bonds. In case the management or administration of the Issuer is transferred to public authorities, its operating permit is cancelled or it declares bankruptcy, the CMB may, but is not obligated to, appoint an Administrator to take the necessary actions pursuant to the Covered Bonds Communiqué for the benefit of the Covered Bondholders. Such an Administrator would have wide powers, including the ability to cause the redemption of the Covered Bonds (in whole or in part) early if it determines, in its discretion and subject to the CMB's approval, that early redemption is in the interests of the Covered Bondholders. See "Summary of the Turkish Covered Bonds Law."

Common Collateral – Covered Bondholders share the Cover Pool with Hedging Counterparties and other Secured Creditors, the claims of which might negatively affect the ability of the Cover Pool to cover all of the amounts payable under the Covered Bonds

As a result of the Covered Bonds Communiqué, the Covered Bondholders, Receiptholders, Couponholders and Hedging Counterparties (if any) have the benefit of priority to the Cover Pool upon liquidation or bankruptcy of the Issuer. The fees of the Administrator might also rank *pari passu* with, or even senior to, such claims and (as described in "General Description of the Programme - The Programme - Programme Description - Ranking of the Covered Bonds") the Other Secured Creditors might also have a claim on the Additional Cover. Given the *pari passu* ranking of claims under the Covered Bonds (including Receipts and Coupons) and any Hedging Agreements against the Cover Pool under the Covered Bonds Communiqué, and the potential claims of other Secured Creditors against some of the Cover Pool, in the event of the Issuer's liquidation or bankruptcy, the amount available to be paid to Covered Bondholders, Receiptholders and Couponholders out of the Cover Pool on a prioritised basis might be affected by the amounts payable at the relevant time to any Hedging Counterparties under Hedging Agreements (if any) and such other claimants. To the extent that the Total Liabilities are not met out of the assets in the Cover Pool, the residual claims will (except to the extent payable from the Non-Statutory Security) rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

Any such residual claims will be subject to certain preferential obligations under Turkish Applicable Law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by Applicable Law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any amount that such depositors are not fully able to recover from the SDIF, claims that the SDIF might have against the Bank and claims that the Central Bank might have against the Bank with respect to certain loans made by it to the Bank), which preferential claims might also take seniority over the Non-Statutory Security. In addition: (a) creditors of the Bank benefiting from collateral provided by the Bank will have preferential rights with respect to such collateral; and (b) creditors of a foreign branch of the Bank might have preferential rights with respect to the assets of such branch. Any such preferential claims might reduce the amount recoverable by the Covered Bondholders on any dissolution, winding up or liquidation of the Bank and might result in an investor in the Covered Bonds losing all or some of its investment.

Administrator Expenses – The ranking of the Administrator's expenses is unclear

Article 27 of the Covered Bonds Communiqué does not specify whether any liabilities, costs or expenses incurred by the Administrator rank *pari passu* with or senior to the Total Liabilities, including against the Cover Pool. Further, there is no statutory limit specified as to the quantum of any such amounts. If such amounts are determined to rank *pari passu* with or senior to the Total Liabilities or are excessive in amount, then Covered Bondholders might be adversely affected.

Cover Pool Liquidity – The Administrator may raise liquidity to cover some or all of the Total Liabilities, the claims under which liquidity might rank at least pari passu with the claims of the Covered Bondholders

Under the Covered Bonds Communiqué, the Administrator may raise liquidity through the sale of Mortgage Assets and other assets in the Cover Pool to fulfil some or all of the Total Liabilities. In addition, to fulfil some or all of the Total Liabilities on their due dates, the Administrator may utilise loans or conduct repo transactions. Although the Covered Bonds Communiqué does not include any provision specifically in relation to the ranking of the counterparties of such

transactions, the claims of the counterparties of those transactions might rank *pari passu* with or senior to the claims of the Covered Bondholders and any existing Hedging Counterparties with respect to the Cover Pool Assets, which might have an adverse effect on the ability of the Covered Bondholders to receive payments due to them under the Transaction Documents.

In addition, there can be no assurance as to the actual ability of the Administrator to raise liquidity, whether from the sale of assets or incurrence of obligations, which might result in a failure of Covered Bondholders to receive full and timely payments. There is no assurance as to whether there will be a market for the Cover Pool Assets.

New Issuer - The Covered Bonds and Cover Pool Assets might be transferred to another entity, which would assume the Issuer's obligations under the Covered Bonds

After its appointment pursuant to the Covered Bonds Communiqué, an Administrator may, with the consent of the CMB, transfer (an “*Administrator Transfer*”) all or part of the Cover Pool Assets and the Total Liabilities and any other obligations that benefit from the Cover Pool to another bank or mortgage financial institution within the meaning of the Covered Bonds Communiqué (such mortgage financial institution, an “*MFI*”) that is able to issue covered bonds under the Covered Bonds Communiqué. Upon an Administrator Transfer, the ownership of the relevant Cover Pool Assets would be deemed to have passed to such bank or MFI (the “*New Issuer*”) and the Issuer shall be discharged from the Total Liabilities (or relevant part thereof in the case of a partial transfer) that are assumed by the New Issuer. An Administrator Transfer is not subject to the consent of the Security Agent, Covered Bondholders, Hedging Counterparties (if any), Agents or other Secured Creditors and will not constitute an Event of Default. There is no assurance as to whether there will be an eligible transferee to take over the Total Liabilities and the corresponding Cover Pool Assets after the appointment of an Administrator. See Condition 10.3.

Risks Relating to the Structure of the Covered Bonds

The Covered Bonds present investors with certain risks that are applicable to investments in senior unsecured obligations issued by the Issuer as well as certain risks specific to the covered bond structure. Such risks that the Issuer's management has identified as having a material impact on investors in the Covered Bonds are set out in this section.

Extended Final Maturity Dates – The Issuer's obligation to redeem a Series of Soft Bullet Covered Bonds on its Final Maturity Date might be extended

Unless previously redeemed as provided in the Conditions, the Covered Bonds of each Series will be scheduled to be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date. If the Covered Bonds are not redeemed in full on the relevant Final Maturity Date (or, where Soft Bullet Covered Bonds are subject to an Extended Final Maturity Date, on the relevant Extended Final Maturity Date), then (if such default is not remedied within a period of seven Istanbul Business Days from the due date thereof) the Security Agent may serve a Notice of Default on the Issuer pursuant to the Conditions. Upon the Issuer's receipt of a Notice of Default, the Covered Bonds of each Series shall become immediately due and payable and the Security Agent will be entitled to enforce the security on the Security Assignment Security created pursuant to the Security Assignment.

The applicable Final Terms may provide that the Issuer's obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred past the relevant Final Maturity Date until a later date specified in the applicable Final Terms (*i.e.*, the Extended Final Maturity Date for such Series). In such case, such deferral will occur automatically if the Issuer does not pay the Final Redemption Amount on the relevant Final Maturity Date for such Series as set out in the applicable Final Terms and any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series may be paid by the Issuer on any Extended Series Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date or as otherwise provided for in the applicable Final Terms.

Notwithstanding anything in the Transaction Documents to the contrary, any non-payment by the Issuer of the Final Redemption Amount on such Series on the Final Maturity Date will not constitute an Event of Default but will (if not cured by the end of the applicable cure period) constitute an Issuer Event. As a result, the extension of the maturity of the Principal Amount Outstanding of a Series of Soft Bullet Covered Bonds to its Extended Final Maturity Date will not result

in the right of Covered Bondholders to accelerate payments or take action against the Issuer or the Cover Pool, and no payment will be payable to the Covered Bondholders in that event other than as set out in the Final Terms of the applicable Series of Covered Bonds. In addition, the extension of a Final Maturity Date for a Series to its Extended Final Maturity Date will not result in enforcement action being taken against any Cover Pool Assets; *however*, as described in “General Description of the Programme - The Programme - Extended Series Payment Date,” the Available Funds (as described therein) will be applied towards the payment of the deferred amounts in the manner described therein.

Interest will continue to accrue and be payable on any unpaid amounts on each Extended Series Payment Date until the principal amount thereof is repaid in full (whether on the Extended Final Maturity Date or otherwise) in accordance with the Conditions.

If repayment of a particular Series of Soft Bullet Covered Bonds is extended to its Extended Final Maturity Date, then it is possible that other Series of Covered Bonds without an Extended Final Maturity Date (or with an earlier Extended Final Maturity Date) might be fully or partially paid before such Series of Soft Bullet Covered Bonds.

Limited Rights of Acceleration – Covered Bonds can be accelerated only in limited circumstances

The Conditions include a very limited list of Events of Default, the occurrence of which would permit the Covered Bonds to be accelerated. The ability of Covered Bondholders to accelerate the Covered Bonds will thus be very limited. See “General Description of the Programme - The Programme - Events of Default.”

Additional Series – The Bank may from time to time issue additional Series of Covered Bonds, which might dilute the interests of existing Covered Bondholders in the Cover Pool

The Bank may from time to time without the consent of the Covered Bondholders or any other Secured Creditors create and issue additional Series of Covered Bonds; *provided* that (among other conditions), with respect to any Series that is rated by one or more Relevant Rating Agency(ies), a Rating Agency Confirmation from the Relevant Rating Agency(ies) of such Series shall have been obtained *unless* the new issuance is denominated and payable in Turkish Lira. While the Issuer would continue to be required to comply with the Statutory Tests and the Required Overcollateralisation Percentage for each Series, any such additional issuance might reduce the ability of the Cover Pool to cover repayment of the Issuer’s obligations under the Transaction Documents. See Condition 16.

Possible Delay in Identifying a Breach – The Cover Monitor calculates the Statutory Tests periodically and might not immediately identify a breach of the Covered Bonds Communiqué

Under the Covered Bonds Communiqué, the Issuer is required to comply with certain criteria in respect of the assets included in the Cover Pool from time to time. While the Covered Bonds Communiqué requires the Issuer to provide the Cover Monitor with certain information about the assets included in the Cover Pool from time to time and the calculations performed (and the source of the information used in such calculations), the Cover Monitor is only required to monitor certain aspects of the Issuer’s compliance with the Covered Bonds Communiqué (see “Summary of the Turkish Covered Bonds Law”). The Cover Monitor is required to notify the Issuer if it becomes aware of the Issuer’s breach of any such monitored aspects; *however*, the ability of the Cover Monitor to monitor the Issuer’s compliance with the Covered Bonds Communiqué is dependent upon the Issuer providing such information to the Cover Monitor on a timely basis and the Cover Monitor adequately performing its role. If the Cover Monitor encounters any obstruction in its access to any such information and documents that it has requested, then it is required by the Covered Bonds Communiqué so to notify the CMB promptly.

If the Issuer is unable to meet its payment obligations under the Covered Bonds fully or partially, then it is required to disclose such situation on its website. Other than the Issuer and (to a limited extent) the Cover Monitor, no person will be appointed to monitor the Cover Pool or the Issuer’s compliance with the Covered Bonds Communiqué and the Transaction Documents. Accordingly, time might pass between the actual occurrence of a breach of the Covered Bonds Communiqué and/or the Transaction Documents and the Cover Monitor, the CMB and/or the Covered Bondholders becoming aware of such breach. In addition, any delay in the appointment of an Administrator might result in further delays in the maintenance of the Cover Pool and monitoring compliance with the Statutory Tests.

Early Redemption – The Covered Bonds may be subject to early redemption in certain circumstances

In accordance with Condition 6, the Issuer will, in certain circumstances described below, have the right to redeem Covered Bonds prior to their maturity date. This optional redemption feature is likely to limit the market price of an investment in the Covered Bonds because, until the end of the period in which the Issuer may elect so to redeem such Covered Bonds, the market price of an investment in such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. In addition, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and might only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Reinvestment risk should be an important element of an investor's consideration in investing in the Covered Bonds.

Taxation. Unless provided otherwise in the applicable Final Terms, the Issuer will have the right to redeem all (but not some only) of a Series of Covered Bonds at any time (including in the case of Floating Rate Covered Bonds) at the Early Redemption Amount specified in the applicable Final Terms prior to their Final Maturity Date (or, if applicable, Extended Final Maturity Date), if: (a) as a result of any change in, or amendment to, the Applicable Laws of a Relevant Jurisdiction, or any change in the application or official interpretation of the Applicable Laws of a Relevant Jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the most recently issued Tranche of the relevant Series of Covered Bonds (which will, for the avoidance of doubt, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date, the Issuer would be required to: (i) pay Additional Amounts as provided or referred to in Condition 7 and (ii) make any withholding or deduction for, or on account of, any Taxes imposed, assessed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the applicable prevailing rates on the date on which agreement is reached to issue the most recently issued Tranche of the relevant Series of Covered Bonds, and (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption, investors in such Series of Covered Bonds might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the redeemed Covered Bonds and, in the case of any Floating Rate Covered Bonds, the redemption might take place on any day during an Interest Period. See Condition 6.2.

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14593 dated 12 January 2009, which was amended by Decree No. 2010/1182 dated 20 December 2010, Decree No. 2011/1854 dated 26 April 2011 and Presidential Decree No. 842 dated 20 March 2019 (together, the “*Tax Decrees*”). Pursuant to the Tax Decrees, the withholding tax rates are set according to the original maturity of debt instruments issued abroad as follows: (a) 7% withholding tax for debt instruments with an original maturity of less than one year, (b) 3% withholding tax for debt instruments with an original maturity of at least one year and less than three years and (c) 0% withholding tax for debt instruments with an original maturity of three years or more.

Issuer Call. If “Issuer Call” is specified as being applicable in the applicable Final Terms, then the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if applicable) with all interest accrued and unpaid to (but excluding) the relevant Optional Redemption Date. To the extent Covered Bonds have such an optional redemption feature, the Issuer can be expected to redeem such Covered Bonds when its cost of borrowing is lower than the interest rate on such Covered Bonds. In addition, in the case of any Floating Rate Covered Bonds, redemption might take place on any day during an Interest Period. See Condition 6.3.

Rating Agency Confirmation – Certain actions can be taken by the Issuer upon obtaining a Rating Agency Confirmation, which might result in changes to the Transaction Documents or other actions being made without the consent of the Covered Bondholders

The terms of certain of the Transaction Documents provide that, in certain circumstances, the Issuer or the Security Agent, as applicable: (a) can (without the consent of any of the Covered Bondholders) make certain revisions to the Transaction Documents so long as a Rating Agency Confirmation is obtained; and (b) must obtain a Rating Agency

Confirmation before taking certain actions proposed to be taken. By acquiring the Covered Bonds (or beneficial interests therein), investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that might be of relevance to such investors, including, without limitation, whether any action proposed to be taken by the Issuer, the Security Agent or any other party to a Transaction Document is either: (i) permitted by the terms of the relevant Transaction Document; or (ii) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders. As a result, such revisions or actions might be taken without the consent of any of the Covered Bondholders and might adversely affect one or more of the Covered Bondholders.

Any Rating Agency Confirmation might or might not be given at the sole discretion of each Relevant Rating Agency. It also should be noted that, depending upon the timing of delivery of the request and any information needed to be provided as part of any such request, it might be the case that a Relevant Rating Agency cannot provide a Rating Agency Confirmation in the time available or at all, and the Relevant Rating Agency will not be responsible for the consequences thereof. Such confirmation, if given, will be given on the basis of the Relevant Rating Agency's understanding of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the Programme. A Rating Agency Confirmation represents only a restatement of the opinions given, and is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction.

Change of Interest Basis – If a Series of Covered Bonds includes a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, then this might affect the secondary market and the market price of an investment in such Covered Bonds

Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis with respect to a Series of Covered Bonds, might affect the secondary market and the market price of investments in such Covered Bonds as the change of interest basis might result in a lower interest return for investors. Where Covered Bonds convert from a fixed rate to a floating rate, the spread on such Covered Bonds might be less favourable than then-prevailing spreads on comparable securities tied to the same reference rate. In addition, the new floating rate at any time might be lower than the rates on other Covered Bonds. Where Covered Bonds convert from a floating rate to a fixed rate, the fixed rate might be lower than then-prevailing rates on those Covered Bonds and might affect the market price of an investment in such Covered Bonds.

Settlement Currency – In certain circumstances, investors might need to open a bank account in the Specified Currency of their Covered Bonds, payment might be made in a currency other than as elected by a Covered Bondholder or the currency in which payment is made might affect the value of an investment in the Covered Bonds or such payment to the relevant Covered Bondholder

In the case of Turkish Lira-denominated Covered Bonds held other than through DTC, unless “USD Payment Election” is specified as being applicable in the applicable Final Terms and an election to receive payments in U.S. dollars as provided in Condition 5.8 is made, holders of such Covered Bonds would need to have or open (and maintain) a Turkish Lira-denominated bank account, and no assurance can be given that Covered Bondholders will be able to do so either inside or outside of Turkey. For so long as such Covered Bonds are in global form, any Covered Bondholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Covered Bonds) from its account at a clearing system to which any such payment is made.

Under Condition 5.8, if the Fiscal Agent receives cleared funds from the Bank in respect of Turkish Lira-denominated Covered Bonds held other than through DTC after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. dollar amounts that Covered Bondholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If, for illegality or any other reason, it is not possible for the Fiscal Agent to purchase U.S. dollars with any Turkish Lira funds received, then the relevant payments in respect of such Covered Bonds will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira-denominated Covered Bonds for the purposes of Condition 5.8 is irrevocable: (a) its exercise might (at least temporarily) affect the liquidity of the applicable Covered Bonds, (b) a Covered Bondholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, then Covered Bondholders will receive the relevant amount in Turkish Lira.

For Covered Bonds denominated in a Specified Currency other than U.S. dollars that are held through DTC, if a Covered Bondholder wishes to receive payment in such Specified Currency, then it would need to have or open and maintain a bank account in such Specified Currency. Any Covered Bondholder who does not maintain such a bank account will be unable to receive payments on such Covered Bonds in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. dollars and the holders of such Covered Bonds will receive payment in U.S. dollars through DTC's normal procedures. See Condition 5.9.

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

Benchmarks Uncertainty – The regulation and reform of “benchmarks” might adversely affect the value of investments in Covered Bonds linked to or referencing such “benchmarks”

Interest rates and indices that are deemed to be “benchmarks” (including LIBOR, SONIA, EURIBOR, TLREF and TRLIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms might cause such benchmarks to perform differently than in the past, to disappear entirely or to have other consequences that cannot be predicted. Any such consequences might have a material adverse effect on any Covered Bonds linked to or referencing such a “benchmark.”

The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it: (a) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (b) prevents certain uses by EU-supervised entities (as defined in Article 3(1)(17) of the Benchmarks Regulation) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation might have a material impact on any Covered Bonds linked to or referencing a benchmark, in particular, if the methodology or other terms of such benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes might, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, might increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The United Kingdom's Financial Conduct Authority (the “FCA”) indicated, through a series of announcements, that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, European Money Markets Institute, as the registered benchmark administrator of EURIBOR, shifted in 2019 from a quote-based methodology of calculating EURIBOR to a hybrid methodology that is based upon contributions of individual panel banks that submit transaction-based data. As of the date of this Base Prospectus, there is not yet an established market standard for an alternative rate for EURIBOR. On 6 November 2019, the working group on euro risk-free rates published high-level recommendations for alternative rates in contracts for cash products and derivatives transactions that reference EURIBOR without specifically naming the Euro Short-term Rate (referred to as “€STR”), the new risk-free rate that has been published by the ECB since 2 October 2019, as the standard alternative. Based upon current developments in the derivatives markets, it is likely, but by no means certain, that €STR or a term rate of €STR will be the relevant alternative rate for EURIBOR.

It is not possible to predict with certainty whether and to what extent certain benchmarks (including LIBOR, SONIA, EURIBOR, TLREF and TRLIBOR) will be supported going forward. This might cause LIBOR, SONIA, EURIBOR, TLREF and/or TRLIBOR to perform differently than they have done in the past, and might have other consequences that cannot be predicted.

Such factors might have (without limitation) the following effects on certain benchmarks: (a) discouraging market participants from continuing to administer or contribute to a benchmark, (b) triggering changes in the rules or methodologies used in the benchmark and/or (c) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations might have a material adverse effect on the value of and return on any investment in Covered Bonds linked to or referencing a benchmark.

Condition 4.8 provides for certain fallback arrangements (the “*benchmark discontinuation provisions*”) in the event that LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark is discontinued or no longer published or a Benchmark Event otherwise occurs, including the possibility that the rate of interest on the applicable Covered Bonds could be set by reference to a successor rate or an alternative reference rate and, in either case, as adjusted by reference to an applicable Adjustment Spread; *however*, to the extent that any relevant benchmark is discontinued or no longer published or a Benchmark Event otherwise occurs, and no alternative, successor or replacement reference rate is identified or selected in accordance with the benchmark discontinuation provisions, then the rate of interest on the applicable Covered Bonds will be determined by the fallback provisions provided for under Condition 4.2(b), although such provisions, being dependent in part upon the provision by reference banks, might not operate as intended depending upon market circumstances and the availability of interest rate information at the relevant time and might in certain circumstances result in the effective application of a fixed rate based upon the rate that applied in the previous period when LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark was available, in effect resulting in such Covered Bonds becoming fixed rate notes. Any of these alternative methods might result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on the applicable Covered Bonds if LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark were available in their current form. Additionally, if LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark rate is discontinued or no longer published, then there can be no assurance that the applicable fallback provisions under any related swap agreements would operate so as to ensure that the benchmark rate used to determine payments under any related swap agreements is the same as that used to determine interest payments under the applicable Covered Bonds.

Notwithstanding any other provision of the Conditions or the Agency Agreement, the consent or approval of the Covered Bondholders or Couponholders is not required in the case of amendments to the Conditions pursuant to the benchmark discontinuation provisions to vary the method or basis of calculating the rate(s) or amount of interest or the basis for calculating any Interest Amount in respect of the applicable Covered Bonds or for any other variation of the Conditions and/or the Agency Agreement required to be made in the circumstances described in the benchmark discontinuation provisions where the Issuer has delivered to the Calculation Agent a certificate in the form and manner required by the benchmark discontinuation provisions. Any such amendment made pursuant to the benchmark discontinuation provisions might have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Covered Bondholder or Couponholder, any such amendment will be favourable to each Covered Bondholder or Couponholder.

In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of the Issuer and/or an Independent Adviser in accordance with the benchmark discontinuation provisions, the relevant benchmark discontinuation provisions might not operate as intended at the relevant time. More generally, any of the above matters or any other significant change to the setting or existence of LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark might have a material adverse effect on the value or liquidity of, and the amount payable under, the applicable Covered Bonds. No assurance may be provided that relevant changes will not be made to LIBOR, SONIA, EURIBOR, TLREF, TRLIBOR or any other relevant benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters and make their own assessment about the potential risks imposed by benchmark reforms and investigations when making their investment decision with respect to the Covered Bonds.

Any of the factors above and their consequences might have a material adverse effect on the trading market for, value of and return on, any Covered Bonds linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the current uncertainty related to the discontinuation of benchmarks, the benchmark discontinuation provisions set out in Condition 4.8 and the Benchmarks Regulation in making any investment decision with respect to any Covered Bonds linked to or referencing a benchmark.

SONIA – The market continues to develop in relation to SONIA as a reference rate for Floating Rate Covered Bonds

Where the applicable Final Terms for a Tranche of Covered Bonds specifies that the interest rate for such Covered Bonds will be determined by reference to the Sterling Overnight Index Average (“*SONIA*”), interest will be determined on the basis of Compounded Daily SONIA (as defined in Condition 4.2(b)(iii)). Compounded Daily SONIA differs from sterling LIBOR in a number of material respects, including (without limitation) that Compounded Daily SONIA is a backwards-looking, compounded, risk-free overnight rate, whereas sterling LIBOR is expressed on the basis of a forward-looking term and includes a credit risk-element based upon inter-bank lending. As such, investors should be aware that sterling LIBOR and SONIA might behave materially differently as interest reference rates for Covered Bonds. The use of SONIA as a reference rate for debt instruments is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of debt securities referencing SONIA.

Accordingly, prospective investors in any Covered Bonds referencing Compounded Daily SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to sterling LIBOR. For example, in the context of backwards-looking SONIA rates, market participants and relevant working groups are, as of the date of this Base Prospectus, assessing the differences between compounded rates and weighted average rates, and such groups are also exploring forward-looking ‘term’ SONIA reference rates (which seek to measure the market’s forward expectation of an average SONIA rate over a designated term). The adoption of SONIA might also see component inputs into swap rates or other composite rates transferring from sterling LIBOR or another reference rate to SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in Condition 4.2(b)(iii) as applicable to Covered Bonds referencing a SONIA rate. In addition, the Issuer may in the future issue Covered Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Covered Bonds issued by it. The nascent development of Compounded Daily SONIA as an interest reference rate for the capital markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, might result in reduced liquidity or increased volatility or might otherwise affect the market price of any SONIA-referenced Covered Bonds from time to time.

Furthermore, interest on Covered Bonds that reference Compounded Daily SONIA is only capable of being determined immediately or shortly prior to the relevant Interest Payment Date. It might be difficult for investors in Covered Bonds that reference Compounded Daily SONIA to estimate reliably the amount of interest that will be payable on such Covered Bonds, and some investors might be unable or unwilling to trade such Covered Bonds without changes to their information technology systems, both of which might adversely impact the liquidity of such Covered Bonds. Further, in contrast to LIBOR-based Covered Bonds, if Covered Bonds referencing Compounded Daily SONIA become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date other than an Interest Payment Date, then the rate of interest payable for the final Interest Period in respect of such Covered Bonds shall only be determined immediately or shortly prior to the date on which such Covered Bonds become due and payable.

In addition, the manner of adoption or application of SONIA reference rates in the eurobond market might differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets might impact any hedging or other financial arrangements that they might put in place in connection with any acquisition, holding or disposal of investments in Covered Bonds referencing Compounded Daily SONIA.

Amendments without Secured Creditor Consent – The Issuer may make modifications to the Transaction Documents without the consent of the Secured Creditors

The Agency Agreement provides that the Issuer may (without the consent of the other parties thereto and, subject to the provisions of the other applicable Transaction Documents, the other parties thereto and any other Secured Creditors)

make amendments to the Conditions or any of the other Transaction Documents under certain circumstances, as more particularly set out in “*Description of the Transaction Documents - Agency Agreement - Amendments.*” Such amendments might negatively affect one or more of the Covered Bondholders or other Secured Creditors.

Risks Relating to Investments in the Covered Bonds Generally

In addition to the structure-specific risks noted above, investors in the Covered Bonds will be subject to additional risks relating to investing in the Covered Bonds. Such risks that the Issuer’s management has identified as having a material impact on investors in the Covered Bonds are set out in this sub-category; *it being understood* that the following does not address any specific conditions of, or circumstances relating to, any particular investor (including such investor’s own tax, regulatory or other circumstances) but rather to investors generally speaking.

No Secondary Market – An active secondary market in respect of the Covered Bonds might never be established or might be illiquid and this might adversely affect the price at which an investor could sell its investment in the Covered Bonds

The Covered Bonds generally will have no established trading market when issued and one might never develop or, if developed, it might not be sustained. If a market does develop, then it might not be very liquid and investments in the Covered Bonds might trade at a discount to their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Bank’s financial condition. Therefore, investors might not be able to sell their investments in the Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. If an active trading market for investments in the Covered Bonds is not developed or maintained, then the market or trading price and liquidity of investments in the Covered Bonds might be adversely affected.

Market Price Volatility – The market price of an investment in the Covered Bonds might be subject to a significant degree of volatility

The market price of an investment in the Covered Bonds might be subject to significant fluctuations in response to actual or anticipated variations in market interest rates, the Issuer’s operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale by the Group of other debt securities, as well as other factors, including the trading market for debt issued by Turkish governmental entities. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, might adversely affect the market price of an investment in the Covered Bonds without regard to the Issuer’s financial condition or results of operations. For example: (a) investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase above the interest rate paid on such Fixed Rate Covered Bonds, then this will adversely affect the market price of an investment in such Fixed Rate Covered Bonds, and (b) investment in any Covered Bonds involves the risk of adverse changes in the market price of an investment in such Covered Bonds if the interest rate or (for Floating Rate Covered Bonds) margin of new similar debt instruments of the Issuer would be higher.

Consent for Modifications – The Conditions contain provisions that permit their modification without the consent of all of the investors in the applicable Series

The Conditions contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally and for Extraordinary Resolutions to be passed in writing or by way of electronic consents. These provisions permit investors in the Covered Bonds in a Series holding defined percentages of the Covered Bonds of such Series to bind all investors in the Covered Bonds of such Series, including investors that did not attend and vote at the relevant meeting (or did not sign such a written resolution or provide such electronic consent, as applicable) and investors that voted in a manner contrary to the decision of the deciding group. As a result, decisions might be taken by the holders of such defined percentages of the Covered Bonds of a Series that are contrary to the preferences of any particular investor in such Series.

In addition, the consent or approval of the Covered Bondholders or the Couponholders is not required in the case of amendments to the Conditions pursuant to the benchmark discontinuation provisions described above under “-Benchmarks Uncertainty” to vary the method or basis of calculating the rate(s) or amount of interest or the basis for calculating any Interest Amount in respect of the Covered Bonds or for any other variation of the Conditions and/or the Agency Agreement required to be made in the circumstances described in the benchmark discontinuation provisions.

Further Issues – The Bank may issue further Covered Bonds of any Series, which would dilute the existing Covered Bondholders’ share of the Covered Bonds of such Series

As permitted by Condition 16, the Bank may from time to time without the consent of the Covered Bondholders of a Series create and issue further Covered Bonds of such Series; *provided* that (among other conditions): (a) such further Covered Bonds will be fungible with the existing Covered Bonds of such Series for U.S. federal income tax purposes as a result of their issuance being a “qualified reopening” under U.S. Treasury Regulation §1.1275-2(k) unless the original Covered Bonds were, and such further Covered Bonds are, offered and sold by (or on behalf of) the Issuer solely in reliance upon Regulation S in offshore transactions to Persons other than U.S. persons and (b) with respect to any Series that is rated by one or more Relevant Rating Agency(ies), a Rating Agency Confirmation from the Relevant Rating Agency(ies) of such Series shall have been obtained *unless* the new issuance is denominated and payable in Turkish Lira. To the extent that the Bank issues further Covered Bonds of a Series, the share of an existing Covered Bondholder of such Series (e.g., in respect of any meeting of holders of the Covered Bonds of that Series (see “-Consent for Modifications”)) will be diluted.

Transfer Restrictions – Transfers of investments in the Covered Bonds will be subject to certain restrictions and investments in Global Covered Bonds can only be held through a Clearing System

Although the CMB has granted the CMB Approval authorising the issuance of a maximum principal amount of Covered Bonds (and other securities) pursuant to the Turkish Covered Bonds Law and other related law as debt securities to be offered outside of Turkey, the Covered Bonds have not been and are not expected to be registered: (a) under the Securities Act or any applicable state’s or other jurisdiction’s securities laws or (b) other than by the Central Bank of Ireland as described herein, with the SEC or any other applicable state’s or other jurisdiction’s regulatory authorities. The offering of the Covered Bonds (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and in compliance with other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Covered Bonds will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See “Transfer and Selling Restrictions.”

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

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

The Bank is a joint stock company organised under the Applicable Laws of Turkey (specifically, under the Banking Law). Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might not be possible for investors in the Covered Bonds to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the Applicable Laws of such other jurisdictions.

In addition, under Turkey’s International Private and Procedure Law (Law No. 5718), a judgment of a court established in a country other than Turkey might not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments; *however*, Turkish

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

Change in Law – The value or market price of an investment in the Covered Bonds might be adversely affected by a change in the Applicable Laws of England or Turkey or in administrative practice in those jurisdictions

The Conditions are based upon the Applicable Laws of England and Turkey and administrative practice in effect as of the date of this Base Prospectus, and having regard to the expected tax treatment of all relevant entities under such Applicable Laws and practice. No assurance can be given as to the impact of any possible judicial decision or change to the Applicable Laws of England or Turkey (or the Applicable Laws of any other jurisdiction) (including any change in regulation that might occur without a change in the primary legislation) or administrative practice in England or Turkey after the date of this Base Prospectus, nor can any assurance be given as to whether any such change might materially adversely affect the ability of the Issuer to make payments under the Covered Bonds or the value or market price of an investment in the Covered Bonds.

Tax Sharing Laws – Covered Bondholders may be requested to provide tax information to the Issuer and/or one or more of the Paying Agents

The Conditions provide that: (a) the Issuer and/or any Paying Agent may request each Covered Bondholder to provide to the Issuer and each Paying Agent (or any agent acting on any of their respective behalf) all information reasonably available to it that is reasonably requested by the Issuer and/or such Paying Agent (or any agent acting on any of their respective behalf) in connection with the Tax Sharing Laws; and (b) each of the Issuer and the Paying Agents (or any agent acting on any of their respective behalf) may: (i) provide such information, any related documentation and any other information concerning such Covered Bondholder’s investment in the Covered Bonds to each other and/or any relevant tax authority; and (ii) take such other steps as it may deem necessary or helpful to comply with the Tax Sharing Laws; *provided that* such provisions will not apply to any Covered Bondholder that is an Exempt Government Entity. For the purpose of clarification, this is applicable only to the registered Covered Bondholders (or holders of Bearer Covered Bonds) and not to holders of beneficial interests in the Covered Bonds through Clearing Systems.

“*Tax Sharing Laws*” means any tax-related Applicable Law, including any such Applicable Law related to implementation of the Organisation for Economic Co-operation and Development (the “*OECD*”) Standard for Automatic Exchange of Financial Account Information Common Reporting Standard, requiring the Issuer to provide to any governmental, regulatory, tax or other authorities any information relating to an investor in the Covered Bonds or any other payee, including so as to give effect to any intergovernmental agreements or tax information exchange agreements entered into by Turkey with the United States (including relating to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder (including any agreement described in Section 1471(b) of the Code) or official interpretations thereof, intergovernmental agreements between the United States and other jurisdictions facilitating the implementation thereof (each such agreement, an “*IGA*”) and any Applicable Law implementing such an IGA (together, “*FATCA*”), the United Kingdom or any other country.

“*Exempt Government Entity*” means any of: (a) a government, (b) a political subdivision of any government (which, for the avoidance of doubt, includes a state, territory, province, county or municipality), (c) a public body performing a function of any government, (d) a political subdivision of any such public body, (e) an international organisation (e.g., the European Bank for Reconstruction and Development, the European Investment Bank or the International Finance Corporation), (f) a central bank or (g) an entity wholly owned by one or more of the foregoing.

Definitive Covered Bonds might need to be Issued – Investors who hold interests in Global Covered Bonds in denominations that are not a Specified Denomination might be adversely affected if Definitive Covered Bonds are subsequently required to be issued

In relation to any issue of Bearer Global Covered Bonds or Registered Global Covered Bonds (each a “*Global Covered Bond*”) and having denominations consisting of a minimum specified denomination *plus* one or more higher integral multiples of another smaller amount (the “*Specified Denomination*”), it is possible that interests in such Global

Covered Bonds might be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, an investor who, as a result of trading such amounts, holds an amount that is less than the minimum Specified Denomination in an account with the relevant Clearing System at the relevant time: (a) would not be able to sell the remainder of such holding without first purchasing a principal amount of Covered Bonds at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination and (b) may not receive a Definitive Covered Bond in respect of such holding (should Definitive Covered Bonds replace the applicable Global Covered Bond) and would need to purchase or sell a principal amount of Covered Bonds at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If Definitive Covered Bonds are issued, then the holders thereof should be aware that Definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination might be illiquid and difficult to trade.

Reliance upon Clearing Systems – Investors in Global Covered Bonds will be subject to the rules of the applicable Clearing System and their ability to exercise rights relating to the Covered Bonds directly might be limited

Unless issued in definitive form, the Covered Bonds will be represented on issue by one or more Global Covered Bond(s) that will be: (a) deposited with and (if issued in registered form) registered in the name of a nominee for a Common Depository or a Common Safekeeper, as the case may be, for Euroclear and/or Clearstream, Luxembourg or (b) deposited with and registered in the name of a nominee for DTC. Except in the circumstances described in the applicable Global Covered Bond and Final Terms, investors in a Global Covered Bond will not be entitled to receive Covered Bonds in definitive form. Each of the Clearing Systems and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Covered Bond held through it. While Covered Bonds are represented by a Global Covered Bond, investors will be able to trade their beneficial interests therein only through the relevant Clearing Systems and their respective direct and indirect participants.

Except in certain circumstances described in Condition 5.9 with respect to non-U.S. dollar payments for Global Covered Bonds for which DTC is the Clearing System, for so long as the Covered Bonds are represented by Global Covered Bonds, the Issuer will discharge its payment obligations thereunder by making payments through the relevant Clearing System(s). A holder of a beneficial interest in a Global Covered Bond must rely upon the procedures of the relevant Clearing System and its participants to receive payments in respect of their interests in such Global Covered Bond. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Covered Bond.

Holders of beneficial interests in a Global Covered Bond will be subject to the applicable procedures of the applicable Clearing System, its participants and any other intermediary and will not have a direct right to vote in respect of the Covered Bonds so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) and its participants to appoint appropriate proxies or to act directly. Similarly, holders of beneficial interests: (a) in a Global Covered Bond might have to prove their interests in order to take enforcement action against the Issuer in the event of a default under the relevant Covered Bonds and (b) in a Global Covered Bond for which DTC is the clearing system will be subject to the applicable procedures of DTC and might not have a direct right to take enforcement action against the Issuer in the event of a default under the relevant Covered Bond.

Sanction Targets – Investors in the Covered Bonds might have indirect contact with Sanction Targets as a result of the Group's investments in and business with countries or persons on sanctions lists

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and Syria, and specially designated nationals (“SDNs”), and other United States, United Kingdom, EU and United Nations rules impose similar restrictions (the SDNs and other targets of these restrictions being together the “Sanction Targets”). As the Bank is not a Sanction Target, these rules do not prohibit U.S. or European investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group’s current policy is not to engage in any impermissible business with Sanction Targets, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Covered Bonds might incur the risk of indirect contact with Sanction Targets. In addition, there can be no assurance that current counterparties of the Group will not become Sanction Targets in the future. See “The Group and its Business – Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies” and “The Group and its Business – Compliance with Sanctions Laws.”

Exchange Rate Risks and Exchange Controls – If an investor has investments in Covered Bonds that are not denominated in the investor’s home currency, then such investor will be exposed to movements in exchange rates adversely affecting the value of such investor’s holding; in addition, the imposition of exchange controls in relation to any Covered Bonds might result in an investor not receiving payments on those Covered Bonds

Except as described otherwise herein, the Issuer will pay principal and interest on the Covered Bonds in the Specified Currency, which presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “*Investor’s Currency*”) other than the Specified Currency. These include the risk that exchange rates might significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that the Turkish government and/or authorities with jurisdiction over the Investor’s Currency might impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease: (a) the Investor’s Currency-equivalent yield on the Covered Bonds, (b) the Investor’s Currency-equivalent value of the interest and principal payable on the Covered Bonds and (c) the Investor’s Currency-equivalent market price of an investment in the Covered Bonds.

Government and monetary authorities might impose exchange controls that might adversely affect an applicable exchange rate and/or the ability to convert and/or transfer currency. If this occurs, particularly if it directly affects the Bank’s payments on the Covered Bonds, then an investor in the Covered Bonds might receive less interest or principal than expected, or no interest or principal, and/or might receive payment in a currency other than the applicable Specified Currency. An investor might also not be able to convert (at a reasonable exchange rate or at all) amounts received in the applicable Specified Currency into the Investor’s Currency, which might materially adversely affect the market price of an investment in the Covered Bonds. There might also be tax consequences for investors of any such currency changes.

Credit Ratings – Credit ratings assigned to the Issuer or any Covered Bonds might not reflect all risks associated with an investment in those Covered Bonds and might be lowered, suspended or withdrawn

The expected initial credit rating(s) (if any) of a Tranche of Covered Bonds will be set out in the Final Terms for such Tranche. Any relevant rating agency may lower, suspend or withdraw its rating if, in its sole judgment, the credit quality of the applicable Covered Bonds has declined or is in question. If any credit rating assigned to a Series is lowered, suspended or withdrawn, then the market price of an investment in the applicable Covered Bonds might decline.

In addition to the ratings of the Programme and/or a Series of Covered Bonds provided by Moody’s and Fitch, and the ratings of the Bank by the Rating Agencies, one or more other independent credit rating agency(ies) might assign credit ratings to the Programme, a Series of Covered Bonds and/or the Issuer. In addition, the ratings might not reflect the potential impact of all risks relating to the structure, market, additional factors discussed above and other factors that might affect the value or market price of an investment in the Covered Bonds.

A credit rating is not a recommendation to buy, sell or hold securities and might be revised, suspended or withdrawn by the applicable rating agency at any time. Similar ratings on different types of securities do not necessarily mean the same thing. Ratings on any Covered Bonds also do not address the marketability of investments in such Covered Bonds or any market price. Any change in the credit ratings of any Covered Bonds or the Bank might adversely affect the price that a subsequent purchaser will be willing to pay for investments in such Covered Bonds. The significance of each rating should be analysed independently from any other rating.

Other Risks Relating to the Covered Bonds

EU Covered Bond Framework – Risks might arise from the EU framework for covered bonds

Regulation (EU) 2019/2160 (as regards exposures in the form of covered bonds) (the “*Covered Bond Regulation*”) and Directive (EU) 2019/2162 (on the issue of covered bonds and covered bond public supervision) (the “*Covered Bond Directive*”) were published in the Official Journal of the EU on 18 December 2019 and entered into force on 6 January 2020. Member States of the EU are required to transpose the Covered Bond Directive (and ensure that national measures implementing the Covered Bond Directive apply) by no later than 8 July 2022, which is also the date from which the Covered Bond Regulation will apply.

Covered bonds falling within the scope of the Covered Bond Directive are treated preferentially under certain EU capital requirements; *however*, the Covered Bond Directive defines “covered bonds” to only include covered bonds issued by credit institutions that are subject to these EU capital requirements. Accordingly, covered bonds issued by a Turkish issuer will not qualify for such preferential treatment and might therefore be less attractive to investors that are EU credit institutions than covered bonds issued by EU credit institutions.

The Covered Bond Directive includes a requirement that the EU Commission should assess the need and relevance for an equivalence regime to be introduced for third-country issuers of, and investors in, covered bonds, and that the EU Commission should, no later than 8 July 2024, submit a report on this topic to the European Parliament and to the European Council, together with a legislative proposal, if appropriate. There is no basis as of the date of this Base Prospectus to predict when equivalence legislation, if any, might be adopted. The implementation of the EU covered bond framework might, accordingly, adversely impact the liquidity of investments in the Covered Bonds to the extent that it discourages investors in the EU from investing in the Covered Bonds. Similar circumstances might arise with respect to other jurisdictions.

Conflicts of Interest – The Dealers and other parties to the Programme might have multiple interests, which might affect the actions they take with respect to the Programme

Certain parties to the Transaction Documents act in more than one capacity under the Transaction Documents and also might have other credit and/or other relationships (as principal and/or fiduciary) with the Issuer. The fact that these entities fulfil more than one role might lead to a conflict between the rights and obligations of these entities in one capacity and the rights and obligations of these entities in another capacity. In addition, this might also lead to a conflict between the interests of these entities and the interests of the Covered Bondholders. Any such conflict might adversely affect the ability of the Issuer to make payments of principal and/or interest in respect of the Covered Bonds.

In particular, in the ordinary course of their business activities, the Dealers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities might involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds. Any such short positions might adversely affect future trading prices of an investment in the Covered Bonds. The Dealers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in the Covered Bonds.

New Market – There has historically been no market for covered bonds from Turkish issuers, the potential future liquidity and market for which is thus uncertain and for which market practices are likely to develop over time

Covered bonds issued under the Covered Bonds Communiqué are relatively new to the market, and to date there have only been a limited number of issuances of covered bonds by Turkish issuers. The Covered Bonds Communiqué thus remains largely untested and the market for covered bonds issued under the Covered Bonds Communiqué is subject to frequent change arising from the development of the market based upon the needs of the issuers and investors in Turkish covered bonds. The entities that will play key roles in the issuance of Covered Bonds, such as the Cover Monitor or the Administrator, if any, might be carrying out their duties with respect to the issuance of Covered Bonds for the first time or have little experience in acting in their respective roles.

This uncertainty might cause changes with respect to certain aspects of the Issuer’s Covered Bond issuances in order to comply with changing regulations, including issuances of new Series of Covered Bonds that have different terms than those of then-outstanding Series. The untested market for Turkish covered bonds, and such variations among Series (or among covered bonds issued by different Turkish issuers), might negatively affect the price at which investments in the Covered Bonds could be sold.

EMIR – The implementation of EMIR might result in additional costs to investors in the Covered Bonds and/or the Issuer and might affect the Issuer’s ability to enter into Hedging Agreements

On 16 August 2012, the European Market Infrastructure Regulation (EU No. 648/2012) came into force (as amended, including by Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019, “EMIR”). Under EMIR, over-the-counter (“OTC”) derivatives that are entered into by financial counterparties, such as investment firms, credit institutions, insurance companies, amongst others, and non-financial counterparties that have positions in OTC derivative contracts exceeding specified “clearing thresholds” have to be cleared (the “*Clearing Obligation*”) via an authorised central counterparty (a “*CCP*”). In addition, EMIR requires the reporting of derivative contracts to a trade repository and introduces certain risk mitigation requirements in relation to OTC derivative contracts that are not cleared by a CCP.

Prospective investors should be aware that the changes in Applicable Law arising from EMIR might in due course significantly raise the costs of entering into derivative contracts and might adversely affect the Issuer’s ability to enter into derivative contracts. In particular, prospective investors should note that, while it is unlikely that any derivative contracts recorded in the Hedging Agreements (the “*Cross Currency Swaps*”) would form part of a class of OTC derivatives that will be declared subject to the Clearing Obligation, this cannot be excluded. If the Clearing Obligation applied to any Cross Currency Swaps, then related amendments might be required to any Hedging Agreements and other Transaction Documents to allow the Issuer to comply with this obligation.

EMIR further requires that all financial counterparties exchange variation margin in respect of their OTC derivatives transactions. The relevant technical standards include an exemption for a covered bond issuer from the requirement to post margin in respect of hedging transactions relating to its covered bonds; *however*, the rules still require a covered bond issuer’s swap counterparties to provide margin to such issuer in respect of any related hedging transactions. As such, the current intention is for the Issuer to take advantage of this exemption such that it would not be required to post any collateral in respect of any Cross Currency Swaps or any replacement cross currency swap transactions.

Prospective investors should note that it is not entirely clear whether the exemption referred to above also applies to covered bond issuers that are incorporated outside of the European Union. If the Issuer were required to provide margin to its swap counterparties under the Hedging Agreements, then it might be more expensive for the Issuer to enter into, or maintain, any Cross Currency Swaps, or replace any cross currency swaps. Further, any unsecured claims that the investors in the Covered Bonds might have against the Issuer would be adversely affected to the extent of any margin provided by the Issuer to its swap counterparties.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of each Tranche of the Covered Bonds, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Covered Bonds (the estimated amount of which net proceeds will, for each Series listed on a regulated market in the EEA, be set out in the applicable Final Terms) will be applied by the Bank for its general corporate purposes; *however*, for any particular Series, the Bank may agree (and so specify in the Final Terms for the Tranche(s) of such Series) with the relevant Dealer(s) or investor(s) that the proceeds of the issuance of the applicable Covered Bonds shall be used for one or more specific purpose(s), such as environmental development or sustainability. The use of proceeds, if any, provided in the Final Terms for each Tranche in a Series with more than one Tranche shall be the same.

SUMMARY FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the following summary financial and other information have been extracted (except as noted in the “Key Ratios and Other Information” table) from the Group’s BRSA Annual Financial Statements without material adjustment. The information in this section should be read in conjunction with the information contained in the relevant BRSA Financial Statements (including the notes therein) incorporated by reference herein.

	As of 31 December	
	2018	2019
	<i>(TL thousands)</i>	
Balance Sheet Data:		
Financial Assets (Net)	113,783,784	146,684,179
<i>Cash And Cash Equivalent</i>	56,099,002	75,757,697
<i>Financial Assets at Fair Value Through Profit or Loss</i>	3,497,105	4,801,495
<i>Financial Assets at Fair Value Through Other Comprehensive Income...</i>	47,849,702	61,013,720
<i>Derivative Financial Assets</i>	6,337,975	5,111,267
<i>Expected Credit Loss (-)</i>	35,486	51,910
Financial Assets Measured at Amortised Cost	330,344,140	353,653,240
<i>Loans</i>	305,163,170	328,239,867
<i>Lease Receivables</i>	5,646,181	5,504,078
<i>Factoring Receivables</i>	2,760,989	3,387,290
<i>Other Financial Assets Measured at Amortised Cost</i>	29,013,507	33,639,301
<i>Expected Credit Loss (-)</i>	12,239,707	17,117,296
Assets Held For Sale And Discontinued Operations (Net)	283,138	1,190,220
Equity Investments	9,418,560	11,190,991
<i>Investments in Associates (Net)</i>	212,705	255,838
<i>Subsidiaries (Net)</i>	9,202,767	10,929,898
<i>Joint Ventures (Net)</i>	3,088	5,255
Tangible Assets (Net)	7,104,041	7,994,765
Intangible Assets (Net)	883,541	1,196,724
Investment Property (Net)	3,704,581	3,444,979
Current Tax Asset	170,828	23,646
Deferred Tax Asset	1,543,870	1,950,997
Other Assets	32,670,874	37,722,097
Total Assets	499,907,357	565,051,838
Deposits	248,981,402	302,791,204
Funds Borrowed	72,582,007	72,306,980
Money Markets	11,980,587	3,030,335
Securities Issued (Net)	40,642,271	39,291,778
Funds	32,529	58,950
Derivative Financial Liabilities	4,558,286	2,731,824
Lease Payables	-	956,884
Provisions	15,161,685	17,860,585
Current Tax Liability	1,728,531	1,586,552
Deferred Tax Liability	80,066	76,292
Subordinated Debts	12,708,575	15,376,976
Other Liabilities	35,836,525	43,282,011
Total Liabilities	444,293,464	499,350,371
Shareholders’ Equity	55,614,893	65,701,467
Total Liabilities and Shareholders’ Equity	499,907,357	565,051,838

	As of 31 December 2017
	<i>(TL thousands)</i>
Balance Sheet Data:	
Cash and Balances with the Central Bank.....	36,829,512
Financial Assets at Fair Value through Profit or Loss (Net) ...	3,678,346
Banks	10,739,002
Money Market Placements.....	465,012
Financial Assets Available for Sale (Net)	55,871,376
Loans.....	268,022,666
Factoring Receivables	4,207,335
Held to Maturity Investments (Net)	9,193,175
Investments in Associates (Net).....	197,053
Investments in Subsidiaries (Net)	7,187,875
Investments in Joint Ventures (Net).....	2,527
Lease Receivables.....	4,411,766
Derivative Financial Assets Held for Risk Management.....	-
Tangible Assets (Net).....	5,921,020
Intangible Assets (Net).....	782,053
Investment Property (Net).....	3,454,409
Tax Assets.....	577,663
Assets Held for Sale and Discontinued Operations (Net).....	184,644
Other Assets	26,031,981
Total Assets	437,757,415
Deposits from the Bank's Risk Group	3,634,717
Other Deposits	204,245,775
Derivative Financial Liabilities Held for Trading	1,572,598
Funds Borrowed.....	63,457,788
Money Market Funds	24,575,223
Marketable Securities Issued (Net)	33,016,744
Funds.....	12,901
Sundry Creditors	28,240,817
Other Liabilities	3,267,710
Derivative Financial Liabilities Held for Risk Management...	78,682
Provisions.....	17,044,695
Tax Liabilities	1,050,933
Subordinated Loans.....	9,434,217
Total Liabilities	389,632,800
Paid-in Capital	4,500,000
Share Premium.....	40,921
Marketable Securities Revaluation Reserve	(1,197,222)
Tangible Assets Revaluation Reserve	3,693,107
Bonus Shares obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures).....	(1,179)
Hedging Reserves (Effective Portion).....	(73)
Other Capital Reserves.....	1,482,577
Profit Reserves	25,631,973
Profit or Loss	8,766,299
Minority Shares.....	5,208,212
Total Equity	48,124,615
Total Liabilities and Equity	437,757,415

	2018	2019
	<i>(TL thousands)</i>	
Income Statement Data:		
Interest Income	44,078,656	48,453,830
Interest Expense	(24,492,384)	(25,654,752)
Net Interest Income	19,586,272	22,799,078
Net Fees and Commissions Income.....	3,756,035	4,611,770
Dividend Income	19,655	20,819
Trading Income/(Loss) (net).....	(2,293,686)	(4,633,920)
Other Operating Income	8,120,963	10,942,888
Gross Operating Income	29,189,239	33,740,635
Expected Credit Loss.....	(6,904,155)	(8,570,651)
Personnel Expense.....	(4,501,780)	(5,252,399)
Other Operating Expenses	(10,154,346)	(12,260,512)
Other Provision Expenses.....	(108,698)	(665,632)
Net Operating Income/(Loss).....	7,520,260	6,991,441
Profit/Loss from Associates Accounted for using the Equity Method..	1,569,036	1,462,479
Profit/Loss on Continuing Operations before Tax	9,089,296	8,453,920
Tax Provision for Continuing Operations.....	1,517,912	1,422,289
Net Period Profit/Loss	7,571,384	7,031,631

	2017
	<i>(TL thousands)</i>
Income Statement Data:	
Net Interest Income	14,831,670
<i>Interest Income</i>	31,108,967
<i>Interest Expense</i>	(16,277,297)
Net Fees and Commissions Income	2,733,423
Dividend Income.....	18,258
Trading Income (net)	(946,253)
Other Operating Income.....	6,765,642
Total Operating Income	23,402,740
Provision for Loans and Other Receivables	(3,016,417)
Total Operating Expenses	(12,862,111)
Net Operating Income.....	7,524,212
Profit/Loss from Associates Accounted for using the Equity Method	842,068
Profit/Loss on Continuing Operations before Tax	8,366,280
Tax Provision for Continuing Operations	(1,660,614)
Net Period Profit/Loss.....	6,705,666

	As of (or for the year ended) 31 December		
	2017	2018	2019
Key Ratios and Other Information:			
Return on average shareholders' equity excluding minority interest.....	13.9%	14.6%	11.3%
Net interest margin	4.6%	5.1%	5.6%
Cost-to-income ratio	42.2%	35.9%	39.8%
NPL ratio	2.1%	4.1%	6.3%
Cost to average total assets	2.0%	1.9%	2.2%
<i>Capital Adequacy:</i>			
Tier 1 ratio ⁽¹⁾	12.4%	12.3%	13.2%
Capital adequacy ratio ⁽²⁾	15.2%	15.3%	16.4%
<i>Other Information:</i>			
Average employees during the period	24,774	24,730	24,272
Branches at period end	1,364	1,355	1,271
<i>Inflation rate/GDP %:</i>			
Producer price index inflation ⁽³⁾	15.5%	33.6%	7.4%
Gross domestic product (% change) ⁽³⁾	7.5%	2.8%	0.9%

(1) The Tier 1 ratio is: (a) the "Tier 1" capital (*i.e.*, the common equity Tier 1 capital *plus* additional Tier 1 capital *minus* regulatory adjustments to common equity) *as a percentage of* (b) the aggregate of the credit risk, market risk and operational risk. Capital adequacy ratios are based upon BRSA regulations. See "Capital Adequacy" below.

(2) The capital adequacy ratio is: (a) the sum of "Tier 1" capital *plus* "Tier 2" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt) *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) *as a percentage of* (b) the aggregate of the credit risk, market risk and operational risk. The capital adequacy ratios are based upon BRSA regulations. See "Capital Adequacy" below.

(3) As published by TurkStat.

The calculation of the Group's cost-to-income ratio for the indicated periods is as follows:

	2017	2018	2019
	<i>(TL thousands, except percentages)</i>		
Total Operating Expenses.....	12,862,111	14,656,126	17,512,911
Insurance and Reinsurance Companies' Expenses	(4,556,418)	(5,652,737)	(5,831,689)
Costs	8,305,693	9,003,389	11,681,222
Total Operating Income.....	23,402,740	29,189,239	33,740,635
Profit/loss from associates accounted for using the equity method	842,068	1,569,036	1,462,479
Insurance and Reinsurance Companies' Expenses	(4,556,418)	(5,652,737)	(5,831,689)
Income	19,688,390	25,105,538	29,371,425
Cost-to-Income Ratio	42.2%	35.9%	39.8%

CAPITALISATION OF THE GROUP

The following tables set forth the total capitalisation of the Group as of the indicated dates. The following financial information has been extracted from the Group's BRSA Financial Statements without material adjustment. This table should be read in conjunction with the BRSA Financial Statements (including the notes therein) incorporated by reference into this Base Prospectus.

	As of 31 December 2017
	<i>(TL thousands)</i>
Paid-in Capital	4,500,000
Capital Reserves	4,018,131
Profit Reserves	25,631,973
Prior Years' Profit/Loss	2,698,654
Capital stock; legal reserves, retained earnings and other equity accounts	36,848,758
Current period net income attributable to equity holders of the Bank	6,067,645
Total shareholders' equity	42,916,403
Long-term debt ⁽¹⁾	91,786,217
Total capitalisation	134,702,620

(1) Long-term debt includes the funds borrowed (including subordinated loans and debt securities in issue) with an original maturity over one year.

	As of 31 December	
	2018	2019
	<i>(TL thousands)</i>	
Paid-in Capital	4,500,000	4,500,000
Capital Reserves	1,129,862	1,126,870
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	4,734,287	4,790,355
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(112,960)	2,960,512
Profit Reserves	29,037,168	36,844,887
Capital stock; legal reserves, retained earnings and other equity accounts	39,288,357	50,222,624
Profit or Loss	10,303,541	8,413,254
Total shareholders' equity	49,591,898	58,635,878
Long-term debt ⁽¹⁾	110,958,963	111,811,905
Total capitalisation	160,550,861	170,447,783

(1) Long-term debt includes the funds borrowed (including subordinated loans and debt securities in issue) with an original maturity over one year.

THE GROUP AND ITS BUSINESS

Overview of the Group

As of 31 December 2019, the Bank: (a) was the largest private bank in Turkey in terms of shareholders' equity, total assets, total deposits, demand deposits, total loans and number of branches and (b) had the largest market shares of Turkish Lira-denominated loans, foreign currency-denominated loans, non-retail loans, Turkish Lira-denominated deposits and foreign currency-denominated deposits (source: BRSA data excluding participation banks, each as measured on a bank-only basis). The Bank was the market leader in mutual funds distribution as of 31 December 2019 (source: Central Registry İstanbul). The Bank operates in six main business segments: (a) Corporate Banking, (b) Commercial Banking, (c) Retail Banking, (d) Private Banking, (e) Capital Market Operations and (f) Other Banking Services.

As of 31 December 2019, the Group had total assets of TL 565,052 million, an increase of 13.0% from TL 499,907 million as of 31 December 2018, itself an increase of 14.2% from TL 437,757 million as of 31 December 2017. As of 31 December 2019, the Group had total deposits of TL 302,791 million, an increase of 21.6% from TL 248,981 million as of 31 December 2018, itself an increase of 19.8% from TL 207,880 million as of 31 December 2017.

As of 31 December 2019, the Group had total shareholders' equity of TL 65,701 million, an increase of 18.1% from TL 55,615 million as of 31 December 2018, itself an increase of 15.6% from TL 48,125 million as of 31 December 2017.

In 2019, the Group's net profit was TL 7,032 million, a 7.1% decrease from TL 7,571 million as of 31 December 2018, itself a 12.9% increase from TL 6,706 million in 2017. In 2019, the Group's net interest income was TL 22,799 million, a 16.4% increase from TL 19,586 million as of 31 December 2018, itself an increase of 32.1% from TL 14,832 million in 2017.

As of the date of this Base Prospectus, the Bank's shares are quoted on the Borsa İstanbul and also are traded by qualified institutional buyers on over the counter markets in the form of American Depositary Receipts and at the London Stock Exchange in the form of Global Depositary Receipts. As of 31 December 2019, 39.10% of the Bank's shares were held by the Bank's own employee pension fund and 28.09% (Atatürk's shares) were owned by the CHP. The remaining 32.81% was listed publicly on the Borsa İstanbul.

As of 31 December 2019, the Bank had the largest network of branches among private sector banks in Turkey, with 1,249 domestic branches covering every city (source: Banks Association of Turkey). The Bank also has an international presence through its own London, North London (England), Arbil (Iraq), Baghdad (Iraq), Bahrain, Pristina (Kosovo) and Prizren (Kosovo) branches; through İşbank AG, a wholly-owned subsidiary with ten branches in Germany and one branch in The Netherlands ; through Moscow based JSC İşbank, a wholly-owned subsidiary with three branches in Russia; and through Tbilisi-based JSC Isbank Georgia, a wholly-owned subsidiary with two branches in Georgia. Besides these, as of such date, the Bank had 15 branches in the TRNC and a representative office in each of the People's Republic of China and Egypt.

Part of the Bank's original mandate and strategy was to support the growth and development of the Turkish economy. As part of this strategy, the Bank acquired numerous equity participations in other companies over time and has taken part in the establishment of companies in a range of industries, in a number of cases being the first Turkish company to be active in such industries. The Bank has disposed of many of these equity participations over the years. As of 31 December 2019, the Bank had a direct equity interest in 24 companies, seven of which were then classified under available-for-sale securities. These companies are active in a wide range of industrial and service sectors, mainly finance and glass.

Strengths

The Bank's management believes that the Group has a number of key strengths that enable the Group to compete effectively in the Turkish banking sector. As of the date of this Base Prospectus, the Bank's management sees these key strengths as being:

Market Leader in Turkish Banking Sector in Size and Scope of Operations

As noted above, as of 31 December 2019, among private sector banks in Turkey, the Bank was the largest bank in Turkey in terms of its total assets, total loans, total deposits and shareholders' equity (source: Banks Association of Turkey). The Bank was the market leader in mutual funds distribution as of such date, with the net asset value of mutual funds distributed amounting to TL 15.86 billion (source: Central Registry İstanbul). As of 31 December 2019, the Bank supported its market-leading position by having the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,249 domestic branches, 22 international branches and 6,506 domestic ATMs (sources: Banks Association of Turkey and Interbank Card Centre). The Bank's management believes that the Bank's extensive branch network helps to support the growth of the Bank's assets and liabilities. The Bank did not open any new domestic branches in 2019 (84 domestic branches were consolidated with other branches during this period) and the Bank (as of the date of this Base Prospectus) plans to consolidate approximately 40 branches during 2020.

The Bank's management believes that the Group's market leadership position and broad distribution network have supported its strong growth across both its asset and liability portfolios and enabled it to benefit significantly from economies of scale, given the macroeconomic environment. The Bank's loan portfolio grew from TL 239,409 million as of 31 December 2017 to TL 260,316 million as of 31 December 2018 and TL 270,360 million as of 31 December 2019, a compound annual growth rate ("CAGR")¹ of 6.3%. The Bank's total deposits grew from TL 203,752 million as of 31 December 2017 to TL 245,269 million as of 31 December 2018 and TL 295,922 million as of 31 December 2019, resulting in a CAGR of 20.5%.

Strong Liquidity and Capital Structure with Conservative Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 65,701 million and a capital adequacy ratio of 16.4% as of 31 December 2019 (under BRSA) (13.2% calculated using Tier 1 capital only). The cash loan-to-deposit ratio of the Group was 101.6% as of 31 December 2019 (118.6% as of 31 December 2018 and 128.5% as of 31 December 2017). Although a large portion of the Bank's deposits are, similar to the Turkish banking sector, short-term (with durations of less than 90 days), the majority of the Bank's deposits have historically been reinvested (with accounts having on average been open for 7.7 years as of 31 December 2019).

The Group has an immaterial exposure to sovereign debt, other than that of Turkey, as most of its investment securities are composed of Turkish government T-bills and bonds. As a result, the Group was less affected than many other global financial institutions from the reduction of liquidity and increased cost of funding that occurred during the global financial crisis. Accordingly, the Bank's management believes that the Bank's strong balance sheet has supported its ability to attract a strong deposit base and that the Bank has benefitted from a "flight to quality" during difficult market conditions, with deposits of TL 295,922 million as of 31 December 2019, an increase from TL 245,269 million as of 31 December 2018, itself an increase of 20.4% from TL 203,752 million as of 31 December 2017. Overall, the Bank's total assets grew from TL 362,244 million as of 31 December 2017 to TL 416,388 million as of 31 December 2018 and TL 468,059 million as of 31 December 2019, resulting in a CAGR of 13.7%. The Bank's return on average total assets was 1.6%, 1.7% and 1.4% for 2017, 2018 and 2019 (compared to 1.7%, 1.6% and 1.2%, respectively, for the sector, according to figures published by the BRSA) and the return on its average shareholders' equity was 13.4%, 14.8% and 11.4% for 2017, 2018 and 2019 (compared to 14.9%, 14.3% and 11.4%, respectively, for the sector, according to figures published by the BRSA).

Recognised and Trusted Banking Brand in Turkey

The Bank's management believes that the Bank is one of the most widely recognised, respected and trusted banks in Turkey. The Bank has been in business since 1924, weathering Turkey's often turbulent financial markets and establishing a long-standing focus on prudent risk management and a record of financial stability. The Bank was established under the laws of Turkey at the initiative of Mustafa Kemal Atatürk as the first national bank of Turkey. The strength of the Bank's brand, together with its branch network and customer base, have enabled the Group to become a Turkish market leader as well as a trusted banking partner for customers.

¹ CAGR for a period is calculated as follows: $CAGR = [(value\ as\ of\ the\ beginning\ date\ of\ such\ period / value\ as\ of\ ending\ date\ of\ such\ period)^{1/(number\ of\ years\ within\ the\ period)}] - 1$.

Large Customer Base in Turkey

The Bank had approximately 10.8 million retail customers, nearly 8,000 corporate customers and over 1.4 million commercial customers as of 31 December 2019. The Bank had the largest deposit base among private sector banks with TL 295,922 million in deposits as of 31 December 2019 (source: BRSA). The Bank's broad network of branches and alternative distribution channels provide the Bank with presence, access and crucial local knowledge of retail and corporate/commercial customers in every city in Turkey. Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts. As of 31 December 2019, the Bank had the largest nationwide branch network among private sector banks in Turkey according to the Banks Association of Turkey. The Group's relationships with its customers have also typically been long-standing; for example, as of 31 December 2019, the Bank's customers have held deposit accounts with the Bank for an average of 7.7 years.

The Bank's management believes that the relatively large size of the Group's existing customer base compared to its private sector banking competitors provides an important competitive advantage in the highly competitive Turkish banking market given the relatively high cost of attracting new customers as compared to maintaining existing customers and focusing on cross-selling to these existing customers. Accordingly, the Group seeks to ensure that it has in-depth knowledge of its customers and the ability to maximise the value of its existing customer relationships.

In terms of its retail customer base, the Group uses several key models that it can deploy across its large retail customer base to continue to improve its customer knowledge and relationships. By analysing large quantities of information from a variety of sources and combining artificial intelligence-powered technology with predictive algorithms, the Group converts this knowledge into actionable insights. The Group measures customer value with "lifetime value" models and loyalty with "customer-churn" models. The Group also uses other machine-learning algorithms, such as its "next product to buy" models, to enhance its ability to cross-sell products and services and "deposit pricing" models to optimise its deposit costs. Moreover, the Bank's large deposit base provides it with a comparatively low-cost and relatively stable funding source for its lending activities.

In terms of corporate and commercial banking, the Bank segments its customers, supporting better understanding of customers, sustainable customer relationships and targeted services through a network of specialised corporate branches (10 as of 31 December 2019), one specialised branch for multinationals operating in Turkey and specialised commercial branches (47 as of 31 December 2019).

Overall, the Bank's management believes that the Group's extensive and broad customer base and understanding of its customers through long-standing relationships provide it with an important competitive advantage in maintaining and growing its business.

Diversified Loan Portfolio

By focusing on building a diversified portfolio of loans by types of loans, industry sector and borrower concentration, the Group has historically generated strong returns. The Bank increased its loan portfolio from 31 December 2009 to 31 December 2019 at a CAGR of 18.8%. The Group's strong credit and risk management know-how have supported the growth of its loan portfolio and, in the Bank's management's opinion, contributed to the healthy diversification of the portfolio.

The Bank's loan portfolio is diversified in terms of loan type. As of 31 December 2019, 54.7% of the Bank's total loan portfolio was comprised of loans to corporate (as defined by the Corporate Definition) customers, with 21.7%, 5.5% and 18.1% comprised of loans to SMEs (as defined by the BRSA SME Definition), retail credit cards and consumer loans, respectively. The Bank's consumer loans are further broken down into general purpose consumer loans (including overdraft accounts), housing loans and auto loans, comprising 63.3%, 35.6% and 1.1% of total consumer loans, respectively, as of 31 December 2019. The Bank's loan portfolio is also diversified among sectors, with the largest share (in energy) representing no more than 21.56% of the Bank's loan portfolio as of 31 December 2019. In addition, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 1.53% of its loan portfolio as of such date. The share of the Bank's receivables from the top 100 cash loan customers in the overall cash loan portfolio was 37.09% as of 31 December 2019. Moreover, as of 31 December 2019, 43.7% of the Bank's loan portfolio had a term of less than six months until the next repricing. The Bank's commercial loan contracts generally contain clauses permitting the

Bank to make adjustments in the applicable interest rates from time to time, subject to the applicable laws, thereby further limiting interest rate risk.

Prudent Risk Management

Complementing the Bank's diversified loan portfolio, the Bank's management believes it has instilled a prudent and effective risk management culture at all levels of the Group, beginning with careful customer selection to support a quality asset base. The Bank monitors credit quality on an ongoing basis. As the global financial crisis impacted Turkey and the Group's customers, the Group introduced new risk management tools starting from 2008 such as "application scoring models" for retail and SME portfolios and "behavioural scoring models" for corporate, SME and retail portfolios. The Bank also introduced new risk management tools such as applying credit limits to certain industry sectors that have been highly affected by global turmoil, researching potential customers' relationships and credit histories with other banks and becoming more selective in extending new credit lines. The Bank recently renewed its rating models with the aim of having an integrated structure, increasing the models' predictive power and adhering to the best market practices in terms of model framework. The Bank, which grew its loan portfolio by 3.9% during 2019 (4.7% if adjusted for the reclassification of the Bank's loan to OTAŞ in 2019), realised NPL ratios of 2.2%, 4.1% and 6.5% as of 31 December 2017, 2018 and 2019, respectively, as compared to the Turkish banking sector's NPL ratios of 3.0%, 3.9% and 5.4%, respectively (source: BRSA).

The Bank's management believes that the Group's focus on enhanced internal controls and risk management systems, as well as its ability to maintain a diverse loan portfolio, will enable the Group to maintain the high quality of its loan portfolio in the future as the Group seeks to continue to grow its business.

Strong Focus on Employee Training and Development; Highly-Skilled Workforce

The Bank's management believes that a key element of the Group's success has been its emphasis on the quality, training and development of its employees. The Bank's turnover rate (*i.e.*, employee resignations excluding retirees) is very low (for example, it had a rate of 1.86% during 2019). The Group's dedicated and well-trained employees form a cornerstone of its focus on superior customer service and long-standing customer relationships and also provide the Group with a competitive advantage over its competitors, particularly in a growing market where there is a high demand for skilled personnel. Historically, the Group has sought to maximise the opportunity for career development for its employees, with all positions typically filled through internal promotions and appointments.

Maintain High Standards of Corporate Governance and Business Ethics

The Bank's management believes that the Group's internal corporate governance structure reflects the best market practices of the Turkish and international banking sectors. The Group established these corporate governance practices to improve management's efficiency and to further protect the interests of the Group's stakeholders, including its customers and shareholders. The Bank prepares a "Corporate Governance Compliance Report" and a "Corporate Governance Information Form" each year, which are prepared by the Bank's board of directors ("*Board of Directors*") about the compliance of the Bank's corporate governance practices to the corporate governance principles of the CMB.

Strong Record of Innovation

The Bank's management believes that the Group is an innovator and market leader in the Turkish banking sector, having distinguished itself through a number of innovations in Turkey. These innovations include initiating the practice of providing checking services, launching Turkey's first interactive telephone and internet banking service and establishing the first mutual funds in Turkey, including the first mutual fund with a focus on environmental and social responsibility. In addition, the Bank was the first bank in Turkey to establish overseas branches, opening its branches in Hamburg, Germany and Alexandria, Egypt in 1932.

The Bank also introduced electronic banking to Turkey with its brand name, "Bankamatik" ATMs. These ATMs became so popular that ATMs are now generally referred to as "Bankamatiks" even if they are not the Bank's ATMs. Moreover, the Bank was the first bank in Turkey to start mobile banking by using WAP, followed in 2007 by the Bank's introduction of "İşCep," which was the first application-based mobile banking service in Turkey. In November 2012, the

Bank integrated its mobile banking platform with its ATMs, enabling customers to withdraw cash through İşCep by scanning a code on an ATM's screen. As of the date hereof, İşCep supports both iOS and Android operating systems. In 2015, the Bank introduced the "Instant Loan," which provides customers the option to apply for a consumer loan of up to TL 40,000 any time or from any place via their Personal Internet Branch or İşCep. Once the application is approved, the amount requested is transferred instantly into the customer's account. In 2015, the Bank also introduced the "İşCepMatik," which is a new generation ATM device designed for its customers, allowing them to withdraw and deposit cash through Bluetooth or QR code technologies without the need to carry an ATM card or enter a passcode. In 2017, the Bank introduced the "Instant Overdraft Account," which provides customers the option to apply for an overdraft account of up to TL 10,000 any time or from any place via their Personal Internet Branch or İşCep. Once the application is approved, the account opens instantly. In addition, the Bank introduced a mobile wallet application, Maximum Mobil, as a credit card and digital payment platform in March 2017.

In 2015, the Bank successfully integrated the Invoice Registry Centre System (*Merkezi Fatura Kayıt Sistemi*) with the "Supplier Financing" application, allowing customers to obtain funding by discounting invoices.

In November 2016, the Bank introduced "Instant Transaction," which allows the Bank's customers to access information regarding their credit card balance and current bank statements for their travel visa applications via the Bank's website. "Instant Transaction" is designed specifically for customers who don't prefer to login to digital services. Customers may also initiate the process online to obtain mortgages through Instant Transaction and only go to a branch to sign the forms and complete the process. New features introduced to "Instant Transaction" allow users not only to apply for the Bank's own products, but non-customers can even pay their bills with a card issued by any bank. Users who want to become a customer of the Bank can select the "Be a customer" feature for a seamless online customer experience. In addition, new credit card and loan applications for SMEs has been available on "Instant Transaction" since May 2018.

In 2016, the Bank opened its first international innovation center, Maxitech, in San Francisco in order to closely follow the startup ecosystem and new technological developments in Silicon Valley. In 2018, a second center, Softtech China, was founded to monitor developments in China and Asia, in which digitalisation and transformation are increasing rapidly.

As a pioneer in Turkish digital banking, the Bank closely follows advancements in artificial intelligence technologies that lead to improved methods of engagement with customers, thereby enhancing the customer experience. The Bank launched its AI-powered chatbot in the Bank's website in December 2017. The chatbot (named "Ask İsbank") answers frequently asked banking questions and has over 500 questions and answers and was integrated with Facebook Messenger in 2019.

In November 2018, the Bank furthered its use of chatbots by launching (on its mobile banking app "İşCep") a virtual personal assistant "Maxi" using advanced artificial intelligence technologies, deep learning and natural language processing. "Maxi" provides 24/7, one-to-one financial assistance with a best in class technology. Within its first month, 1.3 million users interacted with "Maxi" and over TL 10 million was transferred over the platform. In order to increase touchpoints with users, the Bank integrated "Maxi" with its mobile banking application in January 2019, Google Assistant in February 2019 and WhatsApp Messenger in September 2019. Through 31 December 2019, "Maxi" had been used by 4.9 million users and had processed over 22 million dialogues both in verbal and written format, in addition to being used to transfer over TL 200 million.

As banking methods are also evolving for commercial customers, the Bank launched "Maximum İşyerim" in September 2018, which platform provides commercial customers with payment systems solutions and seeks otherwise to improve the customer experience for commercial customers. This platform allows these customers to observe and manage their payment systems from mobile phones and other digital devices, accept payments through their smart phones and share payment and other information with their customers through e-mail, short messages, social media and other platforms.

Since November 2018, a humanoid robot "Pepper" has been available in certain of the Bank's branches to improve customer experience through the use of robotic technologies. Through 31 December 2019, "Pepper" robots located in 13 branches realized 52,707 conversations. Customers can chat with "Pepper" to learn about the Bank's digital channels, get their queue numbers and complete a satisfaction survey. With the experience acquired, the Bank aims to increase the functionality of "Pepper," produce targeted and relevant content to attract attention and differentiate the customer experience from that at other banks.

The Bank was the first financial institution to have an office in a co-working space (the Kolektif House Levent) in Turkey. The Entrepreneurship Unit, reporting to the Digital Banking Division, acts as a gateway between startups and the Bank. The result is the purchase of products and services from startups, offer their products to the Bank's large customer base, co-develop products with the startups and make equity investments through a portfolio management subsidiary. The Bank also sponsors "Workup," one of the most successful entrepreneurship programs in Turkey.

For additional information on the Group's technological innovations, see "Channel Management" and "Information Technology."

Strategy

The Bank's strategic vision is to become the preferred bank for its customers, shareholders and employees by maintaining its leading, pioneering and reliable position in the banking sector. The Bank's goal is to consistently increase the value it creates for its shareholders by responding to its customers' needs quickly, effectively and with high-quality solutions and encouraging its employees to achieve a high-level performance in their jobs. The Bank's strategy is to achieve sustainable and profitable growth based upon "the bank closest to its customers" philosophy, in an effort to fulfil its vision and objectives. The Bank plans to reach these targets by maintaining its market shares in the primary banking services and leveraging new growth opportunities from a cost effectiveness perspective, continuously improving its asset quality, focusing on sustainable non-interest income generation and price optimisation for all financial products and services, while operating within a risk-based capital management framework. In the medium term, the Bank plans to focus on retail businesses and continue growing in the commercial, corporate and private business lines, while managing its market shares and improving profitability, asset quality, cost-efficiency and capital utilisation. The key elements of the Group's strategy to achieve these goals are set out below.

Capitalise on Expected Growth of the Turkish Economy and Banking Sector through Optimising its Distribution Channels and Introducing New Products and Services

The Group is continuing to focus on leveraging its existing market leadership position and strong national brand by optimising its branch network and developing alternative distribution channels and product and service offerings to capitalise on the expected growth and development of Turkey's economy and resulting growth in demand for banking services. The Bank opened no branches in 2017 (nine domestic branches were consolidated with other branches during 2017), two domestic branches in 2018 (11 domestic branches were consolidated with other branches during 2018) and no new branches in 2019 (84 domestic branches were consolidated with other branches in 2019). The Bank plans to consolidate approximately 40 domestic branches in total in 2020 while maintaining the domestic network coverage as large as possible by merging underperforming branches (particularly in larger cities in which it operates a relatively high number of branches in close proximity) and minimising any customer dissatisfaction due to the branch consolidation. As of the date of this Base Prospectus, Turkey has been under-banked compared to the eurozone, with a total loans-to-GDP ratio as of 31 December 2019 of 62.0% compared to the eurozone average of 162.8% and a total assets-to-GDP ratio as of such date of 104.9% compared to the eurozone average of 272.4% (sources: *Eurostat, ECB, TurkStat, BRSA*). Accordingly, there is significant scope for additional growth in the Turkish banking sector.

In addition, the Group is continuing to develop new products and services across each of its businesses. In its SME business, the Bank offers over 100 products, including a specialised website (www.istekobi.com.tr) that includes current news, articles and industry-specific and economic reports for SMEs.

Defend and Selectively Grow Market Share across Key Markets through Superior Customer Service

In order to maintain and grow its market-leading position, the Bank intends to strengthen customer relationships by utilising the Bank's experienced, dedicated and highly trained employees, extensive distribution network and wide range of products and services to improve customer satisfaction by maximising its presence, accessibility and innovation. The Bank launched its "Customer-Centric Transformation Program" ("CCT") in 2006 to target specific improvements in its customer service regime, operational efficiency and commercial productivity. Since 2011, the Bank has achieved all of its CCT targets, including the introduction of advanced customer segmentation and marketing models and centralisation of many branch operations. Furthermore, the Bank has initiated several additional employee training programmes (such as sales academy training courses) to further enhance the quality of service being delivered to its customers.

To further support its customer-centric focus, the Bank seeks to maximise customer value by, among other things, increasing cross-selling, re-activating inactive customers, building relationships with customers that have the potential to use multiple banking services and focusing on high growth products such as housing loans, insurance and pension products. In particular, the Bank is focusing on selectively growing retail and SME clients, which offer superior potential for growth given Turkey's developing economy.

Reduce its Cost-Base and Increase Productivity and Commercial Effectiveness

The Group plans to continue to focus on operational efficiencies through economies of scale, improving cost controls and identifying other cost reduction and efficiency measures. The Group intends to achieve this through several approaches such as centralisation of branch operations, target-based sales management, increased operational productivity via technological improvements and sales-oriented restructuring of its branch organisation. The Bank plans to use technology and centralised operation centres whenever possible to increase efficiency, and has made significant investment in information technologies such as deployment of Gişematik (teller cash recyclers) and multifunctional ATMs.

The Group also intends to focus on improving its operational efficiency by migrating its customers to digital banking channels and ATMs, and is constantly increasing the number of products available in such channels and enhancing the associated customer experience. As of 31 December 2019, 8.1 million customers were actively using the Bank's digital banking channels and 10 million customers used ATMs during 2019. Non-branch channels accounted for 92.2% of the Bank's total banking transactions during 2019.

Continue to Focus on Recruitment and Development

The quality of the Group's employees and their commitment to the Group's performance are key factors in ensuring the Group's future success. The Group seeks to attract the most promising and talented employees and to retain and develop them throughout their careers. Targeting the best universities is the starting point for the new graduate recruitment process, followed by aptitude and personality tests and competency-based interviews. The Group also offers programmes and training opportunities intended to foster the personal and professional development of its employees, and to support and reward loyalty, responsibility and creativity. The Group strives to design and implement a fair and effective hiring, appraisal and advancement system based upon competence and performance. Succession planning for the top management and programmes designed to meet the specific development needs of high potential managers are the key retention programmes for top personnel, as well as the leadership mentoring programme applied within the Group.

History and Development

The Bank was established under the laws of Turkey in 1924 at the initiative of Mustafa Kemal Atatürk as the first national bank of Turkey and began operating with two branches and 37 staff members. Unlike some of its competitors, the Bank is neither a family-run enterprise nor a state bank. In May 1998, 12.3% of the Bank's total shares previously held by the Turkish Treasury were sold to national and international investors in an initial public offering. The Bank is headquartered in İstanbul and (with its Group) provides a full range of banking services, including corporate banking, commercial banking, retail banking, private banking and capital markets operations. The Bank's articles of association provide for the following activities:

- effecting all kinds of banking transactions,
- setting up or participating in all types of ventures concerning agriculture, industry, mining, the production and distribution of power, public works, transportation, insurance, tourism and exports,
- founding companies for the production, manufacture and procurement of all types of goods or supplies, or to participate in enterprises engaged therein, and
- undertaking and carrying out all types of industrial and commercial transactions in its own name and for its own account as well as jointly with domestic and foreign institutions or in the name and for the account of such institutions.

The Bank was established in Ankara on 26 August 1924 with the Cabinet Decision dated 20 August 1924. On 29 December 1999, the Bank was registered with the İstanbul Chamber of Commerce under registration number 431112 when its registered office was moved to its current location at İş Kuleleri, 34330 Levent, İstanbul. The Bank is a bank under the Banking Law and is duly organised and incorporated and validly existing as a joint stock company (*anonim şirket*) under the Turkish Commercial Code (No. 6102). The duration of operation of the Bank as a joint stock company is unlimited.

Business Activities

The Bank provides a full range of banking services, including in the following sectors:

- *corporate banking activities*: commercial loans, non-cash loans (including letters of guarantee, guarantees and acceptances), foreign trade operations, project finance, merger and acquisition finance, hedging and cash management solutions,
- *commercial banking activities*: commercial deposit taking, business credit and debit cards, commercial loans, small business loans, flexible business loans, overdraft commercial accounts, point of sales-based loans, commercial housing loans, commercial auto loans, tractor and agricultural equipment loans, small business export and investment loans, Eximbank loans for women exporters and young exporters, solar power plant loans (roof or land type), energy efficiency loans, letters of credit, letters of guarantee, bank payment obligations, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, foreign trade operations, sector-specific packages, mobile banking, entrepreneurial banking and women entrepreneurial banking activities, cash management, payment system facilities and support packages for exporters,
- *retail banking activities*: deposit accounts, credit cards, debit cards, prepaid cards, housing loans, general purpose loans, auto loans, overdraft accounts, merchant agreements, payroll accounts, automatic payment instructions, social security premium collection, tax collection, tuition fee collection, investment products, insurance products, mobile banking applications and HGS-OGS (Turkey's highway toll collection system),
- *private banking activities*: in addition to retail banking products and services, Privia-branded products (including Privia credit cards, Privia individual pension accounts, Privia consumer loans and a Privia mutual fund), structured products and portfolio management services in collaboration with İş Portföy, the Group's subsidiary engaged in portfolio management activities, and
- *capital market operations activities*: investment account system, mutual funds distribution, equity brokerage, fixed income brokerage and trading, gold trading, exchange-traded and OTC derivatives brokerage, repo, custody and fund services.

The Bank 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 indicated in the table below. The business activities presented under Financial Participations and Non-Financial Participations in such table are executed by separate legal entities referred to as "participations," which are entities in which the Bank (directly or indirectly) holds shares. For a list of the Group's shareholdings in these participations, see "The Group and its Business – Subsidiaries and other Affiliates – Financial Participations" and "- Non-Financial Participations." While the Bank (directly or indirectly) holds a controlling interest in each of these participations and appoints some of their board members, in practice the participations operate with a certain level of autonomy on a day-to-day basis.

The Group reports its business in its BRSA Financial Statements under five segments: Corporate/Commercial Banking, Retail/Private Banking, Treasury Transactions/Investment Activities, Insurance and Reinsurance Activities and Other/Unallocated. The first of these segments largely corresponds to the first two sectors noted above, with the next three segments corresponding to the final three sectors 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" sector. For a list of the activities undertaken in its Financial Participations sector, see "Subsidiaries and other Affiliates – Financial Participations" below.

The Bank does not consolidate the results of its non-financial participations (principally its glass business) in its BRSA consolidated financial statements on a line-by-line basis and so these results do not appear in the segmental data included therein. The Bank's non-financial participations are not consolidated in the income statement of the consolidated BRSA Financial Statements; *however*, they are shown under the "Investments in Associates" and "Investments in Subsidiaries" line items accounted under the equity method in the consolidated BRSA Financial Statements. For a list of the "non-financial participations, see "Subsidiaries and other Affiliates – Non-Financial Participations."

As of 31 December 2019, the Bank's business units were as follows:

Banking Services	Financial Participations	Non-Financial Participations
Corporate Banking	Insurance	Glass
Commercial Banking	Private Pension	Others
Retail Banking	Reinsurance	
Private Banking	Banking	
Capital Market Operations	Investment Banking	
Other Banking Services	Real Estate Investment Trust	
	Brokerage and Custody	
	Leasing and Factoring	
	Asset Management	
	Venture Capital	
	Private Equity Portfolio Management	

Banking Units

Corporate Banking

The Bank established its Corporate Banking business unit in 2003 to provide services to large domestic and multinational companies. The Corporate Banking business unit provides a full range of corporate banking products and services including, but not limited to, commercial loans, non-cash loans (including letters of guarantee, guarantees, and acceptances), foreign trade operations, project finance, merger and acquisition finance, risk management products and cash management services.

As of 31 December 2019, the Corporate Banking business unit accounted for TL 106,0 billion (39.6% of the Group's total loans) and TL 44,3 billion (15.0% of the Group's total deposits). As of 31 December 2019, the Corporate Banking business unit operated through 11 specialised branches, four corporate branches and one "multinationals' branch" in İstanbul and one corporate branch in each of Kocaeli, Ankara, İzmir, Antalya, Bursa and Gaziantep. By establishing these corporate branches, the Bank aims to increase its market share of credit, investment and foreign trade transactions among customers with high creditworthiness, to reach new customers and to benefit from cross-selling opportunities.

With its "Multinationals' Branch" in İstanbul, the Bank provides services for multinational companies that invest in (or are interested in investing in) Turkey. The Multinationals' Branch is supported by a dedicated unit at the Bank's head office. The branch and head office unit offer companies consulting services, such as with respect to finance and taxation-related laws, as well as information on the day-to-day management of their business in Turkey. Corporate Banking branches are dedicated solely to working with corporate customers assigned by the Bank's head office in İstanbul. In the Corporate Banking branch model, the Bank maintains a clear distinction between "sales" and "operations" functions, enabling relationship managers to focus on sales activities while the operations team focuses on expertise and efficiency in operations.

The Bank (as of the date hereof) classifies customers with annual net sales of at least US\$30 million and/or a credit limit of at least US\$10 million as "corporate customers;" *however*, it is also possible to evaluate customers on a case-by-case basis in determining whether or not the customer should be included as a corporate customer. Depending upon the nature of services and products used, a customer may be designated as a commercial client even if it meets the sales and credit limit requirements of the corporate segment. As of 31 December 2019, the Bank had approximately 8,000 corporate customers.

The Corporate Banking business unit's long-term strategy is to enhance its customer franchise and to broaden its product portfolio in order to diversify revenue sources and to contribute to the Group's sustainable and profitable growth.

Loan Products. A significant portion of the Corporate Banking business involves extending loans to corporate customers. The Bank primarily offers the following types of loans to its corporate customers: revolving loans, overdraft loans, discount loans, foreign currency-indexed loans, foreign currency-denominated loans, letters of guarantee, spot loans, investment and project finance loans and commercial loans with monthly instalment repayments.

Trade Finance. The Bank's Corporate Banking unit also offers trade finance products. The Bank provides a variety of support services and payment management mechanisms to customers engaging in international trade transactions. The Bank offers mainly the following types of trade finance products: export loans, letters of credit, acceptance credit, pre-finance loans, confirmation loans, forfeiting and Turkish Exim Bank export loans (pre-shipment).

Project Finance. A significant portion of the Bank's corporate loan portfolio relates to its project finance activities. The Bank has played a key role in a number of major project finance deals throughout the country, including the financing of mergers and acquisitions and privatisations of publicly owned energy, steel and refinery plants and public utilities, port and airport concessions, real estate development projects, energy deals and industrial plants in various sectors such as mining and metals, cement, food products and electromechanical equipment. The Bank also finances a number of Turkish Treasury and municipality-backed infrastructure projects.

The Bank selectively extends financing for high-volume private sector investments, privatisations and merger and acquisition projects, while remaining committed to its risk-sensitive approach. In recent years, the Bank has also acted as underwriter on several large syndicated loans. The Bank granted loans related to financing six projects with an estimated total loan value of US\$0.7 billion in 2019 (10 projects and US\$1.1 billion in 2018).

The Bank provides project finance with full recourse to project assets and limited or full recourse to the project sponsor(s). Only selected transactions adhering to international standards that have very limited bankability concerns may be financed on a pure non-recourse basis.

The Bank's project finance activities also provide the Group with cross-selling opportunities for its derivative products and other banking services. These activities provide a significant contribution to the Group's business volumes.

Certified Check: Certified Check is a unique and innovative product designed to solve concerns in Turkey that checks might not be cashed due to insufficient funds in the issuer's account. In this programme, the customer applies for a certified check guarantee limit and, if the limit is approved by the Bank, the customer uses this limit for issuing checks. After a certified check is issued, the recipient of such check can obtain information about the level of the guarantee of such check via SMS, mobile applications and branches and thereby have confidence that the check will be cashed. If the customer's account balance is not sufficient at the time a check is presented for payment, then any shortfall is paid from the Bank's guarantee limit.

Risk Management. The Bank provides tailored products that are designed to offset customers' exposures to interest, maturity and currency risks. These products include customised investment vehicles, forward and futures contracts, swaps and options. These products take into account a number of factors including the goals, risk tolerance levels and cash flows of the customers.

Cash Management Services. The Bank's cash management services include the following:

- *Direct Debiting.* The direct debit system is an electronic debt collection system that permits customers to collect receivables from third parties and transfers collected amounts to the relevant customer account through the settlement service provided by the Bank. Direct debiting also provides payment guarantees for suppliers' sales to dealers.
- *Dealership Card.* The Dealership Card is an alternative to traditional payment systems, such as checks and promissory notes that the Bank provides to its commercial customers. This product provides payment guarantees for suppliers in relation to their instalment sales, as well as offering the convenience of a credit card. The

Dealership Card differs from a regular credit card, however, in that it does not generate financing cost for the Bank.

- *Other Electronic Systems.* The “Electronic Collection of Checks and Notes System” is designed to enhance the processing of large numbers of checks and notes delivered to the Bank’s branches for collection or as collateral. The “Automatic Money Transfer System” provides for automatic money transfers where transfer information is received in electronic format, while the “Electronic Account Statement System” allows companies to access detailed statements of their accounts electronically, relieving an administrative burden on the Bank’s branches.

Commercial Banking

The Bank has focused on supporting commercial customers, especially SMEs in Turkey, since it was founded in 1924. The Bank provides commercial banking services through its Commercial Banking business unit, which is comprised of marketing, sales and product divisions.

The Bank (as of the date hereof) generally classifies customers with net sales of less than US\$30 million and/or a credit limit of less than US\$10 million as commercial banking clients. As of 31 December 2019, the Bank had more than 1.4 million commercial banking customers.

As of 31 December 2019, the Commercial Banking business unit accounted for TL 103.2 billion (or 38.5%) of the Group’s total loans and TL 73.8 billion (or 25.0%) of the Group’s total deposits.

The Bank offers an extensive range of products and services to meet the full range of its customers’ financial needs, including commercial housing loans, commercial overdrafts, instalment-based commercial loans, commercial auto loans, commercial credit and debit cards and specialised packages of banking services and support solutions for SMEs’ information needs. In addition, the Bank offers cash management and payment system products to its commercial banking customers.

The Bank has designed its commercial marketing activities to take into consideration seasonality and sectoral differences as well as its customers’ needs and attitudes. While providing SMEs with investment financing and operating capital, the Commercial Banking business unit also offers customised loan products for its commercial customers and business partners to enhance their position within the market. These loan products vary from commercial auto loans to commercial housing loans. The Bank’s market share in commercial auto loans was 16.6% as of 31 December 2019 (including participation banks) (source: BRSA).

In 2008, the Bank introduced a network of commercial branches to offer high quality service to commercial customers of a certain size that are also in good standing with the Bank. As of 31 December 2019, 47 of these specialised commercial branches were in operation. For further information as to how the Bank’s branches are categorised, see “Channel Management.”

In order to provide its customers with more differentiated and focused service, the Bank set up a “Sector-Specific Banking/Agriculture Unit” within the Commercial Banking business. In 2019, the Bank supported its agricultural banking activities with its (as of 31 December 2019) 56 agricultural executives working in 51 cities, visiting villages and offering on-site services to producers and farmers to support the national agribusiness. The Bank also supports the agricultural sector through specially designed credit products, such as tractor and agricultural equipment loans and business credit cards such as the “İşbank Agricultural Product Card” and “İmece Card.”

The Bank has agreements with various chambers of commerce and industry associations and unions under which it offers credit and cash management products to member companies. The Bank has signed protocols with the Small and Medium Enterprises Development Organisation (“KOSGEB”) relating to servicing the working capital and export financing needs of manufacturers, tradesmen and artisans in Turkey. The Bank has also signed protocols with the KGF and the Turkish Grain Board (*Toprak Mahsulleri Ofisi*) (“TMO”). The KGF provides guarantees that make it possible to provide loans to SMEs or certain other borrowers that lack sufficient collateral (see “Risk Factors – Risks Relating to the Group and its Business – Credit Risks – Loan Concentrations”). On the other hand, through its arrangement with the TMO, the Bank

extends loans against TMO receipts to its depositors who have delivered their products (wheat, barley, corn and rice) to the TMO.

The Bank also finances women entrepreneurs and women-led SMEs with its own resources and those obtained from certain other financial institutions.

Retail Banking

As of 31 December 2019, the Bank had approximately 10.8 million retail banking customers. In order to sustain and grow revenues in the competitive Turkish banking environment, the Bank's focus is on retaining and growing the range of products and services utilised by its profitable customers through an emphasis on cross-selling. Aiming to achieve customer-centricity, the Bank analyses customer data and builds business models based upon the results obtained from various analytical models.

As of 31 December 2019, the Retail Banking business unit accounted for TL 56.2 billion (or 21.0%) of the Group's total loans and TL 144.0 billion (or 48.8%) of the Group's total deposits. The Group's retail loans are comprised of three different loan categories: consumer loans, overdrafts and credit cards.

The Bank categorises its retail banking customers into four customer segments based upon behavioral patterns and financial needs. The Bank uses a value-based segmentation model to categorise its retail banking customer base as "mass," "upper mass," "mass affluent" and "affluent." A client's assets under management, monthly income and average credit balance are among the principal criteria the Bank uses as part of its segmentation model. In addition to this value-based segmentation, retail banking customers are also categorised based upon their financial needs and behaviours, life-stage and channel preferences so that customer-driven initiatives can be designed accordingly.

The Bank seeks to build and sustain its competitive advantage in the retail banking business by meeting the needs and expectations of its customers. The Bank employs a multi-factor approach to building loyalty and seeking to grow its customer base through a wide-ranging branch network, a customer-centric approach, employment of highly qualified personnel, providing innovative products and services designed to meet customer needs and providing alternative distribution channels enabling various types of transactions. The Bank also analyses customer data through certain analytic models, such as value-based segmentation, behaviour-based segmentation, customer churn analysis and lifetime value analysis in order to gain insight into customer needs and then seeks to provide new products to meet those needs. The Bank also uses an "Artificial Intelligence-Based Product Sales" model, which utilises machine-learning to detect customer needs. The Bank aims to produce a machine-learning model that behaviourally analyses and measures customers' general product needs and to which products these needs show tendency, which knowledge will enable the Bank to ensure that the appropriate products for a customer's needs are offered.

The products and services that the Bank offers to its retail banking customers include auto loans, housing loans, general purpose cash loans, deposit and overdraft accounts, checks, investment accounts, payment and collection services, individual cash management services, OGS-HGS highway toll payment products, smart cards, credit, debit and prepaid cards, interactive banking facilities (including telephone, internet and mobile banking), mobile banking applications, ATM services (with online cash deposit features), payroll services, automatic payments, tax and insurance premium collection, fixed income and OTC securities and foreign exchange transactions. In addition, the Bank's branches act as agents for Anadolu Anonim Türk Sigorta Şirketi ("*Anadolu Sigorta*") and Anadolu Hayat Emeklilik, offering non-life and life insurance services through these insurance subsidiaries of the Bank.

Payroll Services. The Bank's management believes that the Bank's large network of branches and ATMs make the Bank an attractive choice for large corporations entering into "payroll agreements." When a company opens its main account with one of the Bank's branches and then enters into a payroll agreement for its employees, the Bank opens an individual account and issues a debit and credit card for each employee on that company's payroll.

The Bank had payroll agreements with nearly 30,000 employers providing for the direct deposit of paychecks to close to one million employee accounts maintained with the Bank, as of 31 December 2019. The Bank's management believes that the expansion of accounts covered by payroll agreements is of strategic importance as it provides an opportunity for the Bank to cross-sell the Group's other banking and financial services.

Automatic Payments. The Bank's management believes that the Bank provides a broader range of services in the area of automatic payments and fee collections than its principal competitors, including those related to fees of several universities and private schools, taxes and insurance instalments, as well as telephone, water, electricity and natural gas bills. The Bank has systematically extended its bill payment services by entering into agreements with institutions nationwide. The number of automated bill payment orders through the Bank was over 7.5 million during 2019. The Bank's payroll services and automated bill payments are important sources of demand deposits.

Overdraft Accounts. An overdraft account has typically been a highly popular retail product among the Bank's customers since it provides comfort and flexibility for short-term financing needs. The Bank offers overdraft accounts to all of its retail banking customers. An overdraft account enables the Bank's customers to pay their bills, make payment transfers and withdraw cash even if their account balance is not sufficient. An overdraft account does not have a specific term. It can be used permanently if the customer makes regular payments on the account. As of 31 December 2019, the value of funds held in the Bank's retail overdraft accounts was TL 1,237 million.

Consumer Lending. As of 31 December 2019, the Group's total consumer loans, which are composed of general purpose loans, auto loans and housing loans, amounted to TL 49,222 million. General purpose loans (including overdrafts) amounted to TL 31,222 million (63.4%), auto loans amounted to TL 532 million (1.1%) and housing loans amounted to TL 17,469 million (35.5%).

As of 31 December 2019, according to BRSA data, on a bank-only basis, the Bank's market share of consumer loans was 10.9%, with a market share of 9.4% in housing loans, 10.3% in auto loans and 12.0% in general purpose consumer loans (including overdraft accounts).

Auto loans are generally collateralised by a pledge on the purchased vehicles and/or guaranteed by creditworthy individuals or entities. Housing loans are generally collateralised by a mortgage on the purchased property in an amount 50% more than the aggregate scheduled instalments. Housing loans generally have a tenor of no longer than 120 months and are denominated in Turkish Lira with a fixed rate of interest.

All appraisal procedures for collateral are conducted by independent appraisal firms that have been licensed by the BRSA and/or CMB. The Bank's Construction and Real Estate Department has determined the list of independent appraisal firms and the appraisal of collateral must be done by firms that are included in this list. The branch managers have no authority to appraise collateral.

With its extensive branch network and large customer base, the Bank provides a diversified range of housing loan products for each segment of customers. The Bank's employees all undertake certified housing loan training programmes in order to assist customers with their housing loan needs. Working in cooperation with real estate agencies, the Bank enacts various strategies that enable it to acquire new housing loan customers. The Bank has various housing loan products, of which fixed payment housing loans have been the most popular product.

Deposits. Deposits (both from retail and other customers) are the Group's main source of funding and reached TL 302,791 million as of 31 December 2019. Deposits accounted for 53.6% of the Group's total liabilities as of 31 December 2019. As of 31 December 2019, Turkish Lira-denominated deposits accounted for approximately 42.6% of the Group's total deposits, while foreign currency-denominated deposits accounted for the remainder.

The Bank offers its customers a range of deposit products, including Turkish Lira/foreign currency demand deposits, Turkish Lira/foreign currency current accounts, Turkish Lira/foreign currency term deposit accounts and Turkish Lira "Fixed Accounts" and "Floating Accounts." The Bank's "Floating Account" was Turkey's first term-deposit product with Turkish Lira Interbank Offered Rate-indexed return.

Current accounts and term deposit accounts are basic deposit products and are used extensively by the Bank's customers. The Bank offers special deposit accounts, such as its "Daily Deposit Account," through its mobile app İşCep and its internet branch. Customers are allowed to withdraw and deposit cash immediately and can earn interest income on their deposits at overnight interest rates. The Bank's "Maksimum Term Account" allows customers personal cash management services while enabling them to invest excess funds in an overnight Turkish Lira deposit account that accrues interest at

overnight interest rates. Another product (the “Flexible Term Account”) offers deposits with a term from 32 to 365 days but allows depositors to make a withdrawal as early as seven days after the commencement of the maturity term of the account.

The Bank also offers longer term deposits such as fixed accounts and floating accounts that provide income through periodic interest payments. The terms of these accounts vary between a minimum of one year and a maximum of three years with interest payments at one, three, six or 12 month intervals. The interest rate is fixed for the duration of a fixed account. The account protects customers against falling interest rates during its lifetime. For floating-rate accounts, interest is paid at intervals and is linked to the Turkish Lira Interbank Bid Rate. “Inflation Hedge Term Deposit” and “Inflation Indexed Term Deposit” accounts are also available to customers, providing them access to interest rates that float depending upon changes in CPI.

As of 31 December 2019, the Bank had the largest market share among private sector banks in Turkey in terms of total deposits, Turkish Lira deposits, foreign currency deposits, demand deposits (excluding interbank deposits) and Turkish Lira savings deposits, with market shares of 12.0%, 10.7%, 13.2%, 15.1% and 11.6%, respectively, on a bank-only basis according to the BRSA. The Bank’s management believes that this indicates the Bank’s customers’ trust in the Bank and also that deposits are a strong and stable funding source in large part due to the Bank’s large domestic customer base, extensive branch network, sound reputation, advanced information technology and efficient retail banking services.

As of 31 December 2019, the total value of the Group’s deposits reached TL 302,791 million, with demand deposits accounting for 28.4% and all other deposits accounting for the remaining amounts. In terms of Turkish Lira-denominated saving deposit accounts, the Bank’s market share was 11.6% as of 31 December 2019 on a bank-only basis according to the BRSA. In terms of Turkish Lira-denominated demand saving deposits (excluding deposits from banks), the Bank’s market share was 14.0% as of 31 December 2019, on a bank-only basis according to the BRSA.

Credit and Debit Card Business. The Bank’s credit and debit card business consists of two main functions, issuing credit, debit and prepaid cards to its customers and acquiring the right to receive reimbursement for charges made on credit, debit and prepaid cards issued by other banks. As of 31 December 2019, the Bank had the second largest market share in terms of the volume of debit card transactions among private sector banks in Turkey and ranked among the top three credit card issuers in Turkey in terms of number of credit cards according to Interbank Card Centre (both on a bank-only basis).

The Bank also offers various card products to its customers, including contactless cards, prepaid cards, digital cards, HCE services and credit cards that enable customers to earn miles. The Bank aims to establish a lifetime relationship with its cardholders through a number of loyalty programmes and technological innovations. Credit card transactions are carried out in a secure manner in line with “Europay, MasterCard, Visa, Troy” technology, which refers to credit cards embedded with chips that store and protect the cardholder’s data. As early contact with a customer frequently leads to a lengthy relationship, the Bank aims to attract young unbanked customers in order to become their preferred bank, including through its “Maximum Genç” initiative to target young adults between the ages of 18 to 25.

As of 31 December 2019, the Bank had more than: (a) 8.1 million credit cards in issue to its own customers, representing approximately 14.3% of the total Turkish credit card market by total issuance volume and approximately 11.6% by number of cards outstanding, (b) 10.8 million debit cards, representing approximately 6.5% of the Turkish debit card market and (c) 166,911 Bank-owned point-of-sale terminals, representing approximately 10.4% of the total Turkish market, each according to the Interbank Card Centre. As of 31 December 2019, the Bank, with a 14.6% market share of the Turkish credit card market in terms of the number of purchase transactions on a bank-only basis, managed two different credit card brands, “Maximum Card” and “Maximiles,” and was the third largest participant in the market in terms of total transaction volume (not including cash withdrawal volume) (source: Interbank Card Centre).

The Maximum Card and Maximum loyalty programme award customers with instalment advantages and reward points, which can be redeemed in various stores. As of 31 December 2019, cardholders were able take advantage of the Maximum loyalty programme at over 402,000 member merchant points. Launched in 2009, “Maximiles” targets frequent flyers, offering customers the opportunity to earn air miles with every purchase as well as the reward points and instalment advantages of a regular Maximum Card. With its credit card segmentation model, the Bank keeps track of its customers’ spending behaviour and develops specific programmes for different segments. The Bank also gives customers, in exchange for a specific interest rate or commission, the opportunity to defer payment on a retail transaction, pay a retail transaction in installments, defer a statement balance, pay a statement balance in installments, pay a cash advance transaction in installments, which provides the customers with increased financial flexibility. In addition, the Bank allows customers to

transfer money from one card to another (e.g., use a card to pay down the balance on another card if the customer prefers to have the balance on a different card). In November 2019, the Bank introduced a new prepaid card (the “Digital MaxiPara Card”), which allows “Maximum Mobil” app users to apply and use their card digitally without the need for a physical card. In addition, the Bank has launched a “Maximum Gaming Card” for e-sports enthusiasts, which card allows users to earn gaming points with every e-commerce transaction.

The card business is not viewed by the Bank as an isolated product but, rather, that it complements other products within the Bank’s retail and corporate banking product portfolio. In monitoring a relationship with a particular customer, the Bank considers the profitability and the lifetime value of the relationship as a whole and not only with respect to the card business. The Bank’s management believes that the Bank’s card business is a core component of the Bank’s retail banking business, driving the cross-selling of other products such as demand deposits and commercial accounts and enabling the Bank to remain competitive in the Turkish banking sector. The Bank’s payment system constitutes its largest source of net fees and commissions income, contributing 42.2% of total net fees and commissions income in 2019 (43.7% in 2018).

Private Banking

The Bank offers financial solutions and investment alternatives to private banking customers based upon a “personalised service” approach. To be eligible for the Bank’s private banking services as of the date hereof, customers are required to have a minimum of TL 1 million of assets under management held with the Bank.

As of 31 December 2019, the Private Banking business unit accounted for TL 0.2 billion (or 0.1%) of the Group’s total loans and TL 19.4 billion (or 6.6%) of the Group’s total deposits.

The Private Banking business unit mainly focuses on activities regarding the diversifying of investment products to cater to the individual needs and expectations of private banking customers. The Private Banking business includes financial products and services tailored to the specific needs of its customers, including priority one-on-one service, which are consolidated under the “Privia” brand. This unit also designs and develops processes for providing high quality and customised services in the Bank’s branches and other delivery channels.

The Bank services private banking customers through dedicated private banking branches (as of the date hereof, 14 total located in İstanbul, Ankara, İzmir, Antalya and Adana), and through private banking divisions set up at branches (as of the date hereof, two total located in Bursa and Mersin). In order for its dedicated private banking branches to provide high-level financial services, the Bank, by means of the agency contract signed with İş Portföy, also provides portfolio management services in its private banking branches in collaboration with İş Portföy’s personnel.

Capital Markets Operations and Other Financial Services

The Bank (including through its financial subsidiaries) offers a diverse range of products to its retail, private, corporate and commercial banking customers with competitive pricing as well as an extensive network of branches, ATMs and kiosks and an interactive internet banking facility. In recent years, the Bank has sought to expand its stock, gold, bond, bill and repo trading and mutual fund capabilities.

As of 31 December 2019, the total value of the securities portfolio that the Bank manages for its customers was valued at TL 53,998 million (TL 36,175 million as of 31 December 2018).

Investment Accounts. In 1990, the Bank was the first bank in Turkey to offer investment accounts for its customers. Such accounts allow customers to trade mutual funds listed on the Turkey Electronic Trading Platform (*Türkiye Elektronik Fon Alım Satım Platformu (TEFAS)*), mutual funds founded by İş Portföy, listed securities, fixed income securities (including government securities and corporate bonds) and gold and to enter into “repo” transactions. Customers can access their investment accounts through ATMs and the Bank’s interactive banking services. As of 31 December 2019, the Bank had more than 11 million investment accounts.

Fixed Income. The Bank was one of the leading providers of fixed-income trading services to investors in Turkey as of 31 December 2019 according to data published by the Borsa İstanbul. According to Borsa İstanbul data, as of

31 December 2019, the Bank held first place in the Borsa İstanbul's fixed income trading, with a 13.39% market share in transaction volume in the Outright Purchases and Sales Market.

The Turkish Treasury issues bonds both domestically and internationally. Its domestic issuances include zero coupon bonds and coupon bonds. Coupon bonds include inflation-linked bonds, fixed coupon bonds, floating rate notes and lease certificates. All types of Turkish Treasury issuances can be sold and purchased by the Bank's customers without any restriction. Repo and reverse-repo transactions for various maturities are executed on an electronic platform in the Borsa İstanbul Debt Securities Market. OTC reverse repo transactions are also offered to all of the Bank's customers. The Bank also acts as an intermediary institution for corporate bond offerings, which are executed by İş Yatırım Menkul Değerler A.Ş. ("İş Yatırım"), a brokerage house of the Group.

Mutual Funds. The Bank was the leading Turkish bank in the mutual funds distribution as of 31 December 2019 with a market share of 13.54%, the net asset value of mutual funds distributed totaling TL 15.86 billion (source: Central Registry İstanbul). The Bank distributes numerous mutual funds catering to a wide range of risk and return profiles. As of 31 December 2019, the Bank had over 530,000 investors in mutual funds.

Custody. The Bank has been the leading custody provider in Turkey since the re-activation of the former Borsa İstanbul in 1986. The investment account system, which is unique to the Bank, offers custody facilities for a full range of securities, including equities, mutual funds, derivatives, gold, bonds and bills as well as repo transactions.

In addition to domestic custody services, as an SEC-qualified bank, the Bank is also one of the main providers of custodial services to non-resident institutional investors. Services offered to non-resident institutional investors include settlement, clearing and safekeeping services, SWIFT reporting, prudent cash management, foreign exchange transactions, corporate action processing/income collection and the provision of up-to-date market information.

In January 2008, the CMB authorised the Bank to act as a "Portfolio Custody Institution" for asset management companies. Within the scope of this role, the Bank provides settlement, clearing and safekeeping services to the discretionary portfolio management accounts of asset management companies. As per the provisions of the Capital Markets Law, the Bank has been providing this service in line with its General Custody Service approval granted in July 2015.

In July 2014, the CMB authorised the Bank to act as a "Portfolio Custodian" for collective investment schemes. As a portfolio custodian, the Bank is authorised to provide portfolio depository services to investment funds and investment companies, such as safekeeping and/or record keeping of assets owned by collective investment schemes, controlling transactions related to assets and cash movements of these and providing other services specified under the Communiqué No III-56.1 of the CMB on Portfolio Depository Services and their Providers.

Gold Trading. The Bank is an active gold trader on the Borsa İstanbul. The Bank's management believes that, as of 31 December 2019, the Bank had the second largest market share among all banks in Turkey in terms of the total gold balance of its deposits. As of 31 December 2019, the Bank held a total of approximately TL 10.3 billion-equivalent deposits in gold. The Bank trades gold on the Borsa İstanbul as well as on the international OTC market and settles trades on both a physical basis and a cash basis.

Investment Banking and Capital Markets Operations. The Bank provides capital market services and investment banking services through its Capital Markets Division and its subsidiaries İş Yatırım and İş Portföy. TSKB, another subsidiary, is also active in Turkish capital markets and investment banking operations.

International Banking. The Bank's International Banking division manages the Bank's correspondent banking relationships and its international fund raising activities.

The Bank is the first Turkish bank that opened overseas branches, having established branches in Alexandria, Egypt and Hamburg, Germany in 1932. The Bank's global expansion strategy is to establish a presence in the markets that have significant economic and commercial relations with Turkey, with a special emphasis on countries close to Turkey geographically, and to provide customers with high quality services in regions in which Turkish companies actively operate. As such, the Bank studies the international markets with a special focus on the neighbouring regions and has taken important initiatives in recent years. As of the date of this Base Prospectus, in addition to Turkey, the Bank operates in 11

countries with branches, representative offices and three financial subsidiaries, having a total of 38 branches and two representative offices. As of 31 December 2019, the Bank had 15 branches in the TRNC, two branches in each of England, Iraq and Kosovo and one branch in Bahrain. As of 31 December 2019, the Bank's representative offices are located in Cairo and Shanghai.

As of 31 December 2019, the Bank's network of correspondent banks is comprised of approximately 1,080 banks in 121 countries. This worldwide coverage through its correspondent banks, coupled with the Bank's own extensive network, resulted in incoming foreign currency transfers at the Bank of US\$93.1 billion and outgoing foreign currency transfers of US\$81.8 billion during 2019. The Bank is a major participant in international trade finance and handles a sizable portion of the trade finance activities in Turkey. The Bank's management believes that the Bank is one of the few Turkish banks that are active in trade finance, and had a market share in trade finance of around 12.0% according to December 2019 data from TurkStat. As part of its international banking activities, the Bank acted as the financial intermediary in connection with approximately US\$20.9 billion of import and US\$23.8 billion of export transactions in 2019. The Bank also has arrangements with all major export credit agencies that are active in Turkey.

As part of the Bank's international fund raising activities, the Bank obtains funds through syndicated term loan facilities, future flow transactions, eurobonds, multilateral institutions and export credit agencies, as well as bilateral transactions. For further information, see "Funding."

Own-Account Securities Portfolio

In addition to securities held for customers, the Group manages its own portfolio of securities. As of 31 December 2019, the Group's total securities portfolio was valued at TL 99,455 million. As of such date, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (50.6%), Turkish Lira-denominated discount and fixed securities (25.7%), foreign currency-denominated discount and fixed securities (23.7%) and foreign currency-denominated floating securities (0.02%). Turkish government bonds and Turkish government treasury bills constituted 93.7% of the Bank's total securities portfolio as of such date. Moreover, 60.2% of the Bank's total securities portfolio was classified as "financial assets at fair value through other comprehensive income" as of such date.

Subsidiaries and other Affiliates

Since its establishment in 1924, the Bank has played an important role not only in the Turkish financial sector but also in certain industrial sectors in Turkey. The Bank has pioneered the development of a number of new areas of business through investments and equity participations in the industrial and financial services sectors. Since its establishment, the Bank has invested in the equity of almost 300 companies and, over time, has divested most of these companies. As of 31 December 2019, the Bank's direct equity interests were in companies operating in finance, glass and other industrial and services sectors, of which the shares in seven companies were classified as available-for-sale securities. As of 31 December 2019, the total book value of the Bank's equity participations (does not include the shares of Şişecam, TSKB, Anadolu Hayat Emeklilik, İş Leasing, İş REIT and İş Yatırım Menkul Değerler A.Ş. booked under financial assets held for trading account) was TL 21,504 million.

Other than the strategic non-financial equity participations described in "Non-financial participations" below, the majority of the Bank's non-financial equity participations are held as medium-term investments. The Bank regularly evaluates opportunities to divest its stakes in these non-strategic equity participations under favourable conditions.

Financial Participations

The Bank has direct and indirect financial services subsidiaries active in the following sectors: banking, brokerage and custody, investment banking, leasing, factoring, insurance, private pension, reinsurance, real estate investment trust asset management and venture capital. Financial services subsidiaries enrich the product and service range that the Bank offers to its customers through its various business lines and create cross and complementary product delivery and sales opportunities.

The following table sets forth details of the Bank's financial participations as of 31 December 2019:

Group Company	Field of Activity	Bank's Direct Share	Group's Share	Assets ⁽¹⁾	Shareholders' Equity	Market Share
<i>(TL thousands)</i>						
Türkiye Sınai Kalkınma Bankası A.Ş. ⁽²⁾	Investment					
İşbank AG.....	Banking	41.44%	50.92%	42,253,011	5,178,989	13.9% ⁽¹⁾
JSC İşbank.....	Banking	100.00%	100.00%	12,015,813	1,400,648	N/A
JSC İşbank Georgia	Banking	100.00%	100.00%	1,648,007	416,945	N/A
Anadolu Anonim Türk Sigorta Şirketi ⁽²⁾	Non-Life Insurance	-	64.31%	560,905	167,389	N/A
Anadolu Hayat Emeklilik A.Ş. ⁽²⁾	Life Insurance & Private Pension	62.00%	83.00%	9,439,606	1,827,674	11.4% ⁽³⁾
Milli Reasürans T.A.Ş. ⁽⁶⁾	Reinsurance	77.06%	77.06%	27,146,995	1,285,889	10.8% ⁽³⁾
İş Yatırım Menkul Değerler A.Ş. ⁽²⁾	Brokerage House	77.06%	77.06%	4,531,965	2,135,841	18.5% ⁽⁵⁾
Yatırım Finansman Menkul Değerler A.Ş. ⁽²⁾	Brokerage House	65.65%	70.69%	6,717,106	1,393,135	6.2% ⁽⁷⁾⁽⁸⁾
İş Yatırım Ortaklığı A.Ş.....	Securities	-	98.42%	927,722	116,324	8.1% ⁽¹²⁾
İş Portföy Yönetimi A.Ş.	Investment Trust	-	38.66%	276,918	275,238	48.2% ⁽¹⁰⁾
İş Leasing ⁽²⁾	Asset Management	-	100.00%	142,195	124,895	18.8% ⁽¹¹⁾
İş Faktoring A.Ş.....	Leasing	27.79%	58.29%	9,088,299	1,273,933	10.2% ⁽⁴⁾
İş REIT ⁽²⁾	Factoring	-	100.00%	3,265,228	300,494	9.2% ⁽⁹⁾
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	REIT	47.90%	63.70%	5,716,357	3,860,227	6.1% ⁽¹³⁾
	Venture Capital					
	Inv.Trust	-	57.67%	265,801	261,774	N/A
Total				123,995,928	20,019,395	

⁽¹⁾ Total assets (derived from the BRSA's website).

⁽²⁾ Consolidated amounts.

⁽³⁾ Gross written premiums (derived from data published by The Insurance Association of Turkey).

⁽⁴⁾ Lease receivables (derived from the BRSA's website)

⁽⁵⁾ Total amounts of participants' funds (source: Pension Monitoring Centre).

⁽⁶⁾ Unconsolidated amounts.

⁽⁷⁾ Gross domestic written premiums as of 31 December 2019.

⁽⁸⁾ Milli Reasürans T.A.Ş. is a reinsurance company operating in the Turkish insurance market.

⁽⁹⁾ Factoring receivables (derived from the BRSA's website).

⁽¹⁰⁾ NAV (derived from the CMB's website and the Public Disclosure Platform of the Borsa İstanbul).

⁽¹¹⁾ Funds under management (derived from the CMB's website).

⁽¹²⁾ Transaction volume (derived from the Borsa İstanbul's website).

⁽¹³⁾ Market value (derived from the Public Disclosure Platform of the Borsa İstanbul).

Insurance. The Group provides its customers non-life and life insurance services through the Bank's insurance subsidiaries, Anadolu Sigorta and Anadolu Hayat Emeklilik. In addition to insurance services, the Group also provides reinsurance services through Milli Reasürans T.A.Ş. ("Milli Reasürans").

Non-Life Insurance. Established in 1925, Anadolu Sigorta offers a comprehensive range of non-life insurance policies, including fire and natural disaster, transport, accident, engineering, agriculture, health and general damage insurance products. As of 31 December 2019, the Bank had indirect control over Anadolu Sigorta through its subsidiary Milli Reasürans, which has (as of the date of this Base Prospectus) a 57.31% share in the company. Anadolu Sigorta was the second largest non-life insurance company in Turkey with a 11.4% market share in terms of gross written premiums in the non-life insurance market as of 31 December 2019 (source: The Insurance Association of Turkey). Anadolu Sigorta had gross written premiums of TL 6,607 million for 2019 (TL 5,701 million for 2018).

For 2019, Anadolu Sigorta recorded net profit of TL 449 million on a consolidated basis (TL 325 million for 2018). Anadolu Sigorta's products are distributed through its approximately 2,300 professional agents and through the Bank's and other contracted banks' branches.

Life Insurance and Private Pension. Anadolu Hayat Emeklilik was established in 1990 and offers life insurance and private pension policies. As of 31 December 2019, Anadolu Hayat Emeklilik was the second largest life insurance company in Turkey, holding a 10.8% market share in the life insurance market according to data published by The Insurance Association of Turkey, and the second largest private pension fund in Turkey, holding a 18.5% market share as of the same date, according to data provided by the Pension Monitoring Centre. The Bank owns a 62% direct equity interest in the share capital of Anadolu Hayat Emeklilik as of 31 December 2019. For 2019, Anadolu Hayat Emeklilik had gross

written premiums of TL 1,230 million (TL 640.2 million for 2018). For 2019, Anadolu Hayat Emeklilik collected TL 1,658 million in net pension contributions (TL 1,112 million for 2018). For 2019, Anadolu Hayat Emeklilik recorded a net profit of TL 361 million on a consolidated basis (TL 255 million for 2018). Anadolu Hayat Emeklilik insurance and pension products are distributed through its approximately 250 professional agents and through the Bank's and other contracted banks' branches and direct sales specialists.

Reinsurance. Milli Reasürans was established in 1929 to manage compulsory reinsurance transactions within Turkey. The company fulfilled approximately 6.2% of the domestic industry's need for reinsurance coverage as of 31 December 2019 (source: Milli Reasürans and The Insurance Association of Turkey). Since 1991, Milli Reasürans accepts business on a voluntary basis from Turkish insurance companies. As of 31 December 2019, the Bank owned a 77.06% direct interest in the share capital of Milli Reasürans. Its Singapore branch, opened in 2007, was set up in line with the Company's strategy to export its know-how and reinsurance experience acquired in the national market to global markets. Milli Reasürans had gross written premiums of TL 1,659 million for 2019 (TL 1,320 million for 2018). For 2019, the company recorded net profit of TL 313 million on an unconsolidated basis (TL 278million for 2018). In July 2019, A.M. Best affirmed Milli Reasürans' financial strength rating as "BBB-" and its outlook as negative, while S&P lowered Milli Reasürans' national scale rating to "trA+" in August 2019.

Investment Banking. TSKB is an equity participation in which the Bank held a 41.44% direct interest and a 50.92% group share as of 31 December 2019. TSKB's ordinary shares have been listed on the Borsa İstanbul (and its predecessor) since 1986. Founded in 1950, TSKB was the first investment bank of Turkey. As of 31 December 2019, TSKB is the largest privately owned investment and development bank in Turkey in terms of total assets (source: Banks Association of Turkey). In consolidated figures, TSKB had total assets of TL 42,253 million and total equity of TL 5,179 million as of 31 December 2019. TSKB is principally involved in providing long-term project financing for the domestic and international investments of Turkish companies as well as providing foreign currency and Turkish Lira-denominated loans to the Turkish industry. TSKB is also involved in capital market intermediary activities and corporate finance advisory services. TSKB's investment banking activities include intermediation in the sale of bonds, shares and other instruments of Turkish companies by public offer or block sale. TSKB provides consultancy services to domestic and foreign corporations, including locating strategic or financial partners and advising on company mergers and privatisations.

Real Estate Investment Trust. İş REIT is a real estate investment trust in which the Bank had a direct equity shareholding of 47.90% as of 31 December 2019. According to the Public Disclosure Platform of the Borsa İstanbul, İş REIT was the fifth largest real estate investment trust in Turkey with an asset value of US\$971 million as of 31 December 2019. The real estate portfolio of İş REIT, from which the company earns rental income, is comprised of office space and commercial properties, such as the Bank's "Tuzla Technology and Operation Centre" in İstanbul, a landmark "İş Tower" in Çankaya, Ankara and shopping centres located in İstanbul (Kanyon Shopping Mall, Marmara Park Shopping Mall and Tuzla Shopping Mall), Muğla (Mallmarine Shopping Mall) and İzmir (Ege Perla Shopping Mall). The İş Tower Complex in İstanbul where the Bank maintains its headquarters is partially owned by İş REIT (Tower 2, Tower 3 and Kule Çarşı Shopping Mall). İş REIT has also been developing a residential project (*i.e.*, Topkapı İstanbul project) in İstanbul and a mixed-use project comprised of office and commercial units in the İstanbul International Financial Centre (*İstanbul Uluslararası Finans Merkezi*). In addition, İş REIT has been planning to develop a new real estate project in Tuzla, İstanbul and signed a promise to buy agreement regarding the purchase of part of a land in Kadıköy (İstanbul) to develop a project comprising hotel and commercial area.

Leasing. İş Leasing was established in 1988 as a joint venture among the Bank, Société Générale and the International Finance Corporation. The latter two entities sold their interests in 1995 and, as of 31 December 2019, the Bank held a 27.79% direct equity interest and a 58.29% group share in the company, while the remaining shares are traded on the Borsa İstanbul. As of 31 December 2019, the consolidated total assets and equity of İş Leasing amounted to TL 9,088 million and TL 1,274 million, respectively. Net current leasing receivables amounted to TL 5,1 million as of the same date. As of 31 December 2019, the distribution of leased assets by equipment categories as a percentage of total leased assets in the company's portfolio were as follows: real estate (27%), machinery (24%), construction equipment (15%) and other sectors (34%).

Brokerage and Custody. The Bank owned 65.65% of the share capital of İş Yatırım as of 31 December 2019, which commenced operations on 18 December 1996 following the implementation of capital market regulations requiring Turkish banks to conduct certain capital market activities through separate legal entities. An initial public offering of İş Yatırım's shares was held in May 2007 on the Borsa İstanbul. İş Yatırım was the first investment banking institution with

its securities traded on the Borsa İstanbul. İş Yatırım's principal capital market activities are equity-related businesses and asset management.

İş Yatırım also trades fixed income securities, including government bonds, treasury bills and repurchase contracts, for institutional and individual clients other than the Bank. İş Yatırım also provides services in equity brokerage, corporate finance transactions (including privatisations, initial public offerings and listings on the Borsa İstanbul, international sales and trading of securities) and produces nationwide industry and company-specific research reports. In order to benefit from business opportunities in international capital markets, İş Yatırım established a financial subsidiary in London on 8 August 2005 under the name of Maxis Investments Ltd.

As of 31 December 2019, according to data provided by the Borsa İstanbul, İş Yatırım had the following market shares in organised exchange transactions: 8.1% in Borsa İstanbul equity transactions, 3.4% in the "Outright Purchases and Sales" market of the "Bills & Bonds" market among brokerage houses and 10.8% in the stock futures market of the VIOP. According to data provided by the Borsa İstanbul, İş Yatırım was the third largest licensed brokerage firm in Turkey in terms of equity trading volume as of 31 December 2019. İş Yatırım was one of the founding partners of the VIOP, which commenced its operations in February 2005, and as of 31 December 2019 it continued to be one of the leading brokerage firms in terms of trading volume realised since the foundation of the market according to Borsa İstanbul data. İş Yatırım's consolidated net sales and net profit figures for 2019 were TL 247 billion and TL 421 million, respectively, while its consolidated assets and equity amounted to TL 6.7 billion and TL 1.4 million, respectively. In addition, as of 31 December 2019, İş Yatırım was the largest licensed brokerage firm in Turkey in terms of its paid-in capital, which was TL 355 million (source: Union of Turkish Brokerage Firms). In July 2017, Fitch confirmed İş Yatırım's national long-term rating as "AA+."

Banking. Headquartered in Germany, İşbank AG was founded in 1992 as a wholly-owned subsidiary of the Bank. İşbank AG serves in key trading and financial markets with its European network (as of the date of this Base Prospectus) of ten branches in Germany and one branch in The Netherlands. One of İşbank AG's main priorities is the promotion of close commercial and business ties between Europe and Turkey. As of 31 December 2019, total assets and equity figures for İşbank AG were €1,807 million and €211 million, respectively.

As a way of expanding its banking activities in the region, on 27 April 2011 the Bank purchased 100% of the shares of Closed Joint Stock Company Bank Sofia operating in Russia after approval by the BRSA, the Federal Antimonopoly Service of Russia and the Russian Central Bank. The name of the bank was changed to Closed Joint Stock Company İşbank in October 2011 and (due to amendments in the applicable law) to JSC İşbank in September 2015. Headquartered in Moscow, the bank (as of the date of this Base Prospectus) has three branches in Moscow, St. Petersburg and Kazan. As of 31 December 2019, the bank had 122 employees and its total assets and equity amounted to 17,253 million Russian Rubles and 4,365 million Russian Rubles, respectively according to the bank's financials for 2019. The primary aim of the bank is to enhance and develop its corporate and commercial relationships with Turkish companies operating in Russia and with its Russian customers.

The Bank's Georgian entity, operating through branches in Batumi and Tbilisi, began to operate under the umbrella of "JSC Isbank Georgia" as of 3 August 2015. JSC Isbank Georgia's capital is (as of the date of this Base Prospectus) fully owned by the Bank. The bank's total assets and equity amounted to 270 million Georgian Lari and 81 million Georgian Lari, respectively, according to the bank's financials for 2019.

Other Financial Participations. The following table sets forth certain information, as of 31 December 2019, on other financial companies in which the Bank or the Bank and its subsidiaries and other affiliates own 20% or more of the outstanding share capital.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Arap Türk Bankası A.Ş.....	20.58%	20.58%	Banking
İş Faktoring A.Ş.....	-	100.00%	Factoring
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.....	-	57.67%	Venture Capital Inv. Trust
İş Portföy Yönetimi A.Ş.....	-	100.00%	Asset Management
İş Yatırım Ortaklığı A.Ş.....	-	38.66%	Securities Investment Trust
Efes Varlık Yönetim A.Ş.....	-	100.00%	Asset Management
Maxis Investments Ltd.....	-	100.00%	Brokerage House
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.....	-	86.23%	REIT
Maxis Girişim Sermayesi Portföy Yönetimi A.Ş. .	-	100.00%	Private Equity Portfolio Management Company

Banking. Arap Türk Bankası A.Ş. functions mostly in commercial and corporate banking. The Bank does not have a control share in the bank and the Bank's direct share in the total capital of the bank was 20.58% as of 31 December 2019, which also indicates the Group's share in the bank. As of 31 December 2019, consolidated total assets and equity of the bank amounted to TL 5,250 million and TL 1,073 million, respectively.

Factoring. The Bank had a 100% indirect group share in İş Faktoring A.Ş. ("İş Faktoring") as of 31 December 2019. The company had TL 3,265 million in total assets and TL 300 million in equity as of 31 December 2019, while its net factoring receivables amounted to TL 3,179 million as of the same date. As of the date hereof, İş Faktoring is fully consolidated under İş Leasing.

Venture Capital Investment Trust. İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim") is a venture capital investment trust that was established in 2000 according to CMB rules and (as of 31 December 2019) is one of Turkey's largest private equity funds according to the CMB. In 2004, a 31% stake of İş Girişim was floated on the Borsa İstanbul. As of 31 December 2019, the Bank held a group share of 57.67% in the company through its subsidiaries, holding a paid-in capital amount of TL 75 million.

Being one of the most active and the very few local private equity houses, İş Girişim partners with Turkish companies to help them not only in Turkey but also globally to compete in their respective industries by sourcing acquisitions, enhancing operational efficiencies, facilitating new market expansions and designing the optimal capital structure to support them during the execution of their strategies.

İş Girişim's net profit for 2019 was TL 1.7 million (TL 3.1 million for 2018). The company's assets and equity as of 31 December 2019 amounted to TL 266 million and TL 262 million, respectively.

Asset Management. İş Portföy was founded in October 2000 as a subsidiary of the Bank. As of the date of this Base Prospectus, all of İş Portföy's shareholders are subsidiaries of the Bank. The company provides discretionary and non-discretionary asset management services mostly to institutional investors. Backed by experienced asset managers who inherited the Bank's mutual fund management know-how in Turkey, the company is the leader in its sector.

The size of assets managed by İş Portföy reached TL 53.5 billion as of 31 December 2019. As of such date, İş Portföy managed 68 mutual funds from various risk categories and had a market share of assets under management of 19% in a market size of TL 284 billion according to the CMB. İş Portföy managed (as of such date) 42 pension funds and captured a 18% market share (of pension assets under management) out of a market size of TL 119 billion according to the CMB.

İş Portföy's operating income and net profit figures for 2019 were TL 48 million and TL 37 million, respectively (TL 17.1 million and TL 26.3 million, respectively, for 2018). The company's assets and equity as of 31 December 2019 amounted to TL 142 million and TL 125 million, respectively.

Securities Investment Trust. İş Yatırım Ortaklığı A.Ş. ("İş Yatırım Ortaklığı") is a securities investment trust that was founded in August 1995 and went public on the Borsa İstanbul in 1996. The Bank has an indirect control over

İş Yatırım Ortaklığı through its subsidiaries. İş Yatırım Ortaklığı manages a portfolio composed of capital market instruments, gold and other precious metals and had the largest portfolio in the sector with a market share of 48% in 2019 according to data derived from the Public Disclosure Platform of the Borsa İstanbul, and the company had a net asset value of TL 276 million as of 31 December 2019. İş Yatırım Ortaklığı's net profit for 2019 was TL 64.3 million (TL 31.4 million for 2018) while, as of 31 December 2019, its assets and equity amounted to TL 277 million and TL 275 million, respectively.

Non-Financial Participations

In addition to its equity participations in the financial sector, the Bank holds equity stakes in companies whose businesses (such as glass) are outside of its core operations. In the past, the Bank has entered into a number of diversified equity participations as part of the promotion and development of Turkish industry and in areas in which its management believes investments provide a competitive rate of return. On rare occasions, the Bank has entered into equity participations with the aim of collecting its loans through debt-for-equity swaps. The Bank's non-financial participations represented 2.3% of its total assets as of 31 December 2019 (2.2% as of 31 December 2018). For 2019, total dividend income received from its non-financial participations constituted 4.5% of the Bank's net income (3.2% in 2018). As of 31 December 2019, the only significant strategic non-financial equity participation of the Bank was Şişecam (with its subsidiaries, the "Şişecam Group"). Investments in the Şişecam Group are strategic in the sense that it has been a long-term investment of the Bank in a company with a strong market position in Turkey and neighbouring areas. The Bank's non-financial participations are not consolidated in the income statement of the consolidated BRSA Financial Statements; however, they are shown under the "Investments in Associates" and "Investments in Subsidiaries" line items at their market values for publicly traded non-financial participations and at their book values for the other non-financial participations in the consolidated BRSA Financial Statements.

Glass – Şişecam Group. As of 31 December 2019, the Bank held a 67.54% stake in Şişecam, which was founded in 1935. With total assets of TL 38,751 million and total equity of TL 19,133 million as of 31 December 2019, the Şişecam Group operates mainly in the area of glass manufacturing (including flat glass, glassware and glass packaging) and the production of glass fibre, soda ash and chromium chemicals. The Şişecam Group's production facilities are located in 13 countries (Turkey, Egypt, Russia, Georgia, Bulgaria, Bosnia Herzegovina, Italy, Ukraine, Romania, Germany, Hungary, Slovakia and India). As of the date hereof, Şişecam's ranking in terms of glass production capacity in certain product categories varied from third to fifth globally and from first to fifth within Europe according to company-specific analysis derived from various external sources.

Others. The following table sets forth certain information, as of 31 December 2019, about the other non-financial companies in which the Bank or the Bank's subsidiaries and other affiliates own(s) 20% or more of the outstanding share capital. None of these investments represented more than 0.18% of the Bank's assets as of such date.

Company	Bank's Share	Shares owned by the Bank and the Bank's affiliates	Sector
Bayek Tedavi Sağlık Hizm. ve İşl. A.Ş.	-	99.80%	Health Care Services
İş Merkezleri Yönetim ve İşletim A.Ş.	86.33%	100.00%	Facility Management
İş Net Elek. Bilgi Üretim Dağ. Tic. ve İletişim Hizmetleri A.Ş.	94.65%	100.00%	Information Technologies
Softtech Yazılım Tek. Ar-Ge ve Yaz. Paz. Tic. A.Ş.	-	100.00%	Software
Trakya Yatırım Holding A.Ş.	100.00%	100.00%	Holding
Kültür Yayınları İş Türk A.Ş.	99.17%	100.00%	Publication
Erişim Müşteri Hizmetleri A.Ş.	-	100.00%	Call Centre
Softtech (Shanghai) Technology Co.Ltd.	-	100.00%	Software
MaxiTech Inc.	-	100.00%	Software
Maxi Digital GmbH.	-	100.00%	Financial Technologies

Channel Management

As of 31 December 2019, the Bank, with its 1,249 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: Banks Association of Turkey). Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts.

Below is a table presenting the number of branches that the Bank had in each region of the country (plus foreign branches) as of 31 December 2019:

Regions	Branches
Marmara	474
Central Anatolia	222
Aegean	191
Mediterranean	149
Black Sea.....	106
South East Anatolia.....	65
Eastern Anatolia	42
Foreign Branches	22
Total	1,271

The Bank opened no branches in 2017 (nine domestic branches were consolidated with other branches during 2017), two domestic branches in 2018 (11 domestic branches were consolidated with other branches during 2018) and no new branches in 2019 (84 domestic branches were consolidated with other branches in 2019). The Bank plans to consolidate approximately 40 domestic branches in total in 2020 while maintaining the domestic network coverage as large as possible by merging underperforming branches (particularly in larger cities in which it operates a relatively high number of branches in close proximity) and minimising any customer dissatisfaction due to the branch consolidation. Given the size of the Group's existing network of branches, the Group's current strategy regarding its branch network is to optimise its existing branch network by merging underperforming branches or changing branch locations. As a result, the Group foresees the number of its branches declining in 2020.

As well as developing its internet, telephone and mobile banking services in recent years, the Bank has maintained a strong focus on expanding its branch network. Customer relationships are usually initiated and maintained at the branch level, while technical and marketing support or expertise needed to enhance customer relations is provided by the head office.

The Bank's domestic branches are arranged in the following categories depending upon the structure of their target markets and target customer segments and the variety of services provided:

- *Corporate Branches – 10 specialised corporate branches and one specialised branch for multinationals operating in Turkey as of 31 December 2019.* These branches provide specialised services to companies that meet the corporate qualification and size criteria determined by the Bank's head office.
- *Commercial Branches – 47 branches as of 31 December 2019.* These branches provide specialised services to companies within the commercial segment that meet the commercial qualification and size criteria determined by the Bank's head office.
- *Private Banking Branches – 14 branches as of 31 December 2019.* These branches provide tailored services to customers falling within the high net worth segment according to criteria determined by the Bank's head office as well as customers identified as being potential high net worth customers.
- *Mixed Branches – 1,174 branches as of 31 December 2019.* These are non-specialised branches whose services are not solely geared towards a specific segment of customers.
- *Mobile Branches – three branches as of 31 December 2019.* These are non-specialised branches that serve in places where the Bank needs to provide services to a large group of people (e.g., school campuses and factories).

Branch openings are closely co-ordinated with ATM installation and electronic banking expansion.

In addition to its nationwide branch network, the Bank places great importance on its digital channels, including internet banking, mobile banking (“İşCep”), ATMs (Bankamatik) and telephone banking.

The Bank had 6,506 domestic ATMs as of 31 December 2019. Based upon data provided by the Interbank Card Centre, as of 31 December 2019, the Bank maintained the largest ATM network in Turkey among private commercial banks, with a market share of 12.2%. Since 1 October 2009, debit card users have been able to withdraw money from their bank accounts via ATMs from all banks nationwide. Transactions via different banks’ ATMs are subject to a fee determined by the cardholder’s bank. The Bank’s management believes that in having the largest ATM network and nationwide coverage, the Bank has been one of the banks that benefits the most from this universal access.

As of 31 December 2019, over 502,000 point-of-sale terminals were either owned by the Bank or included the Bank’s software.

Below is a table presenting the Bank’s percentage allocation of distribution channels (by transaction numbers) for the periods indicated:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Branches	13.8%	11.5%	7.8%
Non-branch	86.2%	88.5%	92.2%
ATMs	22.6%	18.4%	15.3%
Internet and Mobile	59.7%	66.5%	73.5%
Telephone and Call Centre	3.9%	3.6%	3.4%

The Bank was the first to offer non-branch banking in Turkey when its first “Bankamatik” ATMs were introduced in 1982. The Bank was the first bank in Turkey to introduce telephone banking based upon an IVR system (1996), offer internet banking (1997) and provide value-added channel transactions such as remote stock exchange transactions. The Bank was also the first in Turkey to offer a mobile phone banking service (İşCep) compatible with a wide range of mobile platforms. The number of customers using the Bank’s mobile applications reached approximately 8 million in 2019.

All of the Bank’s retail banking services and a substantial portion of the Bank’s corporate banking services are fully computerised. All of the Bank’s points of service, including branches and alternative distribution channels (including ATMs, point-of-sale terminals and call centres) are linked to the Bank’s main data centre (*i.e.*, Atlas), which is located in İstanbul. This data centre gives the Bank the ability to centrally monitor and analyse services, while allowing most transactions to be executed on a real-time, online basis. The Bank has established a strong presence in the mobile banking market with the İşCep mobile application brand. As of 31 December 2019, customers could perform more than 600 transactions through the internet branch and more than 316 transactions through the “İşCep” mobile banking service.

Information Technology

The Bank’s technology operations and initiatives are managed by two divisions: information technology and data management. These divisions employed 760 personnel, including approximately 430 professionals dedicated to installing, maintaining and operating the Bank’s software applications and management information security and running the Atlas Data Centre and branch IT infrastructure, as of 31 December 2019. In addition, two subsidiaries (Softtech and İşnet) provide application development and maintenance project management and systems operations/infrastructure services, respectively.

The Bank uses best practices such as COBIT and ITSM, which are the most widely accepted development, service delivery, service support and IT governance standards. Most critical operational data and software are stored on mainframe computer systems. As of the date of this Base Prospectus, approximately 8,200 Windows/AIX/Linux-based servers are installed to host or support collaboration, e-mail, database, reporting services, applications servers, general ledger, payment systems, core banking, call centre, customer relationship management (“CRM”), internet banking web hosting of the Bank’s websites and interactive voice response applications (“IVR”). The IT department of the Group improved the IT resiliency by migrating the applications to the fault-tolerant, Tier IV-certified Atlas data centre, which is designed and operated logically

active/active. The data centre also uses virtualised servers, which reduce maintenance, power, space and other costs. WAN infrastructure is totally renewed and VOIP has become widespread.

The Bank's main data centre, Atlas, is located in Tuzla, İstanbul. The data centre is the main IT operation centre and connection point for the internet and the Bank's branches. The Bank also maintains other operations centres in İstanbul, which are used for certain business operations and a call centre.

As part of the Bank's data centre strategy, a replica of a hall in Atlas is planned to be created in Ankara during 2020, with all of the Group's data being synchronised to this data centre in order to create redundancy in case of any unavailability of the Atlas site, whether due to natural disaster or otherwise. This backup centre is intended to be prepared to become quickly the technology backbone for the Bank's services in branches and via its electronic banking systems.

IBM mainframe computers are commonly used for most of the core business areas. J2EE and .NET-based application servers have been chosen as the strategic growth platform for new emerging lines of business and business process management applications based upon a service-oriented architecture (SOA) backbone. In recent years, many end-user applications have been improved and modernised in both user interface and back office services by taking advantage of this new SOA backbone. The end-user application functionalities are enriched and empowered by data warehouse, CRM systems and business intelligence integrations. The Bank has recently been working on the use of big data analytics for its business services. The Bank has established a strong presence in the mobile banking market with the İşCep mobile application brand. As of the date of this Base Prospectus, İşCep is used by more than seven million customers, which community continues to increase, supporting the Bank's digitalisation drive. The Bank achieved IFRS 9 compliance and modernised its regulatory risk management services, such as anti-money laundering, know your customer and credit risk measure calculations.

In parallel with its strategy of standardisation and simplifying its digital architecture, the Bank initiated a program seeking to modernise its banking software and transition to a lean technology architecture that supports and enhances the efficiency of digital banking operations by reducing the complexity of the system. The Bank has also established an automation infrastructure that aims to improve the software development life cycle and support an agile approach for the effective and efficient management of IT operations.

Cyber security is one of the areas in which the Bank has recently increased its investments, recognising that this will remain one of the most critical risks to be managed. To that end, the Bank has established a Security Intelligence and Defense Centre as part of its IT department, which centre has been entrusted with the task of enhancing the Group's risk management system for cyber security. The Bank has also established an Artificial Intelligence Competence Centre within its Data Management Unit to support the development of artificial intelligence.

The Group has invested significantly in technology, including that relating to big data, artificial intelligence, biometry, virtual reality, process automation and cyber security, which investments are intended to enhance the Group's competitive position. The Group's IT infrastructure is frequently updated, including through input from high tech companies with which the Group coordinates in Silicon Valley and Shanghai.

Lending Policies and Procedures

Credit Approval and Monitoring

The credit evaluation process in the Bank is designed in accordance with its lending policies, which are, in turn, based upon the principles of security, liquidity, profitability and credit risk rating. The credit evaluation process starts at the branch level but, in accordance with credit authorisation levels, may end within the branch, with the Consumer Loans Underwriting division, the SME Loans Underwriting Unit Regions, the SME Loans Underwriting division, the Corporate or Commercial Loans Underwriting divisions, the Credit Committee (which is comprised of the Deputy Chief Executive Officer or the Chief Executive Officer and two members of the Board of Directors) or the Board of Directors. These units are also supported by the Financial Analysis (company analysis), Economic Research (sector analysis) and Risk Management (credit risk analysis) divisions. For further discussion on the Bank's risk management policies, see "Risk Management."

The following table indicates the credit approval letter that is required as of the date hereof, which is based upon the size of the credit:

	Authorisation Limit
Board of Directors	> US\$30,000,000
Credit Committee	≤ US\$30,000,000
Chief Executive Officer.....	≤ US\$20,000,000
Deputy Chief Executive.....	≤ US\$12,000,000
Corporate, Commercial, SME and Consumer Loans Underwriting Division Managers.....	≤ US\$8,000,000
Corporate and Commercial Loans Underwriting Division Unit Managers	≤ US\$4,000,000
SME and Consumer Loans Underwriting Division Unit Managers	≤ US\$3,000,000
SME Loans Underwriting Unit Region Managers.....	≤ TL 6,000,000
Corporate, Commercial and SME Loans Underwriting Division Assistant Managers.....	≤ US\$1,000,000
Consumer Loans Underwriting Division Assistant Managers.....	≤ US\$500,000

In addition, as of the date hereof, the Bank's branches have limited authority to extend credit in the range of TL 50,000 to TL 3.5 million according to their credit extension capacities.

Prior to extending credit, each loan application is assessed initially at the branch level. The analysis undertaken takes into consideration a number of criteria, including three years of financial statements of potential borrowers, standard credit ratios, levels of existing indebtedness, the prior relationship of the proposed borrower to the Bank, past credit history, various documentation relating to the operation of a potential borrower's business, the quality of the proposed security, if any, and evidence of income and personal statistics in the case of retail loans. In each case, the loan application form is then forwarded to the person(s) or committee with the authority to approve the loan. Loan authorities may revise the terms of the proposed loan or may request additional collateral before deciding whether to grant the loan. The decisions of credit offices are facilitated by the works of the Financial Analysis (company analysis), Economic Research (sector analysis) and Risk Management (credit risk analysis) divisions.

Corporate and commercial customers whose assigned loan limits exceed US\$1,000,000 or net sales exceed US\$8,000,000 are graded by an integrated rating system that incorporates financial ratios and internal and external behavioural information in different modules. SME and micro-enterprises are scored with integrated SME and micro scorecards with a similar modular system that includes customer characteristics, financial ratios and internal and external behavioural information in different modules. Both of the scorecards and the ratings are divided into eight grades according to the levels of risk potential. The scorecards are applied for each credit proposal of the firms in these segments and the output of the scorecard is used as a decision support system in the underwriting process.

For general purpose consumer loans, credit risk analysis is carried out by a decision engine and the results generated by such engine are categorised as follows: (a) automatic allocation (when the decision engine automatically allocates the credit for the branch to make the final decision), (b) branch allocation (when the customer's credibility requires specific evaluation of the branch), (c) head office allocation (when the credit amount exceeds the relevant branch's respective general purpose consumer loan authorisation limit or when the customer's credibility requires more specific evaluation) and (d) automatic rejection (when the risk evaluation criteria of the customer does not fit the Bank's risk appetite).

For residential mortgage loans and auto loans, credit risk analysis is carried out initially at the branch level. Where the credit amount exceeds the relevant branch's respective loan authorisation limit, loan offers are passed to the Head Office Consumer Loans Underwriting division for consideration and approval.

Customers' credit bureau records, the Bank's application scorecard results, Central Bank records and payable instalment amount (among others) are taken into account when assessing risks in relation to consumer loans, residential mortgage loans and auto loans.

The Bank's senior management regularly monitors the overall quality of the Bank's loan portfolio. In order to detect deteriorating positions in its corporate, commercial and SME loan portfolio in a more timely and efficient manner,

integrated rating systems incorporate external behavioural information such as delinquency information from other banks and internal behavioural information such as level of exposure against the credit limit with respect to the Bank. All corporate, commercial and SME customers are monitored monthly. This is a supportive process for both decision-making on new credit assignments to existing customers and taking actions to prevent borrower default. In addition, the Credit Portfolio Monitoring Division reviews relevant governmental regulations and internal bank policies and reports to the relevant authorities. The relevant loan authority and/or branches are then responsible for monitoring the credit to prevent borrower default. In addition, the Financial Analysis Division and branches of the Bank are responsible for preparing financial analyses on a yearly basis using published financial statements and reviewing the credit exposure of customers to other financial institutions and customer payment history for such purposes based upon information supplied by the Banks Association of Turkey Risk Centre.

Concentration Limits

The Bank has certain internal concentration limitations for its loan portfolio, which limitations are even more stringent than the regulations set by the BRSA. The Bank’s internal regulations also differ from the BRSA regulations in certain ways, such as, in the Bank’s internal approach, borrowers are separated into different limit categories and exposure to borrowers in each category is limited to a certain percentage of the Bank’s own funds.

The following table shows the BRSA legal limits for each of the major concentrations as of the date hereof:

	<u>Turkish legislation</u>
A borrower’s indebtedness/own funds ⁽¹⁾	25%
A group of borrower’s indebtedness/own funds ⁽¹⁾	25%
The Bank’s own risk group’s indebtedness/own funds ⁽¹⁾	20%
Total of large loans cannot exceed the own funds over ⁽¹⁾⁽²⁾	800%

⁽¹⁾ Own funds calculated as the total of Tier 1 capital and Tier 2 capital as required by the BRSA under the relevant capital adequacy and equity regulations.

⁽²⁾ Large loans are the loans made available to a real or legal person (or risk group) that equals or exceeds 10% of a bank’s own funds.

Loan Classification and Provisioning Policy

The Turkish banking regulations require Turkish banks to classify their total loan portfolio and provide certain amount of expected credit losses. See “Turkish Regulatory Environment – Expected Credit Losses.” See also the table in “Portfolio Supervision and NPLs” below for details of the movements in the Group’s NPL portfolio as of each of the indicated dates.

Portfolio Supervision and NPLs

Where a loan becomes impaired due to a delay in its principal or interest repayment of more than 90 days (or, per a 17 March 2020 decision by the BRSA, 180 days through 31 December 2020), the Bank classifies the loan as an NPL and classifies it under Group III as set out in the Turkish regulations. Accrued but uncollected interest must be deducted from revenue records. Interest on such a loan cannot be recorded as income unless collected. Furthermore, restructured loans are transferred to the “Renewed and Restructured Loans Account” according to collection performance as defined in the related decree. The amount of NPLs restructured and transferred to the “Renewed and Restructured Loans Account” in 2017, 2018 and 2019 totalled TL 113.4 million, TL 56.7 million and TL 52.3 million, respectively. The ratio of restructured NPLs to total NPLs as of 31 December 2017, 2018 and 2019 was 2.10%, 0.51% and 0.28%, respectively. Other loans that are not classified as NPLs may also be restructured. As of 31 December 2019, restructured performing loans constituted 6.9% of the Bank’s total performing loan portfolio.

Due to its high recovery rates, historically the Bank has, in general, given priority to the recovery of NPLs through negotiations and initiating legal proceedings as opposed to sales. As of the date of this Base Prospectus, the Bank prefers to use negotiations to work-out NPLs over legal procedure, as legal procedures are a lengthier and costlier process. Before 2009, the Bank managed its NPL portfolio through recovery alone; *however*, the Bank has periodically sold NPL portfolio when the market conditions were attractive. NPLs that are sold may be written off either before or at the time of sale. The following table sets forth details of the movements in the Group’s NPL portfolio as of each of the indicated dates.

	As of 31 December		
	2017	2018	2019
		(TL millions)	
Balance at the beginning of the period	5,273	5,799	12,492
Additions ⁽¹⁾	2,805	14,187	13,916
Recoveries ⁽²⁾	1,913	6,328	3,680
Portfolio sale.....	363	64	668
Write-off ⁽²⁾	3	1,102	957
Balance at the end of the period	5,799	12,492	21,103

⁽¹⁾ Including foreign currency effect and NPL accruals.

⁽²⁾ Excluding portfolio sales.

The Group had TL 10,096 million in renewed and restructured loan accounts as of 31 December 2017 (*i.e.*, before the adoption of TFRS 9). The following table sets forth details of the Group's loans under close monitoring that were restructured or rescheduled as of the indicated date after the adoption of TFRS 9.

	As of 31 December	
	2018	2019
	(TL millions)	
Restructured loan accounts, loans with revised contract terms and refinanced....	10,511	21,293

Loan Portfolio Quality

The following table sets forth details of the Bank's NPL ratios as of each of the indicated dates.

	As of 31 December		
	2017	2018	2019
Total NPL (TL million).....	5,404	11,192	18,883
Coverage Ratio.....	86.0%	58.7%	54.7%
NPL Ratio	2.2%	4.1%	6.5%

The following table sets forth details of the Bank's NPL ratios by loan categories as of each of the indicated dates.

	As of 31 December		
	2017	2018	2019
Consumer loans ⁽¹⁾	1.9%	2.3%	2.3%
Credit card loans	4.4%	4.9%	4.3%
Total Loans	2.2%	4.1%	6.5%

⁽¹⁾ Including retail overdraft accounts.

Related Party Transactions

All related party transactions of the Bank are subject to the same approval procedures as those applicable to its customers (see "Lending Policies and Procedures" above).

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of 31 December 2019, the Bank's total net exposure to its risk group totalled TL 7,053 million, an amount corresponding to 10.47% of its own funds. The Bank was therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

In addition, the Banking Law limits the total amount of loans to be made available by banks: (a) to all shareholders, irrespective of whether they are dominant partners or whether they own qualified shares (excluding those that

have a less-than 1% share in the capital of a bank), and (b) to their risk group, which amount is 50% of a bank’s own funds. With a negligible amount of exposure to its shareholders and their risk group as of 31 December 2019, the Bank was well within the limits set by the BRSA.

Employees and Benefits

The following table sets forth the number of employees as of the indicated dates.

	<u>Employees</u>
31 December 2017.....	24,868
31 December 2018.....	24,570
31 December 2019.....	24,053

The Bank focuses on ensuring that employees have the level of education suitable for operational effectiveness and a career at the Bank. As of 31 December 2019, 15.51% of the Bank’s employees had only a secondary school education, 2.24% were graduates of two or three years at college, 72.15% were graduates of universities relating to the banking industry, 5.14% were graduates of other universities and 4.71% had postgraduate degrees. Historically, the Bank has sought to maximise the opportunity for career development for its employees, with all positions filled through internal promotions and assignments as possible.

The Bank’s workforce accounted for 12.74% of all banking industry employees in Turkey as of 31 December 2019 according to the Banks Association of Turkey. The Bank’s personnel turnover rate (*i.e.*, resignations excluding retirees) has been very low, amounting to 1.8%, 2.0% and 1.86% in 2017, 2018 and 2019, respectively. As of 31 December 2019, the Bank’s employees (excluding security guards) had, on average, approximately 13.3 years of experience in the Bank and an average age of 38.6 years. The Bank places a high priority on personnel training and career development. Through its staff training department, the Bank operates training programmes focusing on skills appropriate to the operations to be performed.

Almost all of the Bank’s employees are members of Basisen, a Turkish union for the banking and insurance industries. Basisen and the Bank are parties to a collective bargaining agreement, which was signed in April 2020 and is effective until 31 December 2021. The Bank’s management believes that the Bank has good relations with Basisen, the sole union associated with the Bank.

Turkish employees of the Bank participate in two private pension funds. All employees are members of Türkiye İş Bankası A.Ş. Emekli Sandığı Vakfı (the “*İşbank Pension Fund*”), which was established and operates under Turkish social security regulations. In addition, the majority of the Bank’s employees participate in the İşbank Personnel Supplementary Pension Fund. The Bank and its employees contribute to both pension funds. On retirement, the İşbank Personnel Supplementary Pension Fund makes an additional lump-sum retirement payment.

The Council of Ministers of Turkey is authorised to determine the date for pension funds, such as the İşbank Personnel Supplementary Pension Fund, to transfer their payment obligations to the contributors of such funds, those who receive salaries or income from these funds and their rightful beneficiaries to the Social Security Institution. In line with the law, the Bank has actuarial valuations made for the aforementioned pension fund and, as applicable based upon the resulting report, a provision for any actuarial and technical deficit is recorded in the Bank’s financial statements.

Legal Proceedings

In the normal course of its business, the Bank is party to certain legal proceedings, whether as plaintiff or defendant, but the Bank’s management does not believe that any such proceedings, individually or taken together, are likely to have a material adverse effect on the business of the Group or on the results of its operations or financial condition. In relation to a legal proceeding against certain current and past senior managers of the Bank, see “Management – Legal Proceedings.”

Tax Audit

The Bank made payments to the İşbank Personnel Supplementary Pension Fund, a foundation established according to Turkish Commercial Law and Turkish Civil Law in order to fulfil the Bank's liabilities under the Articles of Foundation of the İşbank Personnel Supplementary Pension Fund and relevant laws. In relation to these payments made by the Bank, the tax auditors conducted an inspection and claimed that the payments should have been considered as wages and subject to withholding tax as the beneficiaries of the payments were the employees of the Bank.

Based upon initial auditor reports for 2007 and 2008, the Turkish tax authorities claimed in 2012 that the wages paid for such liabilities are subject to withholding tax and stamp tax and notified the Bank for the payment of TL 74 million for the total amount of tax and penalties. A similar assessment was made in 2013 for TL 152 million relating to 2009, 2010 and 2011. The Bank filed lawsuits to cancel these tax assessments and some of the resulting decisions were determined in favour of the Bank and some were determined against the Bank.

The Bank applied to the Constitutional Court and one of the Bank's applications resulted with a Constitutional Court's decision dated 12 November 2014, which was published in the Official Gazette No. 29274 dated 21 February 2015. This decision determined that there was no legal basis for the Bank to pay tax for its contributions to the relevant pension fund and, as such, that the corresponding assessments were improper and should be returned to the Bank (with interest).

An inspection was also made in 2013 relating to similar foundations to which other Group companies make payments, and the related tax penalties totalled TL 33 million. These companies also filed lawsuits to cancel these tax assessments and some of the resulting decisions determined in favour of these companies and some of them were determined against them.

While there can be no certainty on the legal process, in line with the Constitutional Court decision described above, the Bank's management anticipates that lawsuits related to the periods 2007, 2008, 2009, 2010 and 2011 will be determined in favour of the Bank and the Group companies. In addition, the lawsuits amounting to TL 61.1 million related to 2012 and 2013 were determined unfavourably for the Bank and, as of the date of this Base Prospectus, are in the process of being appealed by the Bank. In one lawsuit relating to the repayment of income tax withholding and stamp tax, the claims for which were paid by the Bank in December 2013 with a statement of reservation, a court decision was given in favour of the Bank; *however*, such decision was reversed by the majority of votes of the General Assembly of Tax Courts. As of the date of this Base Prospectus, this decision is in the process of being appealed by the Bank. Within the context of these developments, the Group's provisions amounting to TL 217 million, allocated for 2007, 2008, 2009, 2010 and 2011 have been reversed. The Bank's management might revise the provisions, allocated for the periods starting with 2012, considering the upcoming developments. As of 31 December 2019, the Group's allocated provisions amounted to TL 74.0 million (TL 63.3 million as of 31 December 2018).

Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies

Turkey is a member country of the Financial Action Task Force (the "*FATF*") and has enacted laws to combat money laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, risk management and monitoring activities, employee training, audit functions and designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board (*Mali Suçları Araştırma Kurulu*) (the "*FCIB*"), which is the Turkish financial intelligence unit. In Turkey, all banks and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money-laundering or terrorist financing.

The main provisions of the applicable law include regulation of: (a) client identification, (b) reporting of suspicious activity, (c) training, internal audit and control, risk management systems and other measures, (d) periodical reporting, (e) information and document disclosure, (f) retention of records and data, (g) data access systems to public records, (h) protection of individuals and legal entities and (i) written declaration of beneficial owners by transacting customers, among other provisions. Suspicious transactions must be reported to the FCIB.

It is the policy of the Bank (including its entire domestic and overseas branch network) and each of the Bank's subsidiaries to act in compliance with all applicable laws and international standards on combating money laundering and

terrorism financing, including to prohibit money laundering and any activities facilitating the money laundering process, the financing of terrorism or criminal activities; *provided* that the Bank’s overseas branches and subsidiaries must comply with the applicable laws of their host country.

For further information, see “Risk Management - Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies.”

Compliance with Sanctions Laws

It is the policy of the Bank (including its entire domestic and overseas branch network) and each of the Bank’s subsidiaries to carry out operations in accordance with all applicable law and international standards. The Group’s policy is to comply with certain international sanctions programs, including particularly the sanctions imposed by the United Nations Security Council, the United States, the European Union and Turkey. The Group’s policy is to not provide services to countries and activities subject to such sanctions or to intermediate any banking service in breach of such sanctions.

OFAC administers laws that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, SDNs, and similar laws have been put in place by other U.S. government agencies (including the State Department), the EU, the United Kingdom, the United Nations and Turkey. Before opening an account for, or entering into any transaction with, a customer, the Bank checks whether such customer is listed as a Sanction Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened against the list of Sanction Targets. All of the Bank’s daily transactions are further reviewed for compliance with applicable sanctions laws. Accordingly, the Bank’s policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets.

Credit Ratings

Each of the Bank’s credit ratings from S&P, Moody’s and Fitch as of the date of this Base Prospectus is set out below. Each of these rating agencies is established in the United Kingdom and is registered under the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The date of the Bank’s rating is based upon the last applicable report of the applicable rating agency.

S&P (17 August 2018)

Long-term Foreign Currency Issuer Credit Ratings/Outlook:	B+ (Negative)
Short-term Foreign Currency Issuer Credit Ratings:	B
Long-term Local Currency Issuer Credit Ratings/Outlook:	B+ (Negative)
Short-term Local Currency Issuer Credit Ratings:	B
Long-term/Short-term Turkish National Scale:	trA+ / trA-1

Moody’s (18 June 2019)

Long-term Foreign Currency Deposit Rating/Outlook:	B3 (Negative)
Short-term Foreign Currency Deposit Rating:	Not Prime
Long-term Local Currency Deposit Rating:	B3
Short-term Local Currency Deposit Rating:	Not Prime
BCA (Baseline Credit Assessment):	caa1
Senior Unsecured Debt Rating/Outlook:	B3 (Negative)
Foreign Currency Subordinated Debt Rating:	Caa2 / Caa3 (hyb)

Fitch (12 November 2019)

Long-term Foreign Currency Issuer Default Rating/Outlook:	B+ (Negative)
Short-term Foreign Currency Issuer Default Rating:	B
Long-term Local Currency Issuer Default Rating/Outlook:	B+ (Stable)
Short-term Local Currency Issuer Default Rating:	B
National Long-term Rating/Outlook:	A+(tur) (Stable)
Support Rating:	4
Support Rating Floor:	B
Viability Rating:	b+

MORTGAGE ORIGINATION, APPROVAL AND SERVICING

The Bank's residential mortgage loan portfolio is almost entirely generated by the Bank, which also services its own residential mortgage loan portfolio. The following summarises the Bank's mortgage loan products, their origination process, the Bank's approval process and its servicing of the residential mortgage loan portfolio.

Products. The Bank only originates fixed rate residential mortgage loans, which the borrowers principally use for the purchase of new residential real estate. While the Bank offers payment plan-based products (*i.e.*, loans with increasing or decreasing instalment payments), the Bank's clients primarily elect loans with equal instalment payments through the maturity date.

In addition to standard residential mortgage loans, the Bank offers its customers "transfer mortgage loans" and "restructuring mortgage loans." Transfer mortgage loans are offered to applicants who are transferring to the Bank a mortgage loan contracted with another bank, which a borrower principally does in order to obtain more attractive loan conditions. Restructuring mortgage loans are offered by the Bank to customers that have an outstanding mortgage loan with the Bank in order to: (a) prevent its customers from transferring its debt to another bank primarily due to an increase in interest rates or (b) assist a borrower that is in financial difficulty. In restructuring loans, the Bank offers a lower interest rate and/or longer payment periods with lower instalment amounts compared to the then-current loan.

All residential mortgage loans are secured by establishing a first ranking lien on the corresponding real property. In transfer mortgage loans, a second ranking lien is created initially but then becomes a first ranking lien upon payment of the outstanding amount of the mortgage loan that is being replaced.

The final maturity of residential mortgage loans made by the Bank is typically between five and 10 years. The weighted average age of residential mortgage loans held by the Bank as of 31 December 2019 was approximately 78 months. Based upon the outstanding principal amount of residential mortgage loans, the Bank had a market share of approximately 9% as of 31 December 2019 (source: BRSA).

Origination. All of the Bank's mortgage loans are provided through the Bank's branches; *however*, a customer may also submit an application through the internet, a call centre or a real estate agent, which application is subsequently directed to a branch of the Bank to initiate the origination process.

The Bank's branches (together with the applications directed from call centres) initiated the origination process for all residential mortgage loans originated by the Bank in 2019. The Bank had 1,249 branches in Turkey as of 31 December 2019, all of which are eligible to originate mortgage loans; *however*, the Bank's corporate and commercial branches (10 and 47, respectively, as of 31 December 2019) only originate mortgage loans for corporations.

Approval. Upon submission of a mortgage loan application (and receipt of such application by a branch), the relevant branch initiates the approval process by gathering information and documents from and about the applicant (*e.g.*, identification cards, income statements, employment details and credit history). All branches have an authorisation level for the credit amount and assess the creditworthiness of its customers. If a customer does not receive a sufficient score, the branch cannot grant the loan; *however*, such branch may request authorisation from the head office Retail Loan Department. If the mortgage credit is assessed to be creditworthy, then the Bank initiates the process to obtain an appraisal report for the applicable real property.

This appraisal report is an important part of the approval process, with each appraisal report being prepared by an independent appraisal firm. Two independent regulatory institutions (the BRSA and the CMB) monitor and authorise real property appraisal businesses in Turkey and, as of 31 December 2019, there were 136 real estate companies licensed by the CMB and 134 companies licensed by the BRSA.

The appraisal companies each use three appraisal methodologies for each property: a comparison approach, an income approach and a cost approach. Upon receiving a mortgage loan application, the Bank initiates the valuation process by entering information regarding the applicable real property and its title to the Bank's internal valuation portal, which selects an independent appraisal firm according to the region and type of property and the qualification of the firm and then forwards the request to the selected firm. Following receipt of an appraisal order, an appraiser will: (a) visit the relevant

Land Registry Office, municipality and (for on-site measurements) the real property to be mortgaged, (b) conduct research regarding reference values and (c) prepare and submit an appraisal report to the Bank. The technical staff at the Bank's Real Estate Department reviews the report according to the Bank's internal rules and compares it with relevant precedents, following which such department submits the report to the relevant branch that initiated the valuation process.

The Bank undertakes an evaluation of the requested loan using an internally developed scoring process that rates applicants based upon various criteria. Where a co-signer or guarantor would be liable on the mortgage loan, the analysis of the application also takes their creditworthiness into account.

In this analysis, the Bank (upon receipt of all needed information) undertakes a credit assessment of the applicant using the same processes applicable to other potential credits to such an applicant and evaluates the credit application. Considerations in this analysis include whether the applicant is a private or public sector employee, a self-employed individual, a shareholder of a company, an individual receiving a pension from the social security institution of Turkey or the Bank, an individual with additional income such as rent or interest income or a payroll customer of the Bank. As of 31 December 2019, employed workers are the principal customers of the Bank's residential mortgage loan business and the average age of the Bank's residential mortgage loan borrowers was 45.2 years old.

An employee of a branch collects various information about each applicant through the credit application system, including the following: (a) the profession, income and address of the customer, (b) the income of the applicant's family; *provided* that his/her spouse, parent(s) or children reside in the same house with the applicant and co-sign(s) or guarantee(s) the loan agreement to be liable on the mortgage loan, (c) debt-to-income ratio, which reflects the ratio of the applicant and (if applicable) his/her family's monthly gross income to their overall debts, (d) age of the applicant, (e) purpose, maturity and amount of the requested credit, which cannot exceed 80% of the appraised property value, (f) age of the property and (g) the construction status of the property.

As of the date of this Base Prospectus, a branch is required to obtain authorisation from the Bank's headquarters for the following: (a) a loan for which the requested credit amount exceeds the applicable authorisation level, (b) the customer's scores are below the required levels, (c) a loan to a borrower with a loan to value ratio that exceeds 80%, which is only to be approved with an additional house pledge or cash reserve at the Bank, (d) a loan for a property for which the construction level is below 75% or (e) a loan for a customer that has defaulted once previously and has a loan that has been impaired.

The Bank gathers certain information from third parties, such as the Central Bank or Turkey's credit bureaus, while other information comes directly from the Bank's history with the applicant (*e.g.*, is he or she a payroll customer of the Bank or has he or she obtained loans from the Bank in the past?). The Bank also requests additional documents and information from the applicants to verify their income level, such as: (a) from an applicant declaring rental income, a related lease contract or bank account statement, (b) from a private sector employee, an income statement from the company, confirmation from the employer verifying such employment and verification from the online portal of the Social Security Institution of Turkey (*Sosyal Güvenlik Kurumu*), and (c) from a public sector employee, the most recent income statement of the employee signed by the employer and confirmation from the employer verifying any lien on the monthly income of the employee.

The re-payment capacity and debt level of a residential mortgage applicant are the primary factors in determining the limit for any credit that might be provided to the applicant. The reasons that most frequently result in the rejection of a residential mortgage loan application include: (a) a history of non-payment, including any disclosed in the applicant's report from Turkey's credit bureau, (b) negative records of the applicant in the Bank's own database based upon the Bank's history with the applicant, (c) appearance of the applicant in the blacklist of the Bank's fraud database, (d) incomplete or false information in the application documentation and (e) insufficient monthly income of the applicant.

The information and documents collected and verified during the credit application process are maintained in the Bank's internal systems and are used for control purposes. The credit utilisation documents are printed in the branch, while other documents are kept in the Bank's electronic archive system and may be accessed by the audit department or the credit approval authority online.

Servicing. If a borrower misses a payment, then the Bank labels the loan as “delinquent” and the loan is monitored by the Retail Loans Monitoring and Recovery Division. The Bank has developed special software for the branches to analyse the delinquent loans in their customers’ portfolios.

Centralised collection efforts start with a segmentation process, in which the loans are segmented by criteria such as age, behavior score, outstanding balance, number of missed instalments and delinquency in other accounts. Centralised collection actions (such as SMS messages, phone calls and warning letters) are used until a mortgage loan is 75 days in arrears. Special software systems are used in order to manage segmentation, collection actions and operations.

The Bank sends a warning letter via public notary if the outstanding loan amount is (as of the date of this Base Prospectus) TL 30,000 or above. If the outstanding loan amount is (as of the date of this Base Prospectus) less than TL 30,000, then the Bank sends a letter with return receipt. The Bank sends a warning letter when the loan is 37 days in arrears. If, after sending a warning letter, the loan reaches three payments delinquent and then becomes two payments delinquent again and the loan is less than 50 days in arrears, then the Bank sends another warning letter. When the loan reaches 75 days in arrears, the Bank informs its relevant branch and regional office for further collection efforts.

The Bank also provides a customer the option to restructure the delinquent loan in compliance with applicable law.

If a customer pays the requisite amount or agrees with the Bank on a restructuring terms before the loan is 90 days in arrears, then the Bank removes the loan from its delinquency list and applies regular monitoring for subsequent instalment payments. If a customer makes a partial payment that covers at least one instalment, then the Bank takes the necessary actions considering the reduced delinquency period and the outstanding amount. If the customer does not make any payment or the amount of the partial payment is less than one delinquent instalment amount, then the loan is classified as a non-performing loan. According to the applicable law, the Bank is required to wait at least 30 days upon receipt of the warning letter by the delinquent customer for a loan to be in default and for the foreclosure process to start; *however*, in practice, the Bank prefers to wait until the loan is 90 days in arrears prior to classifying the loan as a non-performing loan.

Once a mortgage loan is 90 days in arrears, relevant information is logged into the system and the loan is transferred to the Bank’s legal services department for legal process or other appropriate remedial action. If the outstanding loan amount is below TL 500,000, then the Bank outsources the legal process to external lawyers; *however*, if the outstanding loan amount is above such amount, then the Bank’s internal legal teams are responsible for initiating the legal process.

Once a mortgage loan is 90 days in arrears, the loan is classified as a non-performing loan and transferred to the “default accounts,” which are added to the portfolio of the Bank’s relevant Risk Recovery Divisions (*i.e.*, Retail Loans Monitoring and Recovery Division or Commercial and Corporate Loans Monitoring and Recovery Division, depending only upon the outstanding loan amount). The Risk Recovery Divisions aim to collect the loan and liquidate the property as soon as possible.

Where legal process is initiated, the Bank issues a warrant of execution and submits an application for the appraisal of the mortgaged property via the office of a Turkish bailiff. The bailiff commences a public auction for the mortgaged property and starts with a minimum bid price of 50% of the appraised value. If the property cannot be sold at the first auction, then a second public auction is announced for a date at least 25 days after the first auction and the minimum bid price is again set at 50% of the appraised value. In both auctions, the Bank has the option to buy the property and terminate the loan. Following a legally required objection period provided to the debtor (and, to the extent required by Applicable Law, any other person), the bailiff finalises the sale of the property to the winning bidder and transfers to the Bank the amount required to repay the mortgage loan in full (or as much thereof as possible). The period of collection may be extended due to: (a) the debtor or lender making an objection to the appraisal value of the real estate (in which case a final decision of the enforcement court must be presented) and (b) the debtor or other relevant Person initiating a lawsuit for cancellation of the auction. If the amount from the sale is not sufficient to repay the mortgage loan in full, then further legal process is pursued by the Bank against other assets of the borrower to ensure full recovery.

The ratio of NPLs in the Bank’s portfolio of residential mortgage loans was 1.0% as of 31 December 2019, as compared to 0.6% in the Turkish banking sector as of the same date according to the BRSA. The recovery rate of the Bank’s residential mortgage loan NPLs was (in 2019): (a) 50.9% in the first 12 months after the classification of the applicable loan as an NPL, (b) 71.5% in the first 24 months after the classification of the applicable loan as an NPL and (c)

88.7% in the first 36 months after the classification of the applicable loan as an NPL, largely representing value obtained through the sale of the related mortgaged property.

RISK MANAGEMENT

General

The Bank's management believes that assessment and control of risk is critical to the Group's success. The Bank closely identifies, measures, monitors and manages the risks arising from the Group's operations. The Bank monitors and manages the mismatch of maturities, the size and degree of interest rate and exchange rate exposure and its counterparty credit quality in order to minimise the effect of these risks on profitability. The Group's current system of risk control and risk management, including the Group's operational risk framework, operational risk policy, application principles and disaster recovery plan, has been in place since 2002. The Bank has the following risk policies in place that are approved by its Board of Directors: a capital adequacy policy, an operational risk policy, a credit risk policy, an asset liability management policy, an information technology risk policy, consolidated risk policy and a reputational risk policy. The scope of these policies, which have been established in line with international practices, includes information regarding the general organisation and scope of the risk management function, the methods of measuring risks, the liabilities related to risk management, the methods of identifying risk limits and how violations of risk limits are to be monitored. The Group's system of risk control and risk management is reviewed and modified as necessary and is integrated into the Group's internal systems for planning, management and control.

The Bank continues to maintain and further develop its risk management system, which has been established both to meet its internal risk management needs and to comply with its legal and regulatory requirements, including the Basel criteria and the BRSA's regulations. Risk management personnel are also involved in risk, control and compliance analysis processes of the Bank's new products and services. The process comprises not only new but also expanded or modified products and services that may have significant effect on the Bank's risk profile. During this process, the "Internal Systems" group conducts risk, control and compliance due diligence and, throughout the process, Risk Management personnel are responsible for ensuring that all potential risks that may affect the Bank's business strategy and risk profile are analysed and conveyed to the related parties.

Internal Systems

The Bank's "Internal Systems" group is comprised of the Bank's Board of Inspectors, the Internal Control division, the Risk Management division and the Corporate Compliance division. This system has been structured based upon management's assessment of best market practices in Turkey and internationally and in accordance with the principles and organisational set-up required by Turkish regulations.

The Bank applies sophisticated risk management methods and techniques available in the international banking arena. Risk management is a dynamic process for the Group, evolving alongside developments in international practices and regulations.

The Board of Inspectors and Internal Control, Risk Management and Corporate Compliance divisions report to the Board of Directors through the Audit Committee.

Board of Inspectors

The Board of Inspectors aims to ensure that the activities of the Bank are fully and efficiently implemented in compliance with all applicable laws and corporate regulations. It also serves to secure the accuracy, reliability, completeness and timeliness of all financial and management information.

The scope of the audit process covers all activities and units of the Group and uses a risk-based approach. The branches, head office units, subsidiaries, associates and financial participations, information technology and banking processes are periodically audited in accordance with the Bank's audit plan, which is based upon risk-based methodology. Other than these periodic, risk-based audits, the Bank also performs special audits upon the request of the Board of Directors or the Audit Committee.

The audit process includes both the on-site and off-site examination of all material information, accounts, records and documents and all other factors that may affect the operations of the Bank. The Board of Inspectors also assesses the adequacy and effectiveness of the internal control, risk management and compliance systems.

Internal Control Division

The Internal Control division supports and oversees the Bank's internal control system, which is structured within the BRSA's required framework. The Internal Control Division monitors and reviews the design and execution of the Bank's internal control activities to enable banking activities to be carried out along the objectives, principles and provisions established by the Bank's management and applicable law and in a secure and efficient manner. The Internal Control division conducts onsite and/or remote controls on the Bank's compliance with the relevant laws, assets, limits, approvals and authorisations, IT and financial reporting systems. The Internal Control Division also uses advanced data analytics applications centrally to monitor continuously the effectiveness of selected automated controls.

Controls are carried out by the Internal Control Division with a risk-focused approach, covering the activities of the Bank's branches in Turkey and abroad, head office units, financial reporting and information systems, as well as the internal control structures of the subsidiaries of the Bank that are subject to consolidation with the Bank. The results of these activities are regularly analysed and the Internal Control Division monitors and follows up with the responsible parties for any needed corrective actions. The Internal Control division also supports the Bank's employees' training in order to increase the awareness of internal control activities across the organisation.

Risk Management Division

The Risk Management Division, which acts through the Risk Committee and forms a functional constituent of the risk management function, carries out the work to ensure that the Bank's compliance with capital adequacy requirements is in accordance with the Basel framework and is consistent with international best practices. In addition, the Risk Management Division works towards developing and validating risk measurement methodologies and optimising the capital adequacy management process.

The Risk Management Division is made up of the Credit Risk unit, Model Risk and Validation unit, Asset Liability Management Risk unit, Operational Risk unit, Subsidiary Risk unit and ICAAP and Economic Capital unit. The Risk Management Division is responsible for measuring, monitoring, analysing and reporting on both financial and non-financial risks.

Corporate Compliance Division

The Corporate Compliance division is responsible for: (a) the co-ordination of compliance functions and activities implemented in the Bank's branches and head office divisions and (b) monitoring compliance activities of financial subsidiaries of the Bank. The Corporate Compliance division consists of four sub-units, namely the Banking Activities Compliance unit, the Financial Crimes unit, the Sanctions and International Obligations unit and the Subsidiaries and Foreign Branches Compliance unit. Together, these units aim to contribute towards the internal management of compliance risk, ensuring that the Bank remains in compliance with the relevant legislation, regulations and standards.

The duties and responsibilities of the Compliance Officer as set out in the Prevention of Laundering Proceeds of Crime Law (as described in “-Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies” below) and other relevant regulations are fulfilled by the Head of the Bank's Corporate Compliance division in his capacity as Compliance Officer of the Bank.

Treasury Division

The Treasury division is responsible for managing and implementing the Bank's asset and liability positions on a day-to-day basis with a special emphasis on Turkish Lira and foreign currency liquidity, ensuring the availability of funds for all products and services distributed through the Bank's network.

The Treasury division's activities are held in the domestic and international money, currency and capital markets. The Treasury division also has the responsibility of determining the fund transfer pricing ("FTP") of Turkish Lira and foreign currency-denominated loans and deposits.

The Treasury division consists of separate groups concentrating on different activities such as Turkish Lira liquidity and securities portfolio management, foreign currency liquidity and securities portfolio management, Turkish Lira/foreign currency trading through both international and domestic foreign exchange markets and the pricing of derivative products. Apart from these trading floor activities, the Treasury division employs personnel from the Bank's back office operations. The risk exposure arising from changes in market conditions, counterparty risk and liquidity risks are monitored on a daily basis by a separate desk within the Treasury division. The Asset and Liability Management desk of the Treasury division is responsible for determining FTP, developing business strategies based upon developments in the banking system and reporting results.

The Treasury division's activities include, among others, the following:

- (a) managing the Bank's liquidity position,
- (b) managing the Bank's investment portfolio,
- (c) daily trading in order to enable the Bank to benefit from any advantageous market opportunities,
- (d) managing the Bank's net foreign currency position, ensuring that it remains within the limits set by the Turkish banking authorities and the risk appetite of the Bank as set by its Board of Directors,
- (e) managing the composition of any long or short foreign currency position,
- (f) utilising derivative instruments, such as currency and interest rates swaps, as well as forward, futures and options transactions, for general hedging purposes,
- (g) determining the Bank's Turkish Lira/foreign currency rates, which are used by its branches in pricing Turkish Lira/foreign currency transactions for their clients,
- (h) managing the Bank's foreign currency cash stocks and providing services to domestic banks enabling the transportation of their foreign currency denominated cash from Turkey to a related country,
- (i) pricing high volume Turkish Lira and foreign currency-denominated deposits of financial institutions and charities similar to the money market transactions in terms of pricing besides the determination of FTP for both Turkish Lira and foreign currency-denominated loans and deposits,
- (j) pricing structured finance deals and bilateral loans,
- (k) mitigating counterparty risk arising from treasury transactions through ISDA Credit Support Annex related collateral management,
- (l) monitoring market risk on the Bank's trading book via the traders limit system, and
- (m) finalising the operational processes of the Bank's front office transactions, including the management of Turkish Lira and foreign currency money transfers.

Asset Liability Management

The main responsibility of the Treasury division is to manage the Bank's assets and liabilities in accordance with the strategies set by the Asset and Liability Committee ("ALCO"). The ALCO is responsible for forming and overseeing the implementation of the asset and liability management strategy of the Bank and its objective is to structure the Bank's balance sheet in view of liquidity needs and market risk (both interest rate and exchange rate risks), while ensuring that the

Bank has adequate capital and is using its capital to maximise net interest income. The ALCO generally meets monthly, or more frequently if necessary, to review the Bank's risk exposure, set the Bank's policy for risk exposure (arising from its positions in respect of loans, investment securities and deposits in terms of market risk, together with risks arising from inflation rates, the Bank's liquidity position, capital adequacy and the macroeconomic environment including domestic and international political and economic events), determine the Bank's strategies for interest rate levels and terms for loan deposits and determine maturities and the pricing of loans and deposits. The ALCO also supervises the implementation process relating to these decisions.

The ALCO is chaired by the Bank's Deputy Chief Executive who is also responsible for the Treasury division. The other Deputy Chief Executives who attend ALCO meetings are those in charge of the following functions: corporate and commercial banking, corporate and commercial loan underwriting, credit risk management and portfolio monitoring and SME loans underwriting, retail and private banking, strategy and corporate performance management, capital markets and international banking, subsidiaries, economic research, risk management and financial management. The Head of the Treasury division is also a member of the ALCO and is in charge of coordinating and reporting with respect to ALCO meetings.

The ALCO sets the Bank's policies for interest rate levels and the terms for loans and deposits and makes decisions regarding the maturities and pricing of loans and deposits. Every week, a sub-committee of the ALCO, the Asset and Liability Management Unit ("*ALMU*"), gathers to discuss the latest developments in the financial markets and sets the main framework for the following week's policies and pricing strategies. Decisions made in the ALCO thus constitute the basis for decisions made in the ALMU. The ALMU is chaired by the head of the Treasury division. Other members include the heads of the retail banking product division, commercial banking product division, consumer loans division, economic research division, financial management division, risk management division, strategy and corporate performance division and capital markets division, as well as the unit managers of the Treasury division.

Based upon the decisions made in ALMU and ALCO meetings, the Bank's Treasury division is responsible for managing and implementing the Bank's asset and liability positions and policies on a day-to-day basis and ensuring the availability of funds for all of the Bank's products and services distributed through its network. The Treasury division measures and evaluates on a daily basis the Bank's risk exposure and unfavourable changes in market conditions and regularly monitors the short-term mismatches between assets and liabilities. For further information, see "Treasury Division" above.

Composition of the Group's main assets and liabilities

The Group's main assets are comprised of cash and banks, loans and securities. As of 31 December 2019, the Group's total assets increased to TL 565,052 million from TL 499,907 million as of 31 December 2018, itself an increase from TL 437,757 million as of 31 December 2017. The following chart sets forth details of the composition of the Group's main assets and liabilities by currency as of the indicated dates:

	As of 31 December					
	2017		2018		2019 ⁽²⁾	
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
<i>Assets</i>						
Cash and Banks.....	15.0%	85.0%	15.1%	84.9%	9.7%	90.3%
Loans.....	56.6%	43.4%	50.3%	49.7%	52.8%	47.2%
Securities Portfolio	78.9%	21.1%	76.7%	23.3%	76.1%	23.9%
Total Assets	59.0%	41.0%	54.3%	45.7%	54.9%	45.1%
<i>Liabilities</i>						
Deposits	46.0%	54.0%	44.7%	55.3%	42.6%	57.4%
Funds Borrowed ⁽¹⁾	28.6%	71.4%	16.5%	83.5%	13.2%	86.8%
Total Liabilities.....	51.5%	48.5%	47.8%	52.2%	47.9%	52.1%

(1) Including interbank, repo funds and marketable securities issued (consisting of TL and foreign currency-denominated bills and bonds issued by the Bank).

(2) The ratios as of 31 December 2018 and 2019 are not comparable to the ratios as of 31 December 2017 due to a change in the calculation of these ratios as a result of the implementation of TFRS 9.

The following chart sets forth the composition of the Group's main assets and liabilities by maturity as of 31 December 2019:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months
<i>Assets</i>				
Cash and Banks	70,443,839	3,204,782	981,538	-
Loans ⁽¹⁾⁽²⁾	48,512,388	24,280,397	78,102,038	165,032,107
Securities Portfolio	7,061,047	4,571,731	9,414,813	83,518,192
Total Assets⁽²⁾	139,649,802	32,407,366	88,603,015	248,963,083
<i>Liabilities</i>				
Deposits.....	249,486,931	30,936,853	13,317,743	3,144,509
Funds Borrowed ⁽³⁾	14,229,960	7,958,282	38,596,497	75,126,498
Total Liabilities⁽⁴⁾	309,423,010	40,689,653	53,123,996	79,386,139

Notes: Derivative Financial Assets Held for Trading amounting to TL 5,111,267 thousand are included in the securities portfolio.

(1) Including factoring receivables.

(2) Excluding unallocated assets.

(3) Including interbank, repo funds and marketable securities issued (consisting of TL and foreign currency- denominated bills and bonds issued by the Bank).

(4) Excluding unallocated liabilities.

As part of its internal asset liability management policy, the Bank seeks to structure its securities and loan portfolios such that the borrowing side matches the lending side in terms of total Turkish Lira/foreign currency exposures or fixed rate/floating rate exposures in order to minimise risk. The Bank also utilises derivative transactions in order to hedge itself against interest rate risk, foreign currency risk and liquidity risk.

Market Risk

Market risk is defined as the risk of loss in the trading portfolio of the Bank arising from movements in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads that may affect the Bank's assets, income or the value of its holdings of financial instruments. The objective of market risk management is to monitor and control market risk exposures within acceptable parameters, while optimising the return on risk.

The level of market risk to which the Bank is subject is measured by three separate methods known as the “Standard Method,” the “Value at Risk (“*VaR*”) Method” and the “Expected Shortfall (“*ES*”) Method.” Both methods are in accordance with Turkish regulations as adopted from internationally accepted practices.

Using the Standard Method, market risk measurements are carried out on a monthly basis. The results of these measurements are included in the Bank’s public regulatory reports as well as in internal reports, which are addressed to the Bank’s Board of Directors and senior management.

The VaR and ES methods are used to measure market risk in terms of interest rate risk, exchange rate risk, equity risk and volatility risk on a daily basis and is a part of the Bank’s daily internal reporting procedure. Back-testing is carried out to determine the reliability of the daily market risk measurements under the VaR method.

In order to support the VaR model that measures the loss that may occur under ordinary market conditions, scenario analyses are developed and performed based upon future predictions and past crises. The potential impact of these scenarios on the value of the Bank’s trading book is determined and the results are reported to the Bank’s Board of Directors and senior management.

The ALCO, comprising members of senior management of the Bank, manages market risk by monthly meetings based upon reports prepared by the risk management and related executive divisions. For the purpose of hedging market risk, the Bank primarily aims to balance the foreign currency position, match the interest and duration structure of its assets and liabilities and keep a sufficient level of liquid assets. The limits, which are established for managing market risk within the framework of the Bank’s asset and liability management risk policy, are monitored by the Risk Committee and reviewed in accordance with current market conditions.

Interest Rate Risk

A significant component of the Bank’s asset and liability management risk policy is the management of interest rate risk. Interest rate risk is the possibility of loss in relation to the structural position arising from adverse movements in interest rates. The Bank is exposed to interest rate risk due to mismatches in the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets or liabilities mature or reprice in that period. A positive mismatch denotes asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income, while a decrease in interest rates would have a negative effect on net interest income.

The potential effects of interest rate risk on the Bank’s assets and liabilities, market developments, general economic environment and expectations are regularly addressed in ALCO meetings where further measures to reduce risk are implemented when necessary.

While interest rate risk in trading book is managed through VaR limits, interest rate risk in the banking book is monitored and controlled by the limit established on the ratio of structural interest rate risk to regulatory capital. Structural interest rate risk is quantified by calculating the change in the Bank’s economic value of equity under standardised interest rate shocks (*i.e.*, plus 2% for foreign currency and 5% for local currency). The interest rate risk limits determined by the Board of Directors are monitored by the Risk Committee in accordance with the Bank’s asset and liability management policy. Furthermore, scenario analyses that are developed based upon future predictions are conducted for managing interest rate risk.

The following table sets forth the Group's "repricing" mismatch, which is the difference between the interest rate sensitivity of assets and the interest rate sensitivity of liabilities, as of 31 December 2019:

	Less than or equal to one month	Greater than one month and less than or equal to three months	Greater than three months and less than or equal to 12 months	Greater than 12 months	No Interest	Total
	<i>(TL thousands)</i>					
Cash balances and balances with the Central Bank.....	805,105	-	-	-	53,271,023	54,076,128
Balances with banks.....	9,315,210	-	-	-	-	9,315,210
Trading securities ⁽¹⁾	1,498,098	1,400,213	4,067,814	910,664	2,035,973	9,912,762
Interbank funds sold.....	896,131	283,065	252	-	-	1,179,448
Securities available for sale loans...	13,801,531	7,406,549	10,366,064	27,621,403	1,818,173	61,013,720
Loans ⁽²⁾	64,574,186	32,818,912	98,646,908	140,719,944	371,285	337,131,235
Securities held to maturity.....	6,268,046	6,567,325	9,909,039	10,894,891	-	33,639,301
Other assets.....	4,027,046	21,162	40,508	200,029	43,256,468	47,545,213
Total assets.....	101,185,353	51,702,010	124,012,123	180,346,931	107,805,421	565,051,838
Bank deposits.....	3,627,539	769,691	686,099	290,840	530,999	5,905,168
Other deposits.....	163,975,987	30,937,128	13,323,389	3,137,496	85,512,036	296,886,036
Interbank funds borrowed.....	3,012,612	7,648	10,075	-	-	3,030,335
Miscellaneous payable.....	2,310,390	10,625	9,273	2,056	36,953,650	39,285,994
Marketable securities issued ⁽³⁾	2,841,314	5,104,814	9,204,134	37,518,492	-	54,668,754
Funds borrowed from other financial institutions.....	9,736,197	29,306,716	22,553,419	10,710,648	-	72,306,980
Other liabilities.....	741,442	848,129	963,840	1,311,579	89,103,581	92,968,571
Total liabilities.....	186,245,481	66,984,751	46,750,229	52,971,111	212,100,266	565,051,838
Asset/liability mismatch.....	(85,060,128)	(15,282,741)	77,261,894	127,375,820	(104,294,845)	-
Off-balance sheet mismatch.....	2,348,491	8,977,261	-	-	-	11,325,752
Total mismatch.....	(82,711,637)	(6,305,480)	74,218,247	120,925,302	(104,294,845)	1,831,587
Cumulative mismatch.....	(82,711,637)	(89,017,117)	(14,798,870)	106,126,432	1,831,587	-

(1) Includes derivative financial assets.

(2) Stage 1 and Stage 2 expected credit loss for performing loans are included under "no interest" column.

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

Liquidity risk

In general, liquidity risk is the risk that an entity will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit rating downgrades which may cause certain sources of funding to become unavailable. Liquidity risk is a substantial risk in Turkish markets, which have historically exhibited significant volatility.

The Bank's principal source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of market conditions, the Bank's extensive network of branches and steady core deposit base are its most important safeguards for the supply of funds. Medium and long-term funds are acquired from financial institutions abroad as well as debt securities issued in local and foreign markets.

In order to meet the liquidity requirements that may emerge from market fluctuations, considerable attention is paid to the need to preserve liquidity and efforts in this respect are supported by projections of Turkish Lira and foreign currency cash flows. Based upon cash flow projections, prices are differentiated for different maturities and measures are taken accordingly to meet liquidity requirements. Moreover, potential alternative sources of liquidity are determined where required for extraordinary circumstances. Liquidity coverage ratios, which are subject to legal reporting requirements, are also used to monitor liquidity on an ongoing basis.

Within the framework of the Bank's asset and liability management risk policy, internal limits established for liquidity risk management are monitored by the Risk Committee and, in the case of extraordinary situations where prompt

action is required to be taken due to unfavourable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

The major objectives of the Bank's asset and liability management risk policy are to ensure that sufficient liquidity is available to meet its commitments to its clients in respect of the repayment of deposits and ATM transactions, to satisfy the Bank's other liquidity needs and to ensure compliance with the capital adequacy and other applicable Central Bank regulations. Liquidity risk arises in the general funding of the Bank's financing and trading activities and in the management of investment positions. It includes the risk of increases in funding costs and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The largest portion of the Group's funding source is deposits, constituting 47.5%, 49.8% and 53.6% of total liabilities as of 31 December 2017, 2018 and 2019, respectively. The Bank's management believes that deposits provide a stable funding base for the Bank. The Bank seeks to maximise the amount of Turkish Lira-denominated demand deposits in order to reduce the average funding cost. In addition, the Bank executes strategies to obtain long-term funds in order to match the maturities between its assets and liabilities.

As of 31 December 2019, demand deposits, of which 35.6% were Turkish Lira-denominated, constituted 28.4% of the Group's total deposits. As of the same date, Turkish Lira-denominated deposits represented 45.4% of the total time deposits (which represented the remainder of the Group's total deposits).

The following table sets forth the original maturity profile of the Group's deposits by currencies and tenor (including accrued interest that may be payable thereon) as of each of the indicated dates:

	As of 31 December				
	2017	Change	2018	Change	2019
	<i>(TL</i>		<i>(TL</i>		<i>(TL</i>
	<i>millions)</i>	<i>(%)</i>	<i>millions)</i>	<i>(%)</i>	<i>millions)</i>
No term	54,724	12.67%	61,656	39.55%	86,043
Turkish Lira-denominated	24,695	(9.36)%	22,384	36.66%	30,591
Foreign currency-denominated	30,029	30.78%	39,272	41.20%	55,452
Up to three months	124,154	16.03%	144,061	28.48%	185,085
Turkish Lira-denominated	64,766	8.30%	70,145	28.84%	90,374
Foreign currency-denominated	59,388	24.46%	73,916	28.13%	94,711
Greater than three months and less than or equal to 12 months	14,876	94.60%	28,948	(40.27)%	17,289
Turkish Lira-denominated	5,621	201.53%	16,949	(58.66)%	7,007
Foreign currency-denominated	9,255	29.65%	11,999	(14.30)%	10,283
Over 12 months	14,126	1.35%	14,316	0.40%	14,374
Turkish Lira-denominated	456	308.11%	1,861	(45.84)%	1,008
Foreign currency-denominated	13,670	(8.89)%	12,455	7.31%	13,365
Total deposits	207,880	19.77%	248,981	21.61%	302,791
Turkish Lira-denominated	95,538	16.54%	111,339	15.84%	128,980
Foreign currency-denominated	112,342	22.52%	137,642	26.28%	173,811

Currency Risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that a bank is subject to due to the exchange rate movements in the market.

The Bank effectively hedges its foreign currency risk and holds foreign currency asset and liability items together with derivatives in balance against the foreign currency risk.

Currency risk is managed by internal currency risk limits, which are established by the Board of Directors as a part of the Bank's internal risk policies. The ALCO and ALMU meet regularly to take necessary decisions for managing

exchange rate and parity risks within the scope of the Bank’s asset and liability management risk policy. The Bank manages foreign currency risk through monthly ALCO meetings and by setting limits on the positions that can be taken by the Bank’s Treasury Division. These limits are regularly reviewed by the Board of Directors and are amended from time to time to meet the growing business needs of the Bank.

The general net foreign currency positions of Turkish banks are also regulated by the BRSA and this figure, in absolute terms, cannot exceed 20% of the relevant bank’s shareholder equity.

Both the Standard Method and VaR Method are used in order to measure currency risk. Using the Standard Method, currency risk measurements are carried out on a monthly basis and the results are used for calculating the regulatory capital requirement of the Bank. Risk measurements within the context of the VaR Method are performed on a daily basis using historical and Monte Carlo simulation methods. Furthermore, scenario analyses are conducted to support the VaR calculations.

The results of these currency risk measurements are reported to senior management and the risks are closely monitored by taking into account current market and economic conditions.

A further 10% weakening of the Turkish Lira against foreign currencies as of 31 December 2017, 2018 and 2019 would have changed profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of 31 December		
	2017	2018	2019
		<i>(TL thousands)</i>	
US\$.....	351,106	(94,827)	(74,040)
Euro.....	(583,747)	(85,804)	249,693
Other currencies	36,380	47,083	97,355
Total.....	(196,261)	(133,548)	273,008

Credit Risk

In general, credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank places emphasis mainly on the payment ability and cash generating ability of the borrower in any given transaction, and also obtains sufficient collateral from borrowers including, wherever possible, cash collateral, mortgages or security over other assets. The Bank seeks to manage its credit risk exposure through the diversification of its lending activities to avoid undue concentration of risks with individuals or groups of clients in specific locations or businesses. Furthermore, the Bank’s lending is subject to the principles and internal limits set by the Board of Directors, which observes the relevant Turkish banking regulations.

The Bank has implemented centralised credit approval processes and loan proposals are evaluated and monitored by the relevant authorised divisions (see “The Group and its Business – Lending Policies and Procedures” and “The Group and its Business – Collateral” above).

The day-to-day management of credit risk is devolved to individual business units, such as the Corporate, Commercial and SME Loans Underwriting divisions, the Consumer Loans division and the Treasury division, which perform regular appraisals of quantitative information relating to counterparty credit.

Credit risk arising from treasury transactions is monitored on a daily basis. Exposure from over-the-counter derivative transactions is subject to daily margin call on counterparty basis under the relevant credit support annex agreements. As of 31 December 2019, 99% of the total credit risk arising from over-the-counter derivative transactions was collateralised with cash.

Operational Risk

Operational risk is the risk of loss arising from faults or deficiencies in the regular operations of a bank, including problems with systems, hardware, technology and communication infrastructures, natural disasters, terrorist attacks or earthquakes, as well as with respect to personnel responsibilities for monitoring, controlling, reporting, taking action and being diligent.

Operational risk assessments are conducted by the Bank's Risk Management Division using both qualitative and quantitative techniques. In terms of qualitative techniques, a "risk control self-assessment" is carried out using interviews to identify and classify risks and workshops are used to measure and evaluate risks. Following the assessment process, risks identified are reported to the Risk Committee and Board of Directors and "Monitoring Action Plans" are prepared accordingly. In terms of quantitative techniques, the Risk Management Division employs a range of diagnostic tools, such as key risk indicators, stress tests and scenario analysis, together with loss data analysis and modelling.

Risks derived from information technologies are primarily assessed within the scope of the Bank's operational risk management analysis. It is essential that those risks, which could be seen as multipliers of other risks derived from activities of the Bank, are measured, closely monitored and controlled within the framework of the Bank's integrated risk management.

Subsidiaries' Risk Management

The Bank has a group-wide risk policy set by the Bank's Board of Directors. The Risk Management Division monitors both internal and legal risk limits and other risks relating to subsidiaries falling within the scope of the group-wide risk policy. In addition to this, the Bank's subsidiaries also have their own internal, sector-specific risk policies, limits and procedures. The Bank's Risk Committee meets every three months to evaluate the group's risk level on a consolidated basis. The risk levels of subsidiaries are reported to the Board of Directors through the Risk Management Division.

Reputational Risk

The Bank has a reputational risk policy set by the Board of Directors. The Risk Management division monitors the level of reputational risk, which is measured in line with the reputational risk policy, and reports every three months to the Board of Directors.

Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies

Turkey has been a member country of FATF since 1991 and has enacted a series of laws related to the prevention of money laundering and terrorism financing. In Turkey, all banks and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering and terrorism financing. The first law relating to anti-money laundering (the "Prevention of Money Laundering" Law No. 4208) came into effect as of 19 November 1996. The "Prevention of Laundering Proceeds of Crime" Law No. 5549 came into effect as of 18 October 2006.

The "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism" was published in the Official Gazette in Turkey on 9 January 2008 and came into effect as of 1 April 2008. The main provisions include the regulation of: (a) obligations, (b) principles regarding client due diligence, (c) procedures of suspicious transaction reporting, (d) principles of providing information and documents, (e) inspection of obligations and (f) retaining and submitting.

In order to regulate principles and procedures regarding establishment of compliance programmes and the assignment of compliance officers by obliged parties for the purpose of the prevention of money laundering and terrorism financing, the "Regulation on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism" (the "AML Regulation") was published in the Official Gazette in Turkey on 16 September 2008 and came into effect as of 1 March 2009. The obligations introduced under the AML Regulation include: (a) establishing a compliance programme, (b) developing institutional policy and procedures, (c) risk management, (d) monitoring and controlling, (e) assigning a "compliance officer" and establishing a compliance unit, (f) training and (g) internal audit.

In line with the AML Regulation, on 24 September 2008, the Bank's Corporate Compliance division was established and a manager was appointed as the Bank's Compliance Officer. The Corporate Compliance division reports directly to the Board of Directors.

In an effort to ensure compliance with FATF requirements, Law No. 6415 on the Prevention of the Financing of Terrorism was introduced on 16 February 2013, which law introduced an expanded scope to the financing of terrorism offense (as defined under Turkish anti-terrorism laws). The law further criminalised terrorist financing and implemented an enhanced legal framework for identifying and freezing terrorist assets. On 31 May 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of the frozen assets. In addition, the Council of Ministers' Decree dated 30 September 2013 implemented United Nations Security Council Resolutions 1267, 1988 and 1989, which further improved Turkey's CFT regime. On 27 June 2014, FATF stated that Turkey has made significant progress to improve its CFT regime and has largely addressed its action plan, including by adequately criminalising terrorist financing and establishing procedures to identify, freeze and confiscate terrorist assets.

In October 2014, the FATF Plenary concluded that Turkey would no longer be subject to the FATF's monitoring process under its on-going global anti-money laundering/countering the financing of terrorism ("*AML/CFT*") compliance process. Although the FATF identified outstanding AML/CFT issues in its mutual evaluation report, the FATF Plenary decided at its October 2014 Plenary meeting that Turkey had taken sufficient steps in addressing technical compliance with the core and key recommendations set forth in the mutual evaluation to be removed from the follow-up process. In 2018, Turkey completed a national risk assessment and, on 16 December 2019, published a report recognizing the risks Turkey faces from money laundering and terrorist financing, establishing a legal framework to try to achieve effective outcomes in responding to these risks and noting that it needs to address these risks quickly.

In October 2014, the OECD's Working Group in Bribery adopted Phase 3 Report on Implementing the OECD Anti-Bribery Convention. In such report, the OECD made some recommendations to Turkey in order to improve the levels of anti-bribery enforcement in Turkey.

The Bank has adopted various policies and procedures aimed at ensuring compliance with anti-bribery laws and preventing money laundering and terrorist financing. The Bank has adopted an Anti-Bribery and Anti-Corruption Policy, which sets out principles for the Bank's employees and any individual or legal person acting in the name of, or providing services to, the Bank to comply with the applicable anti-bribery and anti-corruption laws. In line with FATF recommendations, Wolfsberg principles and the standards promulgated by the Basel Committee on Banking Supervision, the Bank applies "know-your-customer" (KYC) and "know-your customer's-transaction" (KYCT) procedures, as well as procedures to identify beneficiary owners. The Bank's most recent policy on the prevention of money laundering and terrorism financing was adopted on 2 March 2009. The Bank's AML/CFT policies and procedures are based upon, and the Bank believes that such policies and procedures are in compliance in all material respects with, applicable provisions of Turkish laws and applicable laws in other jurisdictions. All the Bank's branches and subsidiaries, regardless of their geographic location, must comply with the Bank's programmes, policies and procedures.

The Bank's Board of Inspectors is responsible for the oversight and audit of the Bank's AML/CFT policies and procedures. Transactions and records in the Bank's branches are reviewed on a regular basis to ensure compliance with the Bank's policies and procedures. Each year, the Bank must provide reports to the FCIB that contain data on the annual transaction volume, the total number of employees and branches that were audited, the date and duration of the audits, the number of personnel responsible for the audits, the number of transactions that were inspected and the number of suspicious transactions that were detected. The Bank also provides training to new and existing employees on its AML/CFT policies and procedures.

Client Identification

Under the AML Regulation, banks must verify the identification documents and other information provided by their permanent clients. The identification process also extends to walk-in clients where the value of a single transaction or the total value of multiple linked transactions is equal to or more than the thresholds specified in the AML Regulation. If there is any suspicion regarding the transaction requested by a walk-in client, regardless of the value of the transaction, the identification process must be carried out in full by the employee dealing with the transaction. The Bank's policy is that, as

with other obliged parties covered by the AML Regulation, all necessary measures should be taken in order to determine whether a transaction is being carried out for the benefit of a third party and, if so, to identify that third party. Moreover, all financial institutions are required by the AML Regulation to identify the beneficiary owner of an account. It is also compulsory for the banks to identify the natural person or legal entity that owns more than 25% of a legal entity.

The Bank's internal policies and systems prohibit the opening of anonymous accounts or the provision of services to shell banks or individuals who fail to provide sufficient identification. This is automatically controlled by the Bank's account-opening system, under which an account will not be allowed to be opened if certain conditions are not met.

Monitoring Suspicious Transactions

The Bank uses specialised software designed to detect unusual transactions in terms of money laundering and terrorism financing. The Bank's Anti-Money Laundering Compliance unit then analyses the alerts generated by the software and files suspicious transaction reports to the FCIB as necessary. In the Bank, risk assessment of the customers, products and countries was updated and this risk assessment was integrated with the software. The profiling process, known as "peer-profiling", is based not only upon the historical transactions of the Bank's clients but also on demographic information, occupation type for real persons and field of activity for legal persons. A separate software programme screens the Bank's customers and transactions according to watch lists of individuals, companies or geographic locations issued by authorities such as OFAC and the United Nations. If any party in a transaction falls within any of the watch lists, the system creates an alert, which the Bank reviews, and then decides, on a case-by-case basis, whether to accept or refuse the transaction. Branches also report suspicious transactions in written form to a compliance officer.

Liquidity and Funding

Deposits are the Group's main source of funding, with a 53.6% share in total liabilities as of 31 December 2019. As of 31 December 2019, according to the consolidated financial statements, 53.6%, and according to the Bank-only financial statements, 63.2%, of total funding was from deposits, while the rest was largely from long-term foreign borrowings

In terms of foreign currency, the primary funding sources for the Bank include foreign currency deposits, "repo" transactions, syndicated term loan facilities, eurobond issuances, future flow transactions and post-finance transactions, financings from multilateral institutions and export credit agencies, as well as bilateral transactions.

In terms of Turkish Lira, other than deposits, the primary funding sources currently available for the Bank are the repo and reverse repo market of the Borsa İstanbul, the over-the-counter interbank money market, the interbank money market of the Central Bank, collateralised loans and domestic bill and bond issues.

As a last resort, the Bank also has the ability to borrow funds through the Central Bank. The Bank's limits for these kind of transactions are determined by the Central Bank and generally carry a maturity of up to one month.

The Bank has been accessing the international markets for syndicated loan facilities since 1986 and is a regular borrower in the syndicated loan market. As of 31 December 2019, the balance of the two syndicated term loan facilities obtained by the Bank was approximately US\$1.9 billion. The Bank has been issuing senior unsecured eurobonds since 2011, including benchmark issues and private placements with different maturities, currencies and interest rates. The Bank also has issued Tier 2 eurobonds since 2012.

The Bank has a "diversified payment rights" programme created in 2004. Through this programme, the Bank sold all right, title and interest in, to and under U.S. dollar-, euro- or Sterling-denominated payment orders received by the Bank, which are sent or delivered by a payor to any office of the Bank and the payment of which is to be made to the Bank outside of Turkey. Since 2004, several tranches have been issued under the programme amounting to over US\$6 billion.

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

	As of 31 December				
	2017	% Change	2018	% Change	2019
	<i>(TL millions, except percentages)</i>				
Deposits.....	207,880	19.8%	248,981	21.6%	302,791
Repos & Money Market.....	24,575	(51.2)%	11,981	(74.7)%	3,030
Funds Borrowed ⁽¹⁾	105,909	18.9%	125,933	0.8%	126,976
Other	51,268	12%	57,398	16.0%	66,553
Equity.....	48,125	15.6%	55,615	18.1%	65,701
Total	437,757	14.2%	499,907	13.0%	565,052

⁽¹⁾ Including debt issuances and subordinated loans.

	As of 31 December		
	2017	2018	2019
	<i>(% of Total Liabilities)</i>		
Deposits.....	47.5%	49.8%	53.6%
Repos & Money Market.....	5.6%	2.4%	0.5%
Funds Borrowed ⁽¹⁾	24.2%	25.2%	22.5%
Other	11.7%	11.5%	11.8%
Equity.....	11.0%	11.1%	11.6%
Total	100.0%	100.0%	100.0%

⁽¹⁾ Including debt issuances and subordinated loans.

Capital Adequacy

The Bank is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures (commitment and contingencies).

Pursuant to the Regulation on Equities of Banks, published in the Official Gazette No. 26333 dated 1 November 2006 (the “2006 Equity Regulation”), which was replaced by the 2013 Equity Regulation, the Bank’s total capital ratio was (through the end of 2013) calculated by dividing its “Tier 1” capital, which comprises its share capital, reserves, retained earnings, profit and revaluation surplus for the current periods, plus its “Tier 2” capital, which comprises general provisions, by the aggregate of its risk-weighted assets and risk-weighted off-balance sheet exposures. In accordance with these guidelines, the Bank must maintain a total capital ratio in excess of 8.0% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4.0% higher than the legal capital ratio. As of 31 December 2019, the Bank’s regulatory capital adequacy ratio was 17.87% and the Group’s regulatory capital adequacy ratio was 16.37%, each significantly exceeding the minimum legal ratio of 8.0%.

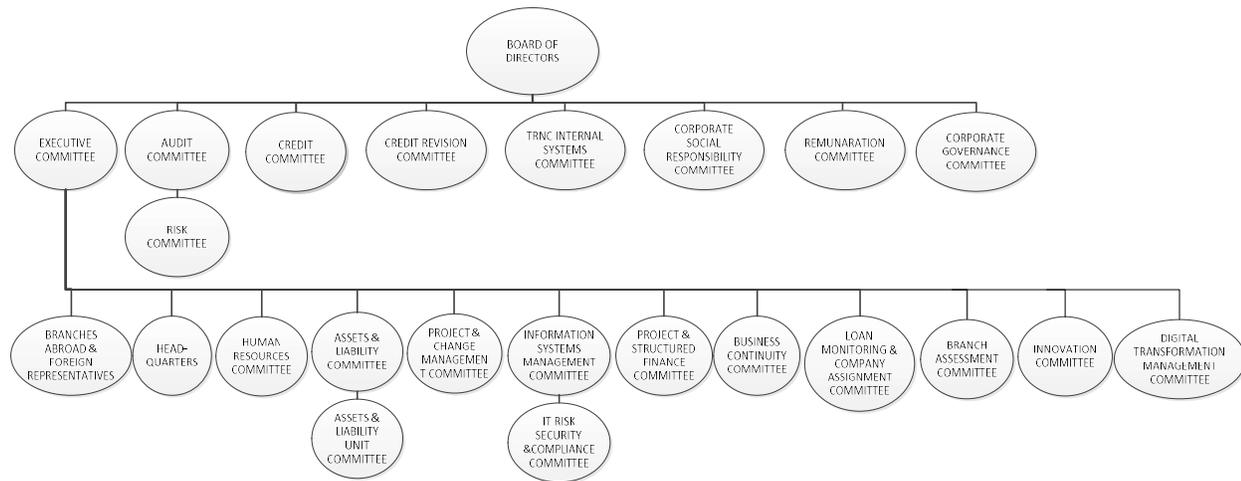
Within the context of the implementation of the Basel III framework in Turkey, the 2006 Equity Regulation was replaced by the 2013 Equity Regulation as noted above. As a result, the calculations regarding capital adequacy for periods from 1 January 2014 are performed in accordance with the 2013 Equity Regulation and other regulations newly enacted and/or amended by the BRSA. See “Turkish Regulatory Environment - Capital Adequacy” for additional information.

MANAGEMENT

In accordance with the Bank's articles of association and the relevant laws of Turkey, the Bank is ultimately controlled by its shareholders through its General Assembly. According to the Bank's articles of association, general resolutions at the General Assembly are adopted by affirmative votes of an absolute majority of the votes present at the meeting; *provided* that a quorum is attained. Resolutions concerning amendments to the articles of association themselves, however, must be approved by affirmative votes of two-thirds of the votes present at the meeting; *provided* that a quorum is attained.

The Bank comprises more than 40 departments. Five of these departments – the Board of Inspectors, Internal Control, Secretariat to the Board of Directors, Risk Management and Corporate Compliance – report directly to the Board of Directors. The other departments are managed by the Executive Committee comprising the CEO and Deputy CEOs.

The following chart shows the corporate organisational structure of the Bank as of 31 December 2019:



Board of Directors

According to the Bank's articles of association, the Board of Directors consists of between seven and 11 members, as elected by the shareholders at the General Assembly, with the exception of the Chief Executive Officer, who is appointed by the Board of Directors. Each director (other than the Chief Executive Officer) serves for a term of three years and is eligible to be re-elected.

Under the Bank's articles of association, the Board of Directors must hold its meetings at least once a month at the address where the Bank's head office is located. The Board of Directors may also hold meetings in any other suitable place; *provided* that more than one half of the members of the Board of Directors concur.

The presence of more than one half of the Board of Directors is required for the validity of a board meeting. Resolutions are adopted by the majority of the members present and, in the event of an equality of votes, the relevant matter is postponed until the subsequent meeting. Should the votes again be equal, the proposal in question is considered as rejected.

The Turkish Commercial Code (Law No. 6102) allows the appointment of a legal entity as a member of the board of directors of a joint stock company. Under such rules, a legal entity on a board of directors would be represented by a natural person designated by it. Alternatively, natural persons can be members of the board. Notwithstanding this provision, the BRSA does not favour the appointment of a legal entity as a board member of any joint stock company that it regulates, and thus members of the Bank's Board of Directors can (in practice) only be natural persons.

The business address of each of the members of the Board of Directors is İş Kuleleri 34330 Levent, İstanbul, Turkey. As of the date of this Base Prospectus, the Board of Directors comprises the following:

Name	Position	Year first appointed to the Board
Füsun Tümsavaş.....	Chairman ⁽¹⁾	2008
Yusuf Ziya Toprak.....	Vice Chairman ⁽¹⁾	2020
Adnan Bali.....	Director & CEO	2011
Ahmet Gökhan Sungur.....	Independent Director	2020
Feray Demir.....	Director	2016
Ersin Önder Çiftçioğlu.....	Director ⁽¹⁾	2017
Fazlı Bulut.....	Director	2019
Durmuş Öztekin.....	Director	2020
Recep Hakan Özyıldız.....	Director	2020
Mustafa Rıdvan Selçuk.....	Director	2020
Sadrettin Yurtsever.....	Director	2020

⁽¹⁾ Independent Director as a result of being a member of the Audit Committee.

Füsun Tümsavaş (Chairman)

Born in Ankara in 1957, Füsun Tümsavaş graduated from the Economics and Finance Department of Ankara University, Faculty of Political Science. She started her professional career at the Central Bank's Ankara Branch in 1979. In 1981, she started to work at the Bank's I. Loans Department as an Officer and subsequently became an Assistant Section Head and later an Assistant Credit Specialist in the same department. She was appointed to the Bank's I. Loans Department as an Assistant Manager in 1994 and as a Unit Manager in 1999, and in 2004 she became the head of the Commercial Loans Department.

Ms. Tümsavaş was originally elected to the Bank's Board of Directors on 28 March 2008 and then was re-elected on each of 31 March 2011, 28 March 2014, 31 March 2017 and 31 March 2020 and was appointed as the Chairman of the Bank's Board of Directors on 1 April 2019. Ms. Tümsavaş is also the Chairman of the Risk Committee, the Audit Committee, the TRNC Internal Systems Committee, the Corporate Governance Committee and the Remuneration Committee and a member of the Credit Committee.

In addition to her duties at the Bank, Ms. Tümsavaş has been serving as the Vice Chairperson of the Board of Directors of the İşbank Personnel Supplementary Pension Fund.

Yusuf Ziya Toprak (Vice Chairman)

Born in Trabzon in 1943, Yusuf Ziya Toprak graduated from the Department of Finance of Istanbul Economics and Commercial Sciences Academy. Mr. Toprak joined the Bank in 1967 as an Assistant Inspector on the Board of Inspectors. In the following years, he was appointed as an Assistant Manager and Group Manager in the Automation and Organization Departments, a Manager in the Securities Department, the General Manager of the Bank's subsidiary Yatırım Finansman Menkul Değerler A.Ş. and a Deputy Chief Executive at the Bank in 1999. Mr. Toprak retired in 2004 but continued serving as the Vice Chairman of the Bank and a Member of the Board of Directors of Şişecam until 2010.

Mr. Toprak was elected to the Bank's Board of Directors on 31 March 2020 and as the Vice Chairman on 1 April 2020. He is also a member of the Audit Committee, the TRNC Internal Systems Committee and an alternate member of the Credit Committee.

Adnan Bali (Director and Chief Executive Officer)

Born in İslahiye in 1962, Adnan Bali graduated from the Economics Department of Middle East Technical University and started his career at the Bank's Board of Inspectors in 1986. After working at various managerial positions at

the Bank, Mr. Bali starting serving as the Deputy Chief Executive in 2006. Mr. Bali has been serving as the 16th Chief Executive Officer of the Bank and the Chairman of the Credit Committee since 1 April 2011. He is also a member of the Risk Committee.

Mr. Bali is the Chairman of Şişecam Group. As of the date of this Base Prospectus, he is a member of the Board of Directors of Vehbi Koç Foundation, the Banks Association of Turkey, the Institute of International Finance (IIF) and the Institut International d'Etudes Bancaires (IIEB). Mr. Bali is also a member of the High Advisory Board of Darüşşafaka Society.

Throughout his career, Mr. Bali has attended various training programmes abroad, including an executive programme at Harvard Business School in Boston, Massachusetts, United States.

Ahmet Gökhan Sungur (Independent Director)

Born in Yozgat in 1953, Ahmet Gökhan Sungur graduated from the Department of Chemical Engineering of Middle East Technical University and then completed a master's degree from the same department. Mr. Sungur started his career as a Chief Specialist Chemical Engineer at General Institute of Mineral Research and Exploration Department of Technology in 1975 and worked in Hisarbank and Güntekin İnşaat A.Ş. as a System Analyst between 1981 and 1982, as a Manager of Software Development at the Bank between 1982 and 1999 and as the Chief Executive Officer at İş Net A.Ş. between 1999 and 2003.

Mr. Sungur was elected as an independent member of the Bank's Board of Directors on 31 March 2020.

Feray Demir (Director)

Born in Ağrı in 1968, Ms. Demir received a degree in Business Administration from Anadolu University's Faculty of Economics and Administrative Sciences. She started her career at the Bank's Sefaköy/İstanbul Branch as an Officer in 1988 and became the Assistant Section Head in 1990, Section Head in 1995, Sub-Manager in 1996 and Assistant Manager in 1999 at the same branch. She started serving as an Assistant Manager in the Commercial Loans Department in 2002. Ms. Demir served as an Assistant Manager in the Corporate Marketing Department from 2003 to 2005 and as the Manager of the Çarşı-Güneşli/İstanbul Branch from 2005 to 2007. Subsequently, Ms. Demir served as the Manager of the Commercial Banking Sales Division from 2007 to 2011 and as the Bank's İstanbul Corporate Branch Manager from 2011 to 2016. Ms. Demir was elected to the Bank's Board of Directors on 25 March 2016 and was re-elected on 31 March 2017 and 31 March 2020. As of the date of this Base Prospectus, she is also a member of the Corporate Social Responsibility Committee, the Credit Committee and the Remuneration Committee. In addition to her duties at the Bank, Ms. Demir also serves as a member of the Board of İşbank Personnel Supplementary Pension Fund.

Ersin Önder Çiftçioğlu (Director)

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

Mr. Çiftçioğlu was elected to the Bank's Board of Directors on 31 March 2017 and was re-elected on 31 March 2020 and serves as a member of the the Audit Committee, the TRNC Internal Systems Committee and Corporate Governance Committee.

Fazlı Bulut (Director)

Born in Pertek in 1964, Mr. Bulut graduated from Ankara University, Faculty of Political Science, Department of Economics. Mr. Bulut received a master's degree in Economic Development from the New Hampshire College (currently known as Southern New Hampshire University) in the United States.

Mr. Bulut served as an Account Expert and a Senior Account Expert at the Board of Account Experts of the Ministry of Finance from 1985 to 1997. He taught General Accounting at the College of Tourism and College of Computer Technology of Bilkent University from 1996 to 1998. Mr. Bulut served as the vice general manager and a member of the board in Social Insurance Institution (*Sosyal Sigortalar Kurumu*) from 1997 to 1999. He served as the vice general manager, the general manager and a member of the board of directors of Tepe Home Mobilya ve Dekorasyon Ürünleri Sanayi Tic. A.Ş., a subsidiary of Bilkent Holding, from 1999 to 2011. He subsequently served as a consultant for Bilkent Holding on tax and retailing for one year, the general manager of B. Braun Kalyon Medikal ve Dış Ticaret A.Ş. from 2013 to 2015 and as the coordinator of financial affairs in Terra İnşaat Grubu from 2016 to 2017. Mr. Bulut also has published books on various subjects.

Mr. Bulut was appointed as a member of the Bank's Board of Directors on 29 March 2019 and was re-elected on 31 March 2020 and is an alternate member of the Credit Committee and the Corporate Social Responsibility Committee.

Durmuş Öztekin (Director)

Born in Sivas in 1953, Mr. Öztekin graduated from the Department of Economics and Finance of Ankara University Faculty of Political Sciences and then received a master's degree in Economics from Vanderbilt University in the United States. Mr. Öztekin served as a Finance Auditor at the Turkish Treasury between 1975 and 1986. In the following years, he served as a Department Head, Deputy General Manager and General Manager in the General Directorate of Budget and Financial Control, the Chief Auditor and Member of the Financial Advisory Committee at the Turkish Treasury, an Auditor at Türk Telekom, a Member of the General Committee in the Council of Higher Education and a Financial Counselor at the Turkish embassy in Brussels. He served as a Ministry Counselor at the Turkish Treasury between 2006 and 2011.

Mr. Öztekin was elected to the Bank's Board of Directors on 31 March 2020 and is a member of the Corporate Social Responsibility Committee.

Recep Hakan Özyıldız (Director)

Born in Bursa in 1956, Mr. Özyıldız graduated from the Department of Economics and Finance in the Faculty of Political Sciences at Ankara University and then received a master's degree in Economics at Northeastern University in the United States. Mr. Özyıldız started to work as an Assistant Treasury Specialist at the Turkish Treasury in 1978. In the following years, he served as a Branch Manager at the Undersecretary of Treasury and Foreign Trade and at the General Directorate of Banking and Foreign Exchange, a Department Head, Deputy General Manager and General Manager at the General Directorate of Public Finance under the Turkish Treasury, an Auditor at the Bank, the General Manager of the State Economic Enterprises in the Turkish Treasury, a Senior Advisor of Economics in the Turkish embassy in London and an Assistant Undersecretary in the Turkish Treasury. Mr. Özyıldız is a columnist and commentator and serves as a part-time academic tutor in the Faculty of Political Sciences at Ankara University.

Mr. Özyıldız was elected to the Bank's Board of Directors on 31 March 2020.

Mustafa Rıdvan Selçuk (Director)

Born in Malatya in 1955, Mr. Selçuk graduated from the Department of Economics and Finance in the Faculty of Political Sciences at Ankara University and then received a master's degree in Economics from Vanderbilt University in the United States. Mr. Selçuk started his career as an Assistant Account Expert at the Turkish Treasury in 1978. In the following years, he served as an Account Expert, Senior Account Expert and Department Head in the General Directorate of Revenues, the General Manager and Chairman of Bağkur at the Ministry of Labour and Social Security, a Labour and Social Security Advisor in the Turkish embassy in Copenhagen and a Ministry Advisor at the Turkish Treasury. Mr. Selçuk,

who also serves as a Certified Public Accountant since 2003, is an Independent Auditor at BDD Bağımsız Denetim ve Danışmanlık A.Ş. and a partner at Girişim YMM Limited Şti.

Mr. Selçuk was elected to the Bank's Board of Directors on 31 March 2020.

Sadrettin Yurtsever (Director)

Born in Darabi in 1964, Mr. Yurtsever, graduated from the Department of English Language Education in the Faculty of Education of Gazi University. Mr. Yurtsever started his career at the Bank as a candidate officer in the İzmir branch in 1993 and later served in the same branch as a Section Head and Sub-Manager, as an Assistant Manager in the SME Loans Underwriting Division of the Denizli Region starting in 2006, as an İzmir Central II. Region Sales Division Assistant Regional Manager starting in 2007 and a Regional Manager in the same division starting in 2011, the Branch Manager of the Bornova, İzmir Commercial Branch starting in 2013 and then the same role in the Mediterranean, Antalya Corporate Branch starting in 2018.

Mr. Yurtsever was elected to the Bank's Board of Directors on 31 March 2020 and is a member of the Corporate Governance Committee and the Corporate Social Responsibility Committee.

Executive Committee

The Bank's Executive Committee consists of the Chief Executive Officer and the Deputy Chief Executives. The meetings of the Executive Committee are held once a month; *however*, the Chief Executive Officer may call for a meeting whenever it is necessary. Resolutions are made on a majority basis and require the approval of the Chief Executive Officer.

The Executive Committee is responsible for, among other things, preparing the strategies, policies, targets and the business plan of the Bank and assessing the Bank's performance. Members of the Executive Committee are:

<u>Name</u>	<u>Position</u>
Adnan Bali.....	Chief Executive Officer
Senar Akkuş	Deputy Chief Executive
Hakan Aran	Deputy Chief Executive
Cahit Çınar	Deputy Chief Executive
Yalçın Sezen.....	Deputy Chief Executive
Murat Bilgiç	Deputy Chief Executive
N. Burak Seyrek	Deputy Chief Executive
Şahismail Şimşek	Deputy Chief Executive
Ebru Özsuca	Deputy Chief Executive
Gamze Yalçın.....	Deputy Chief Executive

Additional information on each of these Deputy Chief Executives is set forth below:

Senar Akkuş

Born in Diyarbakır in 1969, Ms. Senar Akkuş graduated from the Economics Department of the Faculty of Economics and Administrative Sciences at the Middle East Technical University. She joined the Bank as an Assistant Specialist at the Treasury Department in 1991. After serving in various units of the Bank, she was appointed as a Deputy Chief Executive in 2011.

Hakan Aran

Born in Antakya in 1968, Mr. Hakan Aran graduated from the Computer Engineering Department of the Faculty of Engineering at the Middle East Technical University. He holds a master's degree in Business Administration from the Başkent University, Institute of Social Sciences. He began his career at the Bank as a Software Specialist in the IT Department in 1990 and served in different positions in IT & Software Development Department. He was appointed as a Deputy Chief Executive in 2008.

Cahit Çınar

Born in Ankara in 1967, Mr. Cahit Çınar graduated from the International Relations Department of the Faculty of Political Sciences at Ankara University and then attended Munich Ludwig-Maximilians University between 1989 and 1990. Mr. Çınar then began his career at the Bank as an Assistant Specialist in Economic Research Division in 1991 and joined the Board of Inspectors as an Assistant Inspector in 1992. He was appointed as an Assistant Manager to the Commercial Loans Division in 2001. He was appointed to a position in Frankfurt/Germany in 2004 and became the Regional Manager of Commercial Loans Department in 2007, the Head of Commercial Loans Underwriting Division in 2010 and the Manager of Güneşli Corporate Branch in 2013. Mr. Çınar was appointed as the Chief Executive Officer of İşbank AG on 25 March 2016. Mr. Çınar was appointed as a Deputy Chief Executive of the Bank on 5 October 2018.

Yalçın Sezen

Born in İzmir in 1965, Mr. Yalçın Sezen graduated from the Political Sciences and Public Administration Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. He joined the Bank in 1987 as an Assistant Inspector on the Board of Inspectors. After serving in various units of the Bank, he was appointed as a Deputy Chief Executive in 2011.

Murat Bilgiç

Mr. Murat Bilgiç was born in Ankara in 1968 and graduated from the International Relations Department of the Faculty of Economics and Administrative Sciences at Middle East Technical University. He holds a master's degree in banking from the University of Birmingham. He joined the Bank in 1990 as an Assistant Inspector. In 2002, after serving in a variety of positions at the Bank, he became a Regional Manager in the Corporate Loans Department. Since 2008, he has been serving as the Manager of the Corporate Loans Department. On 25 March 2016, Mr. Bilgiç was appointed as a Deputy Chief Executive.

Burak Seyrek

Born in Ankara in 1970, Nevzat Burak Seyrek graduated from the International Relations Department of the Faculty of Political Science of Ankara University in 1990. In December 1990, he began his career as a junior training assistant in the training centre of the Bank. After his employment in the education directorate, he served in the credit department as a credit specialist. From 1994 to 2001, Mr. Seyrek worked at İşbank GmbH in the credit and risk management department as an Assistant Director and the Risk Manager. In 2001, he returned to the Bank, where he worked until 2004 in the Başkent Branch (Ankara) as the Assistant Director responsible for credit and trade. In 2004, Mr. Seyrek was promoted to the position of branch manager of the Ostim Branch in Ankara. From 2007 to 2010, he held the position of the regional corporate sales director for Ankara region II. From 2010 to 2011, he served as the head of corporate banking products, and from 2011 to 2013 he continued the duties of head of corporate banking (sales) with responsibility for the regional directorates and corporate branches. In October 2013, he was appointed as the CEO of İşbank AG. On 25 March 2016, Mr. Seyrek was appointed as a Deputy Chief Executive.

Şahismail Şimşek

Born in Erzurum in 1968. Mr. Şahismail Şimşek graduated from the Department of Finance at Ankara University's Faculty of Political Science. He joined the Bank as a Candidate Officer at the Yenişehir/Ankara branch in 1992 and served as a Section Head, Sub-Manager and Assistant Manager at the Sultanhamam branch between 1995 and 2007. He served as an Assistant Manager and Unit Manager at the Commercial Banking Product Division between 2007 and 2012 and the Manager of the Avcılar Commercial Branch between 2012 and 2016. He was appointed as the Head of Commercial Banking Sales Division in 2016. Mr. Şimşek was appointed as a Deputy Chief Executive on 28 November 2017.

Ebru Özşuca

Born in Ankara in 1971. Ms. Ebru Özşuca graduated from the Economics Department of Middle East Technical University's Faculty of Economic and Administrative Sciences in 1992. She also holds a master's degree in International Banking and Finance from the University of Southampton in the United Kingdom. She attended the Advanced Management

Programme at Harvard Business School in 2015. She joined the Bank as an Assistant Specialist in the Treasury Division in 1993. She later served in the same department as an Assistant Manager and Unit Manager. After serving in the Corporate Banking Product Division between 2007 and 2011, she was appointed as the Head of Treasury Division. Ms. Özşuca was appointed as a Deputy Chief Executive on 28 November 2017.

Gamze Yalçın

Born in Ankara in 1971. Ms. Gamze Yalçın graduated from the Economics Department of Middle East Technical University's Faculty of Economic and Administrative Sciences in 1992. She also holds a master's degree in International Banking and Finance from the University of Birmingham in the United Kingdom. She attended the Advanced Management Program at Harvard Business School in 2017. She joined the Bank as an Assistant Specialist in 1993. After serving in the Organisation and Accounting Divisions, she was appointed as an Assistant Manager in the Risk Management Division in 2002. After serving as a Unit Manager in the same division, she was appointed as the Head of Risk Management Division in 2011. Ms. Yalçın was appointed as a Deputy Chief Executive on 28 November 2017.

Board Committees

In addition to the Executive Committee, the Board of Directors has established the Credit Committee, the Credit Revision Committee, the Audit Committee, the Risk Committee, the TRNC Internal Systems Committee, the Corporate Social Responsibility Committee, the Remuneration Committee and the Corporate Governance Committee.

Credit Committee. The Bank's Credit Committee consists of the Chief Executive Officer or his deputy, who is also the chairman of the Credit Committee, and two members of the Board of Directors. Each year, at the first Board of Directors meeting after the General Shareholders' Meeting, the members of the Credit Committee are determined. Two alternate committee members are also designated. Decisions of the Credit Committee relating to credit allocations require unanimous approval with each Credit Committee member having an opportunity to examine the credit file in question. Resolutions of the Credit Committee that have unanimous backing are executed directly, while resolutions made on a majority basis are executed following the approval of the Board of Directors. The Credit Committee examined 85, 49 and 51 credit files, respectively, in 2017, 2018 and 2019.

Credit Revision Committee. The Credit Revision Committee was established within the context of the Bank's credit risk policy in order to ensure that after any revision of its loan portfolio at the end of the year, relations with credit customers are evaluated and, where necessary, the credit limits allocated are renewed or revised. In 2019, the Bank's Credit Revision Committee revised all the firms and institutions under the authority of the Board of Directors and Credit Committee and completed the examination and revision of limits for hundreds of group or individual companies and correspondents.

Audit Committee. The Audit Committee consists of three members (a chairman and two members) that serve on the Board of Directors. The Audit Committee members are selected by the Board of Directors. The Audit Committee informs the Board of Directors of the results of its activities and the measures that are required to be taken by the Bank, and offers its opinions on other matters that it considers to be significant for the Bank to conduct its business in a safe manner.

The Audit Committee is in charge of:

(a) ensuring that the Bank's internal systems function effectively and efficiently and that the Bank's accounting and reporting systems operate in compliance with the related regulations,

(b) carrying out the preliminary assessment of external auditors and rating agencies, evaluating and supporting service providers and monitoring on a regular basis the activities of the service providers selected by the Board of Directors,

(c) ensuring that the internal audit functions of subsidiaries that are subject to consolidation are being performed in line with the related regulations,

(d) reporting and advising to the Board of Directors in relation to the Bank's operations and activities, as well as the policies and regulations of its internal systems,

(e) evaluating the information and reports received from independent auditors and divisions that fall under the internal systems with respect to their activities,

(f) ensuring that the Bank's financial statements are in accordance with the relevant regulations, requirements and standards,

(g) where necessary, gathering information, reports and documents from the relevant units of the Bank or its supporting service providers and independent auditors and, subject to the approval of the Board of Directors, receiving consulting service from persons who are experts in their respective fields,

(h) carrying out its other regulatory duties and performing tasks assigned by the Board of Directors,

(i) reporting to and advising the Board of Directors in relation to the results of its activities and the measures deemed necessary to be taken in order for the Bank to operate in a manner compliant with the relevant external and internal regulations and policies, and

(j) ensuring that the scope of the internal capital adequacy evaluation process includes all risks in a consolidated manner and that auditing and control processes are maintained within the Bank for such evaluation to be adequate and accurate.

Risk Committee. The Risk Committee is responsible for formulating the risk management strategies and policies that the Bank will adhere to both on a consolidated and unconsolidated basis, presenting them to the Board of Directors for approval, and monitoring compliance with them. The Risk Committee is the common communication platform with the Bank's executive divisions in terms of assessing the risk to which the Bank is exposed, making suggestions about precautions to be taken and methods to be followed. The committee's principal duties include:

(a) preparing risk strategies and policies and presenting them to the Board of Directors for approval,

(b) adjudicating on and negotiating the issues raised by the Risk Management Division,

(c) recommending risk limits (including risk appetite limits, trading book limits, banking book limits, investment limits, loan concentration limits, industrial limits and liquidity risk limits) to the Board of Directors, monitoring the breach of risk limits and making recommendations to the Board of Directors regarding the treatment and elimination of those breaches,

(d) recommending to the Board of Directors changes in risk policies as circumstances require,

(e) monitoring risk identification, definition, measurement, assessment, and management processes carried out by the Risk Management Division, and

(f) monitoring the accuracy and reliability of the risk measurement methodologies and their results.

The Risk Committee also contributes to the configuration of group risk policies through consolidated group meetings. In the activities that the Risk Committee carries out on a consolidated basis, the Deputy Chief Executive responsible for the Equity Participations Division and the Department Head of the Equity Participations Division also attend the meetings.

The TRNC Internal Systems Committee. Due to the Bank having branches operating in the TRNC, the TRNC Internal Systems Committee was established under resolution No. 35546 of the Board of Directors dated 15 June 2009 in accordance with the Banking Law of the TRNC and other relevant regulations.

The TRNC Internal Systems Committee informs the Board of Directors of the results of its activities and the measures that are required to be taken by the Bank's branches in the TRNC, and renders its opinions on other matters that it deems to be significant for these branches to conduct their business in a safe and effective manner.

The TRNC Internal Systems Committee is responsible for ensuring that the internal systems that have been established with regard to the activities of the branches operating in the TRNC function effectively and efficiently and that the Bank's accounting and reporting systems in these branches operate within the framework of the related regulations, ensuring the integrity of information produced.

The TRNC Internal Systems Committee is also responsible for carrying out the preliminary assessment of external auditors as well as monitoring on a regular basis the activities of the service providers for other banking activities that have been selected by the Board of Directors and have signed an agreement with the Bank.

Corporate Social Responsibility Committee. The Corporate Social Responsibility Committee was established in accordance with the Regulation on Social Responsibility Practice (the "*Social Regulation*"), which was adopted under resolution No. 33784 of the Board of Directors dated 7 November 2007. The Committee operates in line with the Social Regulation principles, by considering the following basic fields of contribution: "Education," "Culture and Art," "Health," "Protection of the Environment" and "Other Activities."

Remuneration Committee. As per the resolution of the Board of Directors, dated 29 December 2011 and No. 38038, the Remuneration Committee was established for the purpose of executing functions and activities related to monitoring and controlling remuneration implementations of the Bank on behalf of the Board of Directors.

The Committee holds meetings at least twice a year and informs the Board of Directors about the results of its own activities and its opinions on other important issues. The Remuneration Committee is responsible for monitoring and controlling policies related to remuneration management on behalf of the Board of Directors within the context of compliance to the Bank's Corporate Governance Principles, ensuring that remuneration is in compliance with the Bank's ethical values, internal balances and strategic goals. The committee is also responsible for evaluating remuneration policy and its implementation within the framework of risk management, submitting proposals to the Board of Directors that are in line with the requirements after examining remuneration policy and officiating other responsibilities in accordance with relevant legislation and tasks assigned by the Board of Directors within this framework.

Corporate Governance Committee. As per the resolution of the Board of Directors dated 27 February 2013, the Corporate Governance Committee was established for the purpose of assuring that the Bank complies with corporate governance principles and determining appropriate independent nominees for the Bank's Board of Directors.

Conflict of Interests

There are no actual or potential conflicts of interest between the duties of any of the members of the Board of Directors and the Executive Committee and their respective private interests or other duties.

Address

The business address of the Executive Committee is İş Kuleleri 34330 Levent, İstanbul, Turkey.

Remuneration

As per the Bank's articles of association, the Bank does not distribute any dividends to the members of the Board of Directors (including the Chief Executive Officer) for their roles as members of the Board of Directors. Monthly remunerations of the members of the Board of Directors and auditors are determined annually at the Bank's General Shareholders' Meetings and disclosed to the Borsa İstanbul.

The aggregate amount of the remuneration paid and benefits granted to the members of the Bank's Board of Directors and its senior management for 2019 was TL 30.4 million.

Corporate Governance

The Bank recognises the importance of maintaining sound corporate governance practices. The relationship between the Bank's management, shareholders, employees and third parties (including customers, legal authorities, suppliers and various other individuals and institutions with whom the Bank does business) are based upon fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency, accountability and sustainability.

CMB Corporate Governance Principles

The Communiqué No. II-17.1 on Corporate Governance (as amended, the “*Corporate Governance Communiqué*”) provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul. See “Turkish Regulatory Environment - Corporate Governance Principles.”

Legal Proceedings

POAŞ Proceedings

On 22 March 2016, a court in İstanbul received a prosecutor's indictment related to some of the fuel import transactions of publicly traded Turkish fuel distributor OMV Petrol Ofisi A.Ş. (“*POAŞ*”) against certain of its board members or senior managers who served between 2001 and 2007. The indictment includes allegations against certain of the Bank's current and past senior managers who served at POAŞ between 2001 and 2005, when the Bank was a significant minority shareholder in the company. As of the date of this Base Prospectus, the Bank's management does not believe that the proceedings will have any material impact on the Bank. The lawsuit is pending as of the date of this Base Prospectus.

OWNERSHIP

The Bank was established in 1924 at the initiative of Mustafa Kemal Atatürk, the founder of modern Turkey. The Bank has three classes of shares, Class A Shares, Class B Shares and Class C Shares. For the principal differences among these three classes of shares, see “Voting rights” and “Privileges” below.

As of 31 December 2019: (a) the major shareholder of the Bank, with a 39.10% shareholding, was the İşbank Personnel Supplementary Pension Fund, which acts on behalf of both active and retired employees of the Bank, (b) 32.81% of the Bank’s shares were on free float, and (c) the remaining 28.09% were held by the CHP, which is the testamentary heir of the Bank share capital held initially by Mustafa Kemal Atatürk under his will dated as of 5 September 1938. Under such will and its interpretation by the Turkish courts, dividends on the share capital of the Bank held by the CHP are paid equally to the following two non-profit organisations: the Turkish Language Institute and the Turkish Historical Society.

As of 31 December 2019, the share capital of the Bank was TL 4,500,000,000 consisting of 112,502,250,000 fully paid-up shares. Registered shareholdings in the Bank as of such date were as follows:

<u>Shareholder</u>	<u>Shares⁽¹⁾</u>	<u>Percentage</u>
Pension Fund		
Class A Shares	35,532	0.0%
Class B Shares.....	948,830	0.0%
Class C Shares.....	43,987,323,967	39.10%
Sub-total.....	43,988,308,329	39.10%
Atatürk’s Shares (the CHP)		
Class A Shares	27,568	0.0%
Class B Shares.....	823,769	0.0%
Class C Shares.....	31,603,348,766	28.09%
Sub-total.....	31,604,200,103	28.09%
Public Free Float		
Class A Shares	36,900	0.0%
Class B Shares.....	1,127,401	0.0%
Class C Shares.....	36,908,577,267	32.81%
Sub-total.....	36,909,741,568	32.81%
Total		
Class A Shares	100,000	0.0%
Class B Shares.....	2,900,000	0.0%
Class C Shares.....	112,499,250,000	100.0%
Total.....	112,502,250,000	100.0%

⁽¹⁾ Each Class A and B share has a nominal value of one Kuruş. Each Class C share has a nominal value of four Kuruş. One hundred Kuruş are equal to one Turkish Lira.

On 17 August 2018, the Bank’s Board of Directors decided to buy back up to 130,000,000 of its Class C shares for a maximum amount of TL 550,000,000. As of 31 December 2018, the Bank had purchased 130,000,000 Class C shares on free float for an amount of TL 530,306,572. On 31 May 2019, taking into account the efficient use of capital, market conditions and relative improvement in economic conditions, the Bank’s Board of Directors approved the sale of these 130,000,000 Class C shares, authorising the Bank’s head office to determine the sale price (which should not be lower than the average buy back price), method and timing of such sales (if any).

Dividends

Dividends are paid by the Bank from its net profit in accordance with its articles of association. Under its articles of association, the Bank is required to allocate 5% of its net profit towards its statutory reserve fund, 5% as a provision for probable losses and 10% as a first contingency reserve. From the balance of net profit, an amount equal to 6% of the Bank’s paid-up share capital represented by Class A, B and C shares is distributed to the shareholders as a “first dividend.” Should the net profit realised in any year be insufficient to provide for the first dividend of 6%, the balance is to be distributed out

of the Bank’s contingency reserve fund with such amount constituting a charge to be made up out of profits to be realised in subsequent years. Once the first dividend (and, where appropriate, the contingency reserve fund) is provided for, the balance of the net profit is distributed as follows: 10% for founder shares (limited to TL 250,000 of paid-up capital), 20% for the employees of the Bank and 10% as a second contingency reserve. Once these amounts have been distributed, the balance is distributed to the Bank’s shareholders as a “second dividend” in accordance with the Bank’s articles of association.

In both 2019 and 2020, the Bank did not distribute any dividends for the previous year due to a requirement imposed upon all Turkish banks by the BRSA. The following table sets forth details of the Bank’s dividend distributions pertaining to the indicated years (all of which consisted entirely of cash dividends).

	<u>2017</u>	<u>2018</u>	<u>2019</u>
		<i>(TL, except percentages)</i>	
Class A Shares.....	7,780	-	-
Class B Shares.....	16,509	-	-
Class C Shares.....	1,326,941,928	-	-
Total	<u>1,326,966,217</u>	-	-
Payout ratio (%)	24.7%	-	-

Preferential rights

Under the Bank’s articles of association, existing shareholders have preferential rights with respect to the purchase of new shares to be issued by the Bank. The duration and conditions of the exercise of these rights is to be determined by the Board of Directors in accordance with the relevant Turkish regulations. To the extent that these preferential rights are not exercised in respect of any new shares within the prescribed period, these shares are to be made available for subscription by the public.

Voting rights

At least one share is needed for participating in any Ordinary or Extraordinary General Assembly. According to Article 49 of the Bank’s articles of association, each Group (A) share with a nominal value of 1 Kuruş gives its shareholder one voting right, each Group (B) share with a nominal value of 1 Kuruş gives its shareholder one voting right and each Group (C) share with a nominal value of 4 Kuruş gives its shareholder four voting rights. Votes may be cast by proxy.

Privileges

Holders of Class A shares have additional privileges according to Articles 18 and 19 of the Bank’s articles of association. For example, holders of Class A shares: (a) can receive 20 times the number of additional shares in a possible distribution of bonus shares issued from the conversion of extraordinary and revaluation reserves generated in accordance with the relevant laws and (b) are eligible to exercise 20 times the pre-emption rights per Class A share.

Furthermore, Class A and B shares, each with a nominal value of one Kuruş, are granted privileges in distribution of profits pursuant to Article 58 of the Bank’s articles of association.

Major Shareholders

İşbank Personnel Supplementary Pension Fund

The Pension Fund is a separate legal entity from the Bank and is organised as a private Turkish “foundation” under the Turkish Civil Law, operating within the Turkish Regulations of Foundations. All active and retired Turkish employees of the Bank are members of the Pension Fund. The aim of the Pension Fund is to provide higher pensions to the Bank’s employees when they retire and to provide both employees and pensioners with various social benefits.

Atatürk's Shares (The CHP)

The CHP is the testamentary heir of the Bank's share capital held initially by Mustafa Kemal Atatürk. The CHP was founded on 9 September 1923 approximately one and a half months before the proclamation of Turkey. The CHP is the first official political party of Turkey and was established by Mustafa Kemal Atatürk, who was also the founder of the Bank. Atatürk remained the chairman of the CHP until his death in 1938 when, in line with the provisions of his will, his shares in the Bank were transferred to the CHP.

Under Atatürk's will, any dividends on the share capital of the Bank held by the CHP are paid to the Turkish Language Institute and the Turkish Historical Society. Therefore, the CHP enjoys only representative rights in relation to their shares derived from Atatürk's bequest. See "Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Large Shareholders."

Other Shareholders

The remaining shares are on free float held by other individual or institutional shareholders who together owned 32.81% of the Bank's shares as of 31 December 2019.

RELATED PARTY TRANSACTIONS

Under BRSA regulations, related parties of the Bank include entities or individuals that are directors, shareholders, general managers and deputy general managers (and, even if they are employed under different titles, managers who have equivalent or higher positions in terms of their responsibilities and powers), the respective spouses and children of any of the aforementioned individuals, affiliates or entities under the common management or control of the Bank. The Group enters into transactions with related parties in the ordinary course of its business and on an arm's length basis and will continue to do so in the future. See also "The Group and its Business – Related Party Transactions."

Restrictions relating to loans extended by the Bank to the members of its Board of Directors are defined in Article 50 of the Banking Law. The Bank does not extend loans to the members of its Board of Directors other than those allowed by law.

None of the members of the Bank's Board of Directors or executive officers has or has had any interest in any transaction effected by the Bank and that are or were unusual in their nature or conditions or significant to the business of the Bank and that were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed. None of these individual transactions are material.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group (*i.e.*, related parties) must not be more than 20% of its own funds. As of 31 December 2019, the Bank's total net exposure to its risk group totalled TL 7,053 million, an amount corresponding to 10.47% of its own funds; the Bank is therefore within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following table shows the breakdown of the Group's business transactions with related parties as of the dates indicated.

	31 December					
	2017		2018		2019	
	Amount	Percentage of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Item
	<i>(TL thousands, except percentages)</i>					
Cash loans	239,504	0.09%	447,548	0.15%	2,963,458	0.94%
Non-cash loans	4,400,706	5.19%	6,361,016	6.80%	6,884,143	7.13%
Deposits.....	3,634,717	1.75%	3,356,693	1.35%	8,743,770	2.89%
Derivatives	–	N/A	123,480	0.04%	–	–

INSOLVENCY OF THE ISSUER

The Turkish Covered Bonds Law contains provisions relating to the protection of the Covered Bondholders upon the insolvency of the Issuer.

Pursuant to the Turkish Covered Bonds Law, the assets in the Cover Pool can only be used to pay the Covered Bondholders, Receiptholders, Couponholders, Hedging Counterparties and (to the extent that Additional Cover has been included in the manner described in Article 29 of the Covered Bonds Communiqué) Other Secured Creditors. The assets in the Cover Pool cannot be pledged, subject to an attachment or included in the assets of the Issuer in case of bankruptcy. If the assets in the Cover Pool are not sufficient to pay all of the outstanding Total Liabilities, then the Covered Bondholders, Receiptholders, Couponholders and Hedging Counterparties will (in addition to the Non-Statutory Security) have an unsecured right of recourse to the other assets of the Issuer and any claims of such Secured Creditors will (in the case of any insolvency, bankruptcy, liquidation or similar event relating to the Issuer) rank *pari passu* with the other unsecured creditors of the Issuer (including the Other Secured Creditors) for the unpaid amount, with the exception of the preferred rank of the creditors under the Applicable Laws of Turkey, including, but not limited to, Article 206 of the Turkish Execution and Bankruptcy Law No. 2004 (*İcra ve İflas Kanunu*), as amended from time to time, and the Law on the Central Bank of Turkey No. 1211 (*Türkiye Cumhuriyet Merkez Bankası Kanunu*) according to which the proceeds obtained from the sale of the assets of the debtor are distributed amongst the creditors in the following order:

- (a) claims against the bankruptcy estate due to debts incurred during the administration of the bankruptcy estate,
- (b) secured obligations,
- (c) taxes, duties, fees and other governmental charges arising from the sales of the pledged assets,
- (d) salaries of the employees for the last year, and severance payments of the employees and debts to the employee funds,
- (e) certain debts of the bankrupt due to custody and guardianship provisions under Turkish Civil Law No. 4721,
- (f) debts of the bankrupt that are determined as privileged receivables of the bankrupt under specific laws (*i.e.*, debts of the bankrupt to its legal counsels, debts of the bankrupt to participate in utilities, etc.), and
- (g) unsecured obligations.

As the Issuer is a licensed bank in Turkey, the insolvency process of the Issuer will be conducted in accordance with the Banking Law and the Turkish Execution and Bankruptcy Law No. 2004 (*İcra ve İflas Kanunu*).

Measures under the Banking Law and Transfer to the SDIF

(a) Transfer of Management to the SDIF and Cancellation of Banking Licence

Pursuant to the Banking Law, if the results of a consolidated or unconsolidated audit show that the Issuer's financial structure has seriously weakened due to the occurrence of one or more of the following events, then the BRSA may require the Board of the Issuer to take measures to strengthen its financial position:

- (i) the assets of the Issuer are insufficient or are likely to become insufficient to cover its obligations as they become due,
- (ii) the Issuer is not complying with its liquidity requirements,
- (iii) due to an imbalance in its income and expenses, the Issuer's profitability is such as to make it unable to conduct its business in a secure manner,

- (iv) the regulatory equity capital of the Issuer is not sufficient or is likely to become insufficient,
- (v) the quality of assets of the Issuer have been impaired in a manner weakening its financial structure,
- (vi) the practices, decisions, by-laws and/or internal regulations of the Issuer are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- (vii) either: (A) the Issuer does not establish internal control, internal audit and risk management systems, (B) the Issuer does not effectively and sufficiently conduct such systems or (C) any factor impedes the supervision of such systems, or
- (viii) imprudent acts of the Issuer's managers materially: (A) increase the risks defined under the Banking Law or (B) weaken the bank's financial structure.

If the BRSA determines that the Issuer is not in compliance with one or more of the requirements set forth under clause (i), (ii), (iii), (iv) or (v) above, then it may require the Issuer, in accordance with Article 68(a) of the Banking Law:

- (a) to increase its equity capital,
- (b) not to distribute dividends for a specific period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- (c) to increase its loan provisions,
- (d) to cease any grant of loan to its shareholders,
- (e) to dispose of its assets in order to strengthen its liquidity,
- (f) to cease or restrict its new investments,
- (g) to limit salaries and other payments,
- (h) to cease its long-term investments, and/or
- (i) to take any other action that is deemed necessary by the BRSA.

In the event the aforementioned actions are not taken (in whole or in part) by the Issuer or its financial structure cannot be strengthened despite it having taken such actions, or the BRSA determines that the Issuer's financial structure has become so weak that it could not be strengthened even if it takes any of the actions above, then the BRSA may require the Issuer, in accordance with Article 69 of the Banking Law, to take any of the following corrective actions:

- (a) to strengthen its financial condition,
- (b) to increase its liquidity and/or capital adequacy,
- (c) to dispose of its fixed assets and long-term assets,
- (d) to decrease its operational and administrative costs,
- (e) to postpone its payments, excluding the regular payments to be made to its employees, or
- (f) restrict or cease to make any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors.

On the other hand, if the BRSA determines that the Issuer is not in compliance with one or more of the requirements set forth under clause (vi), (vii) or (viii) above, then it may require the Issuer, in accordance with Article 68 of the Banking Law:

- (a) to comply with the relevant banking legislation,
- (b) to review its loan policy and cease its high risk transactions,
- (c) to take all actions to decrease any maturity, foreign exchange and interest rate risks, or
- (d) to take any other action that is deemed necessary by the BRSA.

In the event the aforementioned actions are not taken (in whole or in part) by the Issuer or its financial structure cannot be strengthened despite it having taken such actions, or the BRSA determines that the Issuer's financial structure has become so weak that it could not be strengthened even if it takes any of the actions above, then the BRSA may require the Issuer, in accordance with Article 69 of the Banking Law, to take any of the following corrective actions:

- (a) to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors or the removal of the existing board members responsible for the failure to ensure compliance aforementioned actions,
- (b) to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the Issuer in respect of clause (viii) above and to request the board members and shareholders holding qualified shares to undertake the implementation of such plan in writing and to deliver the outcome of this on a periodical basis, and/or
- (c) to take any other action that is deemed necessary by the BRSA.

Pursuant to Article 70 of the Banking Law, in the event the aforementioned actions are not (in whole or in part) taken by the Issuer or are not sufficient to cause the Issuer to continue its business in a secure manner, the BRSA may require the Issuer:

- (a) to limit or cease its business for a temporary period,
- (b) to apply various restrictions, including restrictions on interest and maturity with respect to resource collection and utilisation,
- (c) to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers and to obtain approval from the BRSA for the appointment of their replacements,
- (d) to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders,
- (e) to limit or cease its non-performing operations and to dispose of its non-performing assets,
- (f) to merge with one or more other interested banks,
- (g) to provide new shareholders in order to increase its equity capital,
- (h) to cover its losses with its equity capital, and/or
- (i) to take any other action that is deemed necessary by the BRSA.

In the event the BRSA determines that: (a) the aforementioned actions are not (in whole or in part) taken by the Issuer within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of the Issuer cannot be strengthened despite it having taken such actions or the financial structure of the Issuer has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of the Issuer would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) the Issuer cannot fulfil its obligations as they become due, (e) the total amount of the liabilities of the Issuer exceeds the total amount of its assets or (f) the controlling shareholders or managers of the Issuer are found to have made use of the Issuer's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the Issuer or caused the Issuer to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may: (i) revoke the licence of the Issuer to engage in banking operations and/or to accept deposits or (ii) transfer the management, supervision and control of the rights of the shareholders (excluding dividends) of such bank to the SDIF with the condition that the losses of the shareholders are reduced from the capital.

In the event that the licence of the Issuer to engage in banking operations and/or to accept deposits is revoked, then the Issuer's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including a preliminary injunction) against the Issuer would be discontinued as from the date on which the BRSA's decision to revoke the Issuer's licence is published in the Official Gazette. From such date, the creditors of the Issuer may not assign their rights or take any action that could lead to an assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of the Issuer. The SDIF is required to pay the insured deposits of the Issuer either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

(b) Management and Liquidation by the SDIF

Transfer of Bank's Management, Supervision and Control to the SDIF. In case the Issuer's management, supervision and control of the privileges of shareholders (excluding dividends) is transferred to the SDIF as per Article 71 of the Banking Law, the SDIF will manage the Issuer in accordance with Article 107 of the Banking Law. Accordingly, the SDIF will exercise its rights in line with the principles ensuring cost efficiency and maintaining the security and stability of the financial system. The SDIF is authorised to suspend the activities of any bank whose partnership rights, excluding dividends, as well as management and control have been transferred thereto pursuant to the provisions of Article 71, for a period to be determined by the SDIF. Taking as a basis the balance sheet to be prepared as of the transfer date, the SDIF is also authorised to:

(i) request the BRSA to transfer the assets, organisation, personnel (unless they otherwise request) as well as the savings deposit and contribution funds subject to insurance together with the interest accrued; *provided* that such interest does not exceed the average of interest rates applied by five deposit banks with the highest total deposits as of the transfer date for savings deposits and the average of return rates applied by three participation banks with the highest total participation funds for contribution funds, and the corresponding provision items on the liabilities side, to a bank to be newly established or any of the existing banks, and/or to terminate the banking licence of the bank, whose assets and liabilities have been transferred partially or completely,

(ii) provide financial support and take over the losses corresponding to the capital representing the shares transferred thereto; *provided* that it owns the shares and that the amount of deposits and contribution funds covered by insurance is not exceeded,

(iii) in case of failure to take ownership of all shares upon assuming the losses, take over the shares in return for the payment of share values (to be calculated on the basis of the capital to be calculated upon subtracting the loss from the paid-in capital) to the Issuer's shareholders within the period to be set by the SDIF, and/or

(iv) request the BRSA to cancel the Issuer's banking licence.

The shares referred to in clauses (ii) and (iii) above shall be transferred to the SDIF free from any right and restriction.

If the Issuer's shares have been transferred to the SDIF in accordance with the preceding paragraph, the SDIF is authorised to:

(i) partially or completely transfer the assets and liabilities of the Issuer, if a majority or all of its shares have been transferred thereto, to a bank that is newly established or to interested banks, by providing financial and technical assistance where necessary, or to merge the Issuer with any other interested bank,

(ii) in order to strengthen and restructure the financial system, as limited to cases where deemed necessary by the SDIF:

(A) increase the Issuer's capital,

(B) remove default interests arising from statutory provisions and general liquidity requirements,

(C) purchase affiliates and/or immovable and other assets, or to take them as guarantee and give advances in return,

(D) deposit funds to meet liquidity requirements,

(E) take over receivables or losses,

(F) carry out any transaction pertaining to its assets and liabilities and convert them into cash,

(iii) sell the assets of the Issuer to third parties offering discounts or other methods and to take any other measure it may deem necessary, and/or

(iv) transfer the shares of the Issuer to third parties, with the permission of the BRSA within the framework of the principles and procedures to be set by the SDIF.

The consent of creditors and debtors shall not be sought in transfer transactions to be performed under the provisions of this Article 107.

The process of restructuring, strengthening, transferring, merging or selling the Issuer when its partnership rights, excluding dividends, as well as management and supervision have been transferred to the SDIF pursuant to Article 71 of the Banking Law has to be completed within no more than nine months following the transfer date. This period may be extended for a period of up to three months if so determined by the SDIF. If the transfer, merger or sale cannot be completed within such period of time, then the BRSA shall revoke the banking licence of the Issuer upon the request of the SDIF.

Liquidation by the SDIF Following Cancellation of Banking Licence. Once the BRSA decides that the Issuer should no longer continue its banking activity and cancels the banking licence of the Issuer, the SDIF will take over the management of the Issuer. Pursuant to Article 106 of the Banking Law, following cancellation of the Issuer's banking licence, and takeover of the Issuer by the SDIF, the SDIF will apply to the court for the bankruptcy of the Issuer. The bankruptcy court is required to rule on the bankruptcy of the Issuer within six months of the application and appoint the SDIF as the bankruptcy administrator.

In the event that a bankruptcy judgment is issued, the SDIF will participate in the bankruptcy estate as a privileged creditor, having priority over all privileged creditors specified in Article 206 of the Execution and Bankruptcy Law No. 2004, after deduction of the receivables of the Turkish government (or relevant governmental institutions) and social security organisations set forth in the Law 6183 on the Collection Procedures of Public Receivables.

In case the bankruptcy court does not render a bankruptcy decision, then the voluntary liquidation of the Issuer will commence, and such process will be conducted by the SDIF through the appointment of members to the Issuer's liquidation board, without requiring the resolution of the general assembly of the Issuer and without being subject to the provisions of the Turkish Commercial Code regarding the dissolution and liquidation of joint stock-companies.

OVERVIEW OF THE TURKISH RESIDENTIAL MORTGAGE LOAN MARKET

The following is a general overview of the Turkish residential mortgage loan market. This overview does not purport to be, and is not, a complete description of the Turkish residential mortgage loan market or any aspect thereof.

Turkish Residential Mortgage Loan Market

The Turkish residential mortgage loan market has been growing at a significant pace, having experienced a compound aggregate growth rate of 16.1% from 31 December 2009 to 31 December 2019. This growth is particularly notable as it occurred starting from the end of the global financial crisis and during significant economic volatility within Turkey, with the declining interest rate environment initially resulting from these macroeconomic conditions both encouraging borrowers to seek mortgage loans and encouraging lenders to increase their business in these higher-yielding retail products and then an increasing interest rate environment and volatile macroeconomic conditions within Turkey reducing the growth in demand.

The following table provides the residential mortgage loans-to-GDP ratio and the outstanding principal amount of residential mortgage loans as of 31 December of each of the indicated years:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	<i>(TL millions, except percentages)</i>									
Residential Mortgage Loans-to-GDP ratio	5.2%	5.3%	5.5%	6.1%	6.2%	6.1%	6.3%	6.2%	5.1%	4.7%
Residential Mortgage Loans	60,793	74,588	86,042	110,286	125,750	143,535	163,899	191,534	188,108	199,145

Source: BRSA, TurkStat

The main drivers of this growth have been: (a) the historically very low use of residential mortgage loans, reflecting the traditional approach in Turkey of paying cash for a home (occasionally with funds borrowed from family members or other non-bank sources), (b) lower interest rates in Turkey (until recent years), (c) favourable demographics as a result of Turkey's significant and growing population of people in their 20s and 30s, including many young families, (d) the significant (though volatile) growth in GDP, (e) revisions to the Applicable Laws of Turkey that have made mortgage lending more attractive to Turkish banks and (f) greater stability in the value of the Turkish Lira (until recent years), thereby encouraging Turkish lenders to make longer-term loans denominated in Turkish Lira. On the other hand, demand for residential mortgage loans remained weak in 2018 and 2019 in line with the slowdown in economic activity, higher interest rates (until the middle of 2019) and volatility in the Turkish Lira.

As noted above, the Turkish residential mortgage market was historically very small, being almost non-existent until 2004 as a result of persistently high budget deficits, inflation and interest rates. Following the economic crisis in 2001, Turkey has experienced a more stable political and economic environment and has implemented more prudent economic policies, which have reduced significantly the level of inflation and the volatility of the value of the Turkish Lira. In line with these improvements, Turkish interest rates have declined significantly and made mortgage borrowing more affordable for Turkish borrowers.

The following table sets out the average CPI levels and average residential mortgage interest rates in Turkey, as well as the growth in the principal amount of outstanding residential mortgages, for each of the indicated years:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
				<i>(TL millions, except percentages)</i>							
CPI ⁽¹⁾	8.57%	6.47%	8.89%	7.49%	8.85%	7.67%	7.78%	11.14%	16.33%	15.18%	
Mortgage interest rates ⁽²⁾	11.05%	11.59%	12.40%	9.69%	11.86%	12.31%	13.25%	12.14%	19.29%	17.75%	
Growth/(Decrease) in Outstanding Principal.....	15,921	13,794	11,454	24,244	15,464	17,787	20,362	27,635	(3,426)	11,037	

Source: Turkstat, Central Bank, BRSA

(1) Average annual inflation rates.

(2) Weighted average interest rates on mortgage loans.

Mortgage interest rates and the growth in mortgage loans are correlated, with a lower interest rate environment resulting in greater demand from borrowers. A lower interest rate environment also encourages lenders to offer greater amounts of mortgage loans due to their relatively higher net interest margin as compared to traditional corporate loans. Consistent with this correlation and as noted in the preceding table, notable expansion in the outstanding principal amount of residential mortgage loans was experienced in 2010 and 2013, which also had the lowest average mortgage interest rates (11.05% and 9.69%, respectively) on record.

Loan Provisions

In Turkey, banks announce mortgage rates on a monthly basis instead of a yearly basis (e.g., 1% monthly instead of 12% yearly). Almost all Turkish residential mortgage loans are fixed rate loans and, as a result of a change of the Applicable Law in 2009 requiring loans to Turkish citizens to be denominated in Turkish Lira, all are denominated in Turkish Lira other than a very small number of mortgage loans made to foreign citizens with residences in Turkey. Payments on residential mortgages are almost always monthly and generally are effected by having the lending bank withdraw funds from a bank account held by the borrower with the lending bank.

The maximum maturity for residential mortgage loans in Turkey is typically 240 months (one institution provides loans up to 360 months and another provides loans up to 300 months, while some major banks have a maximum maturity of 120 months). As of 31 December 2019, 88.3% of the residential mortgage loans in Turkey had an original maturity equal to or shorter than 120 months according to the Central Bank.

Turkish Demographics and Housing Market

Several developments in Turkey, including urbanisation and a young population, provide the potential for further demand in housing, and thus further growth in residential mortgage lending; *provided* that the economic fundamentals remain favourable, particularly low inflation and interest rates. In 2019, the Turkish population grew by 1.39% year-over-year to 83.2 million, an increase of approximately one million people (source: TurkStat). Approximately 93% of the population in Turkey live in urban cities as of 31 December 2019 (source: TurkStat). In Turkey, the median age was 32.4 as of 31 December 2019 and, continuing a decreasing trend since the 1990s, the average household size was 3.4 people as of such date (source: TurkStat).

The Central Bank's house price index for a residence in Turkey increased by 9.93% year-over-year as of 31 December 2019. As of such date, 40.8% of the outstanding amount of residential mortgage loans were for properties located in İstanbul and Ankara (source: BRSA), where property prices are generally higher than the rest of the country. The Bank's management expects that these two cities will continue to be the predominant mortgage markets in Turkey.

Interest Rates and Refinancing Risk

As noted above, almost every residential mortgage loan has a fixed interest rate for the entire term of the loan. Although the Consumer Protection Law No. 6502 (the "*Consumer Protection Law*") allows the disbursement of residential mortgage loans with variable interest rates, the Central Bank determined that any such variable interest rates are required to be based upon the CPI determined by TurkStat. As such variable rates are unattractive to Turkish banks due to the lack of funding alternatives indexed to the CPI, almost all Turkish banks prefer to offer fixed rates, which are also attractive to Turkish borrowers due to the certainty that a fixed rate provides.

As a result of the predominance of fixed rate loans and the declines in interest rates over recent years, refinancing of residential mortgage loans has become more customary when interest rates decline. In general, Turkish residential mortgage loan agreements include a prepayment charge of up to 2% of the outstanding principal amount of the loan for loans with the remaining maturity of more than 36 months, and up to 1% otherwise; *however*, such charge does not create a significant deterrent for borrowers if the difference between the interest rate on their existing mortgage loan and the interest rate on a refinanced loan is greater than 1% *per annum*.

The Bank's management expects that refinancing of residential mortgage loans will continue as consumers become more educated on the benefits of refinancing during periods of declining interest rates. Refinancing presents challenges for Turkish lenders due to the increased difficulty of matching funding with their loan portfolio and, by definition, the high probability of being unable to re-lend prepaid funds at the same or a higher interest rate than the rate applicable to the prepaid loan.

This funding risk is a particularly important challenge for banks active in the Turkish residential mortgage market as the growth in residential mortgage lending sometimes exceeds the growth in customer deposits. Although the share of residential mortgages in the balance sheets of Turkish banks is still relatively small, corresponding to approximately 7.5% of their total loans as of 31 December 2019 according to the BRSA, if the growth in residential mortgage loans exceeds the growth in deposits, then banks would need to seek alternative sources of funding, such as the issuance of unsecured or covered bonds, "future flow" transactions or loans. As the Turkish market does not offer a significant pool of long-term Turkish Lira-denominated funding, these additional funds generally have come (and likely will continue to come) from international fund-raising denominated in U.S. dollars and euro, thereby increasing the banks' exposure to foreign exchange and other related risks.

SUMMARY OF THE TURKISH COVERED BONDS LAW

The following is a summary of the provisions of the Turkish Covered Bonds Law relevant to the transactions described in this Base Prospectus and of which Covered Bondholders should be aware. This summary does not purport to be, and is not, a complete description of all aspects of the Turkish legislative and regulatory framework pertaining to Covered Bonds and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Introduction

The primary legal framework with respect to the transaction and the structure described herein is the Capital Markets Law and the secondary legal framework is the Covered Bonds Communiqué, which was published by the CMB in the Official Gazette No. 28889 dated 21 January 2014 (as amended from time to time). The Covered Bonds Communiqué regulates mortgage covered bonds as well as other asset-backed covered bonds; *however*, as the Programme is in relation to the issuance of mortgage covered bonds, this summary focuses on the mortgage covered bond provisions of the Covered Bonds Communiqué.

Cover Pool – composition of assets

An issuer of covered bonds is required by the Turkish Covered Bonds Law to maintain a cover pool for the benefit of such covered bonds. This cover pool must be maintained in a way such that it satisfies and complies with the terms, conditions and legal requirements applicable to such covered bonds. In particular, this cover pool must be in compliance with, *inter alia*, quantitative statutory tests and the eligibility criteria required or implied by the Turkish Covered Bonds Law and the CMB. In addition, a cover register for such cover pool must be established and maintained in accordance with the Turkish Covered Bonds Law.

Pursuant to the Covered Bonds Communiqué, a cover pool may be created with the following assets:

- receivables of banks and finance companies resulting from house financing as defined in Article 57 of the Capital Markets Law that have been secured by establishing a mortgage at the relevant registry or, if approved by the CMB, otherwise,
- receivables arising from financial lease agreements executed within the framework of Law numbered 6361; *provided* that they arise out of house financing as defined in Article 57 of the Capital Markets Law,
- commercial loans and receivables of banks, financial leasing companies and finance companies, which loans and receivables have been secured by establishing a mortgage at the relevant registry,
- in relation to issuances to be made by mortgage finance institutions only, contractual receivables arising from instalment sales of houses by the Housing Development Administration of Turkey,
- other assets whose characteristics may be determined by the CMB,
- substitute assets, which include cash (including cash generated from cover assets), certificates of liquidity issued by the Central Bank, government bonds issued for domestic and foreign investors, securities issued or secured by the central government or the central banks of OECD member states, lease certificates issued by asset leasing companies established by the Turkish Treasury and securities guaranteed by the Turkish Treasury under the Applicable Laws of Turkey, and
- derivative instruments fulfilling the conditions of the Covered Bonds Communiqué.

The Covered Bonds Communiqué provides that neither the ratio of the net present value of commercial loans and receivables that are included in the cover assets (other than those related with sea and air vehicles that have been secured by

establishing a mortgage at the relevant registry) nor the net present value of the substitute assets (as described above) shall exceed 15% of the total net present value of the cover assets.

With respect to LTV ratio requirements, the portions of: (a) the loans and receivables resulting from housing finance and (b) commercial loans and receivables that have been secured by establishing a mortgage at the relevant registry exceeding, respectively, 80% and 50% of the value of the security provided in respect of them shall not be taken into consideration in the calculation of the Statutory Tests.

The LTV ratio is used to calculate the highest amount that may be extended by a bank for a residential mortgage loan, which amount is based upon the appraisal value of the relevant real estate.

Pursuant to Section IV, Articles 15 through 21 of the Covered Bonds Communiqué, the assets in the cover pool are subject to certain cover matching principles (*i.e.*, the Statutory Tests) as summarised in the following:

(a) *Nominal Value Test.* The nominal value of the cover pool assets may not be less than the nominal value of the covered bonds. The outstanding principal amount of mortgage loans, the issuance price of discounted debt instruments and the nominal value of premium-debt instruments in the cover pool shall be taken into account while calculating the nominal value of the cover pool assets in the cover pool and the contractual amount of derivative instruments shall not be taken into consideration while calculating the nominal value of the cover pool assets,

(b) *Cash Flow Matching Test.* The total amount of the interest, yield and similar income that is expected to be generated from the cover pool assets (including the income derived from derivative instruments included in the cover register, if any), in each case within one year from the relevant calculation date, shall not be less than the similar payment obligations that are expected to arise from the aggregate liabilities resulting from the covered bonds (including the expenses derived from derivative instruments included in the cover register, if any) within such period,

(c) *Net Present Value Test.* The net present value of the cover pool assets in the cover register is required to be more than the net present value of the total liabilities from the covered bonds and derivative instruments at a ratio to be determined by the issuer, which ratio is not to be less than 2%, and

(d) *Stress Test.* The responsiveness of the net present value, matching the possible changes in the interest rates and currency exchange rates, shall be measured by conducting a stress test (not being less than 2%).

The Statutory Tests above might vary if the Covered Bonds Communiqué is amended.

Cover Monitor

Pursuant to the Turkish Covered Bonds Law, an issuer is required to appoint a cover monitor who will be responsible for monitoring the cover pool and will report to the CMB and the issuer with regard to the cover pool.

Pursuant to the Turkish Covered Bonds Law, an issuer is required to keep a cover register for the assets in the cover pool, which register the cover monitor will review. The cover monitor is to procure that the cover register is kept and maintained accurately and in accordance with the provisions of the Turkish Covered Bonds Law. The cover monitor is also required to perform an audit and to provide a report to the issuer at least: (a) every three months for public offerings made in Turkey and (b) every six months for non-public offerings or issuances made abroad.

The Turkish Covered Bonds Law specifies that the company that conducts the independent audit on the financial statements of an issuer may not be designated as a cover monitor. The cover monitor is to be appointed through a cover monitor agreement, a copy of which is to be sent to the CMB within three İstanbul business days of its execution. The cover monitor can only be removed from its duties by the issuer based upon just grounds to be submitted to the CMB in writing and by obtaining the consent of the CMB. The CMB is authorised to remove the cover monitor or replace the cover monitor with a new cover monitor if it determines that the cover monitor no longer meets the requirements to qualify as a cover monitor or is negligent or at fault while conducting its duties. Based upon the general authority of the CMB under the

Capital Markets Law, the CMB is entitled to take necessary steps in case either the issuer or the cover monitor does not fulfil its respective obligations relating to the covered bonds. The CMB is also entitled to impose an administrative fine in case of non-compliance with the Turkish capital markets legislation.

Non-compliance with the Statutory Tests

In the event that an issuer detects any non-compliance with the Statutory Tests, it is to notify the cover monitor of such non-compliance and the cover monitor shall then verify whether such non-compliance is remedied by the issuer through a restructuring of the cover assets, redemption of the covered bonds or taking any similar precautionary measures within one month of the detection of the non-compliance.

In such case, the issuer must take all necessary actions, including directing the collections made from the cover pool assets to a special segregated account, until the non-compliance is remedied. During such term, the amounts directed to this special segregated account may only be used for the payment of the total liabilities arising from the cover pool that have become due and payable during the period of non-compliance (which the cover monitor is to verify).

After such verification, if: (a) it is established by the cover monitor that the Statutory Tests are complied with, then the collection amounts accumulated in the special segregated account will be transferred to the issuer's accounts and may be used by the issuer, or (b) the Statutory Tests are still not complied with, the collections from the cover pool are not accumulated in a special segregated account or such collections have not been used for the payment of the total liabilities arising from the cover pool that have become due and payable during the non-compliance period, then the cover monitor shall notify such situation to the issuer.

Non-payment by the Issuer of its Total Liabilities under the Covered Bonds

Pursuant to the Covered Bonds Communiqué, if an issuer does not completely or partially pay its Total Liabilities under the covered bonds or related derivative instruments, then the issuer must so notify the cover monitor.

If an issuer has failed to completely or partially pay its Total Liabilities under the covered bonds or related derivative instruments, then the collections to be made from the cover pool are to be accumulated in a segregated account from the date of non-payment and such collected amounts are to be used solely for the payment of such Total Liabilities that have become due and payable.

The cover monitor must determine within one month of the date of complete or partial non-performance of the payment obligations of an issuer under the covered bonds or related derivative instruments whether: (a) the collections made from the cover pool have been accumulated in a special segregated account, (b) such collected amounts have been used solely for the payment of the issuer's Total Liabilities that have become due and payable and (c) the cover pool is sufficient to meet the issuer's Total Liabilities. The cover monitor is to notify the issuer of the results of such determination.

Pursuant to the Covered Bonds Communiqué, the covered bondholders and hedging counterparties do not need to wait until the completion of the liquidation of the assets in the cover pool for recourse to the other assets of the issuer. Such right of recourse to the other assets of the issuer can be initiated in accordance with the Covered Bonds Communiqué.

Third party service providers

An issuer may, provided that the liabilities of such issuer within the scope of the Covered Bonds Communiqué continue, utilise the services of expert third party service providers (as deemed appropriate by the CMB) to perform some of the duties of such issuer in respect of the management of the cover pool. If such third party service providers are to be appointed, then the issuer is required to notify the CMB of such fact before the sale of the covered bonds and disclose such fact in the prospectus or the issuance certificate for the covered bonds.

Administrator

In the event that: (a) the management and supervision of an issuer is transferred to public institutions, (b) the operating licence of an issuer is cancelled or (c) an issuer is bankrupt, the CMB may appoint another bank or a mortgage

finance institution, satisfying the requirements for issuers of covered bonds, the cover monitor, another independent audit company or an expert third party institution approved by the CMB to act as an administrator. This administrator would not be assuming the liabilities arising from the cover pool but would manage the cover pool and seek to fulfil the liabilities arising from the cover pool from the income generated from the cover pool.

The administrator may actively manage the cover pool to seek to ensure that the payments under the covered bonds and related derivative instruments are made in a timely manner, and (if necessary) may sell assets, purchase new assets, utilise loans or conduct repo transactions. The administrator also may (after obtaining the approval of the CMB) transfer the cover pool and the liabilities arising from the cover pool partially or fully to another bank or mortgage finance institution satisfying the qualifications required for issuers. The administrator is not to be held liable for any payments under the liabilities arising from the cover pool, including if the cover pool and the liabilities arising from the cover pool cannot be transferred or the revenue generated from the cover pool is not sufficient.

Derivative Instruments

Article 11 of the Covered Bonds Communiqué sets out the specific requirements that derivative instruments need to satisfy in order for such derivative instruments to be recognised as part of the cover pool and for the claim of the relevant derivative counterparty to be regarded as a part of the Total Liabilities. In general:

(a) the derivative instrument must be traded on an exchange or the derivative counterparty needs to be a bank or financial institution (multi-lateral development agencies also qualify),

(b) the derivative counterparty needs to have an investment grade long-term international rating (which is tested at the time of entry into the derivative instrument),

(c) subject to CMB approval, an agreement for derivative instruments may include a provision indicating that the applicable derivative counterparty may unilaterally terminate such agreement in the event of: (i) failure by the issuer to partially or completely pay its Total Liabilities and the cover assets (including derivative instruments) being insufficient to cover the issuer's Total Liabilities under the transaction, (ii) any impossibility or illegality within the scope of the relevant legislation or any material changes to the legislation that are related to the provisions of the agreement, (iii) any early redemption of the applicable covered bonds, (iv) any failure to register such agreement in the cover register or removing such agreement from the cover register in breach of its provisions and/or (v) in any other similar circumstance that is accepted by the CMB in advance of entering into such agreement, and

(d) the derivative instrument must contain fair price terms and reliable and verifiable valuation methods.

Copies of Hedging Agreements are available to investors and potential investors in the Covered Bonds, including to review any termination events described in clause (c)(v).

THE TURKISH BANKING SECTOR

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Bank's management believes to be reliable but the Bank has not independently verified such information. See "Responsibility Statement."

The Turkish Banking Sector

After a phase of consolidation, liquidations and significant regulatory enhancements in the 2000s, the Turkish banking sector has experienced a period of stability. The total number of banks (including deposit-taking banks, investment banks and development banks) in the sector has held relatively steady with approximately 45 banks consistently since 2008. During this phase, bank combinations have been few and changes to the roster have resulted principally from strategic investors purchasing existing local banks. Foreign investors have, amongst others, included BBVA, BNP Paribas, Sberbank, Citigroup, ING, Bank of China, Intesa Sanpaolo, MUFG Bank, Ltd., Industrial and Commercial Bank of China and Qatar National Bank and, in the most recent significant acquisition, Emirates NBD entered into an agreement with Sberbank in 2018 to acquire its stake in Denizbank A.Ş. ("*Denizbank*"), a mid-sized bank in Turkey, which acquisition closed in 2019.

As of 31 December 2019, 45 banks (including domestic and foreign banks but excluding the Central Bank and the two banks under the administration of the SDIF) were operating in Turkey (six participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Thirty-two of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks. Among the deposit-taking banks, three banks were state-controlled banks, eight were private domestic banks and 21 were private foreign banks.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a CAGR of 17.2% from 31 December 2010 to 31 December 2019, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 19.2% and 16.7%, respectively, during such period, in each case according to data from the BRSA. Despite strong growth of net loans and customer deposits, the Turkish banking sector remains relatively under-penetrated compared to the eurozone. Loans/GDP and customer deposits/GDP ratios of the Turkish banking sector were 63.2% and 62.8%, respectively, as of 31 December 2019 according to BRSA and Turkstat data, whereas 19 countries in the eurozone's banking sector had average loan and customer deposit penetration ratios of 162.8% and 159.0%, respectively, as of the same date based upon data from the ECB.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As of (or for the year ended) 31 December				
	2015	2016	2017	2018	2019
	<i>(TL millions, except percentages)</i>				
Balance sheet					
Loans.....	1,328,970	1,546,384	1,857,493	2,088,599	2,308,603
Total assets.....	2,130,601	2,455,366	2,922,704	3,403,305	3,904,022
Customer deposits.....	1,171,251	1,372,359	1,605,926	1,899,352	2,351,444
Shareholders' equity.....	228,144	262,503	314,519	367,782	425,808
Income statement					
Net interest income.....	70,409	83,488	103,385	133,019	146,242
Net fees and commission income.....	21,037	22,762	27,167	34,866	46,614
Total income.....	110,389	128,194	156,795	208,320	250,281
Net Profit.....	23,889	34,224	44,158	47,711	40,985
Key ratios					
Loans to deposits ratio.....	114.3%	113.5%	116.4%	110.0%	98.2%
Net interest margin ⁽¹⁾	3.5%	3.7%	3.8%	4.0%	4.0%
Return on average shareholders' equity	12.0%	15.0%	16.5%	14.9%	11.1%
Capital adequacy ratio.....	15.0%	15.1%	16.4%	16.9%	18.0%

Source: BRSA monthly bulletin (www.bddk.org.tr)

(1) Calculated as net interest income/(loss) *divided by* average total assets.

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top ten deposit-taking banks accounting for 91.7% of total assets of deposit-taking banks as of 31 December 2019 according to data from the BRSA. Among the top ten Turkish banks, there are three state-controlled banks - Ziraat, Halkbank and Vakıfbank, which were ranked first, third and fourth, respectively, in terms of total assets as of such date according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 43.5% of deposit-taking Turkish banks' performing loans and 42.4% of total deposits as of such date according to the BRSA. The top four privately-owned banks as of such date were the Bank, Türkiye Garanti Bankası A.Ş. ("*Garanti*"), Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş., which in total accounted for 39.8% of deposit-taking Turkish banks' performing loans and 42.2% of total deposits as of such date according to the BRSA. The remaining banks in the top ten deposit-taking banks in Turkey as of such date included three mid-sized banks, namely QNB Finansbank A.Ş., Denizbank and Türk Ekonomi Bankası A.Ş., which were controlled by Qatar National Bank, Emirates NBD and TEB Holding (a joint venture between BNP Paribas and Turkey's Çolakoğlu Group), respectively, as of such date.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 (which has been replaced by the Banking Law) established the BRSA. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that might jeopardise the rights of depositors and the regular and secure operation of banks and/or might lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including development and investment banks, foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, determining the exchange rate regime in Turkey jointly with the government and to design and implement this regime, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports.

Pursuant to amendments introduced to the Banking Law in 2020, the Central Bank has been empowered to determine maximum interest rates for lending and deposit-taking activities of banks, as well as caps on fees, expenses and commissions charged by banks to their clients for any sort of activity.

Banks Association of Turkey

The Banks Association of Turkey is an organisation that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are

obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a Person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a Person if the total number of shares held by such Person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSA. Additionally, the acquisition or transfer of any shares of a legal entity that owns 10% or more of the share capital of a bank is subject to the BRSA's approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending a general assembly have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

(a) Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity.

(b) The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager, its deputy general managers and, notwithstanding their title, its managers employed in equivalent or higher positions (in each case, and their respective spouses and children) and partnerships directly or indirectly, individually or jointly, controlled by any of such persons or a partnership in which such persons participate with unlimited liability or in which such persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit.

(c) Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- (a) transactions backed by cash, cash-like instruments and accounts and precious metals,
- (b) transactions carried out with the Turkish Treasury, the Central Bank, the Privatisation Administration, the Housing Development Administration of Turkey, the Turkey Wealth Fund and its management company (*Türkiye Varlık Fonu Yönetimi A.Ş.*) as well as transactions carried out against bills, bonds and other securities issued by or payment of which is guaranteed by these institutions,
- (c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,
- (d) in the event a new loan is extended to the same Person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,
- (e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow,
- (f) transactions carried out among banks on the basis set out by the BRSA,
- (g) equity participations acquired through underwriting commitments in public offerings; *provided* that such participations are disposed of in a manner and at a time determined by the BRSA,
- (h) transactions that are taken into account as deductibles in calculation of equity, and
- (i) other transactions to be determined by the BRSA.

Expected Credit Losses

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against depreciation or impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans under review, write-off of such loans in accordance with Turkish Financial Reporting Standards as published by the POA, follow-up procedures and the repayment (including restructuring) of loans. All special provisions set aside for loans in accordance with this article are considered to be expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to expected credit losses for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA (principally through the Classification of Loans and Provisions Regulation, which entered into force as of 1 January 2018 and replaced the former regulation). Note that as the loan classification and provisioning rules changed effective as of 1 January 2018 following the entry into force of TFRS 9, group classification and provisions levels for periods before and after 1 January 2018 are not directly comparable.

Current Rules

Pursuant to the Classification of Loans and Provisions Regulation, banks are required to classify their loans and other receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature*: This group involves each loan (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables, and shall be understood as such elsewhere in this Base Prospectus):

- (i) that has been disbursed to financially creditworthy natural persons and legal entities,
- (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,
- (iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any collateral,
- (iv) for which no weakening of the creditworthiness of the applicable debtor has been found, and
- (v) to which 12 month expected credit loss reserve applies under TFRS 9.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) announced a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (iii) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days.

(b) *Group II: Loans Under Close Monitoring*: This group involves each loan:

- (i) that has been extended to financially creditworthy natural persons and legal entities and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor,
- (ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan,
- (iii) in connection with which problems are likely to occur as to principal and interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any collateral,
- (iv) although the creditworthiness of the debtor has not weakened in comparison with its creditworthiness on the day the loan is granted, there is likelihood of such weakening due to the debtor's irregular and unmanageable cash flow,
- (v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in creditworthiness,
- (vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9,
- (vii) repayments of which are fully dependent upon collateral and the net realisable value of such collateral falls under the receivable amount,

(viii) that has been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL, or

(ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) announced a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (v) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days. Notwithstanding this change, the Group's management has determined that it will continue to provide reserves for loans as if this rule had not been implemented in order to adhere to the Group's own risk models used in the calculation of expected credit losses.

(c) *Group III: Loans with Limited Recovery*: This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened,

(ii) that demonstrates limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the collateral or the debtor's resources to meet the collection of the full amount on the due date without any recourse to the collateral, and that would likely result in losses in case such problems are not resolved,

(iii) collection of the principal and/or interest of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date,

(iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor, or

(v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.

On 17 March 2020, the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) implemented a temporary rule (effective until 31 December 2020) providing that the 90 days referred to in clauses (iii) and (iv) are replaced with 180 days, resulting in loans remaining categorised as Group II loans longer. As of the date of this Base Prospectus, the temporary rule does not provide any guidance as to classification of loans with payment delays of more than 180 days; *however*, it might be the case that such loans would bypass Group III and become Group IV loans. Notwithstanding this change, the Group's management has determined that it will continue to provide reserves for loans as if this rule had not been implemented in order to adhere to the Group's own risk models used in the calculation of expected credit losses. This temporary rule also suspends the application of clause (v) through 31 December 2020.

(d) *Group IV: Loans with Suspicious Recovery*: This group involves each loan:

(i) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any collateral,

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's creditworthiness or the possibility of the credit being collected,

(iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date), or

(iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.

(e) *Group V: Loans Considered as Losses*: This group involves each loan:

(i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected,

(ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year, or

(iii) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, the following loans are classified as NPLs: (a) loans that are classified under Groups III, IV and V, (b) loans the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) loans to which, as a result of debtor's default, the lifetime expected credit loss reserve applies under TFRS 9. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; *however*, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. According to the decisions of the BRSA dated 15 November 2018 and numbered 8095 and dated 1 August 2019 and numbered 5477, KGF-guaranteed loans (which are supported by the Turkish Treasury) and loans restructured within the scope of the Framework Agreement will not be classified as NPLs unless there is an overdue amount for more than 90 days following the due date; *however*, pursuant to March 2020 amendments to the rules, the 90 day limit was increased to 180 days until 31 December 2020.

On 27 November 2019, the BRSA published an amendment to the Classification of Loans and Provisions Regulation, which was retroactively made effective from 19 July 2019. According to this amendment, if the portion of a loan for which a lifelong expected loan loss provision or special provision has been set aside due to the debtor's default and that is classified under Group V is not reasonably expected to be recovered, then such portion/loan may (as an accounting matter) be written down within the scope of TFRS 9 as of the first fiscal reporting period following its classification under Group V.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans that have been fully or partially written-down by the banks in their assets, security for which loans has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan. On the other hand, according to a non-public BRSA decision on 8 November 2019, loans that are partially repaid through the foreclosure on collateral or have been paid in kind are exempt from this regulation through 31 December 2020.

The restructuring of a loan consists of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or written-down principal payments in relation to the restructured loan have been collected. According to a non-public BRSA decision on 8 November 2019, the one year period described in clause (ii) has been reduced to six months through 31 December 2020. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. Pursuant to the Classification of Loans and Provisions Regulation, banks applying TFRS 9 may reclassify their performing loans, which had been previously classified as restructured loans under Group II, under Group I again following a minimum three month monitoring period, subject to the satisfaction of the requirements listed under clauses (C) and (D) above (regardless of the conditions under clauses (A) and (B) stated above).

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, “twelve-months expected credit loss reserve” and “lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor” are considered as general provisions while “lifetime expected credit loss reserve set aside due to debtor’s default” is considered as special provisions.

Under Articles 10 and 11 of the Classification of Loans and Provisions Regulation, banks that have been authorised not to apply provisions under TFRS 9 are required to set aside general provisions for at least 1.5% and 3.0% of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside are calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government (including the Central Bank) and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government (including the Central Bank) are not required to be considered in such calculation. As to special provisions, banks are required to set aside provisions for NPLs under Groups III, IV and V of at least 20%, 50%, and 100%, respectively, of the incurred credit loss.

For both general provisions and special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements for certain banks or loans taking into account the concentration, from time to time, of matters such as the size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, collateral and the credit risk level and management.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the Classification of Loans and Provisions Regulation increased the number of categories on collaterals (from four to five), amended the content of such categories, and amended the proportions to be deducted, in order to determine the net realisable values of the collaterals, from the borrower’s NPLs as follows:

Category	Discount Rate
Category I collateral.....	100%
Category II collateral	80%
Category III collateral	60%
Category IV collateral	40%
Category V collateral	20%

According to amendments to the 2013 Equity Regulation and the Capital Adequacy Regulation, from 1 January 2022, general provisions will: (a) no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and (b) be deducted from their risk-weighted assets.

Previous Rules

For periods before 1 January 2018, the Regulation on Provisions and Classification of Loans and Receivables provided that banks were required to classify their loans and other receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature and Other Receivables*: This group involved loans and other receivables:

- (i) that had been disbursed to financially creditworthy natural persons and legal entities,
- (ii) the principal and interest payments of which had been structured according to the solvency and cash flow of the debtor,
- (iii) the reimbursement of which had been made within specified periods, for which no reimbursement problems were expected in the future and that could be fully collected, and
- (iv) for which no weakening of the creditworthiness of the applicable debtor had been found.

The terms of a bank's loans and other receivables monitored in this group could be modified if such loans and other receivables continued to have the conditions envisaged for this group.

(b) *Group II: Loans and Other Receivables Under Close Monitoring*: This group involved loans and other receivables:

- (i) that had been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there was no problem at present, but that needed to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person or legal entity utilising the loan,
- (ii) whose principal and interest payments according to the conditions of the loan agreement were not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might have resulted in partial or full non-reimbursement risk,
- (iii) that were very likely to be repaid but collection of principal and interest payments had been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below, or
- (iv) although the creditworthiness of the debtor had not weakened, there was a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer had multiple loans and any of these loans was classified in Group II and others were classified in Group I, then all of such customer's loans were required to be classified in Group II. The terms of a bank's loans and other receivables monitored in this group could be modified if such loans and other receivables continued to have the conditions envisaged for this group.

(c) *Group III: Loans and Other Receivables with Limited Recovery*: This group involved loans and other receivables:

(i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed were not eliminated, they were likely to cause loss,

(ii) the creditworthiness of whose debtor had weakened and where the loan was deemed to have weakened,

(iii) collection of whose principal and/or interest had been delayed for more than 90 days but not more than 180 days from the due date, or

(iv) in connection with which the bank was of the opinion that collection by the bank of the principal or interest of the loan or both would be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

(d) *Group IV: Loans and Other Receivables with Improbable Recovery*: This group involved loans and other receivables:

(i) that seemed unlikely to be repaid or liquidated under existing conditions,

(ii) in connection with which there was a strong likelihood that the bank would not be able to collect the full loan amount that had become due or payable under the terms stated in the loan agreement,

(iii) whose debtor's creditworthiness was deemed to have significantly weakened but which were not yet considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or

(iv) there was a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

(e) *Group V: Loans and Other Receivables Considered as Losses*: This group involved loans and other receivables:

(i) that were deemed to be uncollectible,

(ii) collection of whose principal or interest or both had been delayed by one year or more from the due date, or

(iii) for which, although sharing the characteristics stated in Groups III and IV, the bank was of the opinion that they had become weakened and that the debtor had lost creditworthiness due to the strong possibility that it would not be possible to fully collect the amounts that had become due and payable within a period of over one year.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks were required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also required Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio *plus* 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general reserve was calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general reserve was calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve was calculated at 0% for standard loans defined in Group I and a general reserve

calculated at 2.0% of the total cash loan portfolio *plus* 0.4 % of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve was calculated at 1.0% and (ii) non-cash loans related to the items stated in clause (i) for which the general loan loss reserve was calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above were applied to the respective loans defined in Group I and Group II until 31 December 2017.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank was higher than ten times its equity calculated pursuant to banking regulations, a 0.3% general provision ratio was required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA could apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks were also required to set aside general provisions for the amounts monitored under the accounts of “Receivables from Derivative Financial Instruments” on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the Regulation on Loan Transactions of Banks (published in the Official Gazette No. 26333 dated 1 November 2006) (the “*Regulation on Loan Transactions of Banks*”) by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions were required to be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, were defined as NPLs. If several loans had been extended to a borrower by the same bank and if any of these loans was considered as an NPL, then all outstanding risks of such borrower were classified in the same group as the NPL even if such loans would not otherwise fall under the same group as such NPL; *however*, for certain consumer loans, even if any of these loans was considered to be an NPL, other consumer loans granted to the borrower could be classified in the applicable group other than Group I.

When calculating the special provision requirements for NPLs, the value of collateral received from an applicable borrower was deducted from such borrower’s loans and receivables in Groups III, IV and V in the following proportions in order to determine the amount of the required reserves:

Category	Discount Rate
Category I collateral	100%
Category II collateral.....	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeded the amount of the NPL, the above-mentioned rates of consideration were applied only to the portion of the collateral that was equal to the amount of the NPL.

In the event of a borrower’s failure to repay loans or any other receivables due to a temporary lack of liquidity of such borrower, a bank was allowed to refinance such borrower with additional funding for strengthening the borrower’s liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables were required to be monitored in their current loan groups (whether Group III, IV or V) for at least a six month period and, within such period, the bank was required to continue setting aside provisions at the special provision rates applicable to the group in which they were included.

Capital Adequacy

Article 45 of the Banking Law defines “capital adequacy” as having adequate capital against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital

adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8% (excluding capital buffers). In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the regulatory capital ratio of 8% (in each case, excluding capital buffers).

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier 1 capital), which is composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e.*, additional Tier 1 capital) and (b) supplementary capital (*i.e.*, Tier 2 capital) *minus* capital deductions. Pursuant to the Capital Adequacy Regulation, which entered into force on 31 March 2016: (i) both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratios are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratios are 6.0%.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016) in accordance with the Regulatory Consistency Assessment Programme (“RCAP”) of the Basel Committee on Banking Supervision (the “Basel Committee”), which is conducted by the Bank for International Settlements (the “BIS”) with a view to ensure Turkey's compliance with Basel regulations. These included amendments to the 2013 Equity Regulation and the entry into force of the Capital Adequacy Regulation, both on 31 March 2016. The Capital Adequacy Regulation sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items, including: (a) the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchanged-denominated required reserves held with the Central Bank to be subject to a 0% risk weight, and (b) the exclusion of the general reserve for possible losses from capital calculations.

The Capital Adequacy Regulation also lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35%, (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not reclassified as NPLs, and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%. As of 7 February 2017, the BRSA published a decision that enables banks to use 0% risk weightings for Turkish Lira-denominated exposures guaranteed by the KGF and supported by the Turkish Treasury. On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75% risk weight, from TL 4,200,000 to TL 5,500,000, which was then increased to TL 7,000,000 on 18 January 2019. In response to the COVID-19 pandemic, on 23 March 2020 and 16 April 2020, the BRSA announced temporary regulatory forbearance measures that allow banks to: (i) in their financial statements from March 2020 through 31 December 2020, use the foreign exchange rates this are used in their 2019 year-end financial statements, (ii) use 0% risk weightings for foreign currency-denominated receivables owed by the centralised administration (*i.e.*, public institutions that do not have a separate legal entity and act under the legal entity of the national state) while calculating the principal amount subject to credit risk in accordance with the standard approach as determined under the Capital Adequacy Regulation and (iii) if the net valuation differences of the securities classified in the “fair value through other comprehensive income” portfolio as of 23 March 2020 are negative, exclude these differences through 31 December 2020 when calculating a bank's legal equity in accordance with the 2013 Equity Regulation and its capital adequacy ratio.

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. According to these amendments, Tier 2 instruments that were issued (*among others*) after 1 January 2013 are included in Tier 2 calculations only if they satisfy all of the Tier 2 Conditions.

On 11 July 2017, clause 9(8)(b) of the 2013 Equity Regulation was repealed. In this context, the excess amount mentioned in Article 57 of the Banking Law (*i.e.*, “the total book value of the real property owned by a bank cannot exceed 50% of its capital base”), and the commodity goods and properties that banks acquire due to their receivables (*e.g.*, foreclosed-upon collateral) but have not disposed within three years, are no longer deducted from a bank's capital base.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks was set at 1.250% for 2017, 1.875% for 2018 and 2.500% for 2019. Pursuant to decisions of the BRSA, the countercyclical capital buffer required for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey; *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks (which entered into force on 1 January 2014 with the exception of certain provisions that entered into effect on 1 January 2015), seeking to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach).

In February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, 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 uses an indicator-based approach to identify and classify D-SIBs in Turkey under four different categories: size, interconnectedness, lack of substitutability and complexity. Initially, a score for each bank is to be calculated based upon their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. As of 1 January 2019, these buffers are to be applied as 3% for Group 4 banks, 2% for Group 3 banks, 1.5% for Group 2 banks and 1% for Group 1 banks. As of the date of this Base Prospectus, the Bank is classified as a Group 2 D-SIB under the D-SIBs Regulation.

Furthermore, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of consolidated and unconsolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40%, respectively, and such ratios were increased by ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks. On 15 August 2017, the BRSA revised from 50% to 100% the ratio of required reserves held with the Central Bank that can be included in liquidity calculations. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliances that have already been remedied. On 26 March 2020, the BRSA announced that any non-compliance by a bank with the minimum requirements for liquidity coverage ratios will not require such bank to report their remediation measures under the Regulation on Liquidity Coverage Ratios to the BRSA until 31 December 2020.

Pursuant to the 2013 Equity Regulation, if a Turkish bank invests in debt instruments of other banks or financial institutions that are already invested in that Turkish bank's additional Tier 1 or Tier 2 capital, then the amount of such debt instrument (and their issuance premia) are required to be deducted when calculating that Turkish bank's additional Tier 1 or Tier 2 capital (as applicable).

On 7 June 2018, the BRSA published the Communiqué on Debt Instruments to be included in the Calculation of Banks' Equity, which sets forth procedures and principles for the write-up and write-down of the debt instruments or loans that are included in the calculation of banks' equity (*i.e.*, additional Tier 1 and Tier 2 capital) as well as procedures and principles related to conversion of such debt instruments into shares.

See also a discussion of the implementation of Basel III in “*-Basel Committee - Basel III*” below.

Tier 2 Rules

Previous Tier 2 Rules. Secondary subordinated debts were, through 31 December 2013, regulated under the 2006 Equity Regulation. This section thus describes the rules previously applicable to the Bank's secondary subordinated debts that were issued before 1 January 2014, which rules continue to apply to such subordinated debts notwithstanding the 2013 Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.*, the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.*, "Tier 2" capital); *however*, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such "secondary subordinated loans." Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of "Tier 1" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of "Tier 1" capital is not taken into consideration in the calculation of "Tier 2" capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the "Tier 2" capital would be reduced by 20% per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of "Tier 2" capital. Any cash credits extended by the bank to the provider(s) of the "secondary subordinated loans" (if debt instruments, to the investor(s) holding 10% or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier 2 capital. A secondary subordinated debt is taken into account in the calculation of "Tier 2" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated loan." In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarised copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five business days of the signing of such agreement). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

(a) the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period,

(b) there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined,

(c) the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts,

(d) it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank,

(e) it must be utilised as one single drawdown if utilised in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument, and

(f) payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of "Tier 2" capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilisation), they would be required to apply for the BRSA's permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank's credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.*, not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

Amendments to the 2013 Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional Tier 1 and Tier 2 instruments prior to 1 January 2014. While the Group does not have any additional Tier 1 instruments, according to these amendments, Tier 2 instruments that were issued (*among others*) after 1 January 2013 are included in Tier 2 calculations only if they satisfy all of the Tier 2 Conditions.

New Tier 2 Rules. According to the 2013 Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "*New Tier 2 Conditions*"):

(a) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash,

(b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors,

(c) the debt instrument shall not be related to any derivative operation or contract, nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly, in a manner that violates the condition stated in clause (b),

(d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate,

(e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:

(i) the bank should not create any market expectation that the option will be exercised by the bank,

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations, or

(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer, (B) the capital requirement derived as a result of an ICAAP of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank's operating licence would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the losses incurred by the bank, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides,

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above, and

(k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described in clause (e).

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier 2 Conditions (except for the condition stated in clause (a) of the New Tier 2 Conditions) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables; *however*, the portion of surplus of this amount that exceeds general provisions is not taken into consideration in calculating the Tier 2 capital. As of 1 January 2022, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and the aforementioned limit that is calculated on the basis of risk-weighted assets related to credit risk is no longer applicable.

Furthermore, in addition to the New Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loans and debt instruments that have been included in Tier 2 capital calculations and that have less than five years to maturity shall be included in Tier 2 capital calculations after being reduced by 20% each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for

exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as of the date of this Base Prospectus) results in a 100% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey revised this general rule by providing that Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. See “Basel III” below for the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 1 January 2015. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA’s permission.

Basel III. Turkish banks’ capital adequacy requirements have been and will continue to be affected by Basel III, as implemented by the 2013 Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and published initially the 2013 Equity Regulation and a capital adequacy regulation, each entering into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced this first capital adequacy regulation with the Capital Adequacy Regulation, which entered into force on 31 March 2016. These changes: (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 unconsolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under “other assets.” The 2013 Equity Regulation also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital. According to the Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves were increased from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, some of which amendments entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see “Capital Adequacy” above.

The BIS reviewed Turkey’s compliance with Basel regulations within the scope of the Basel Committee’s RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements (the “*Communiqué Regarding Reserve Requirements*”), the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

Turkish banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. See “Risk Factors – Risks Relating to the Group and its Business – Market Risks – Foreign Exchange and Currency Risk.” In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank’s capital into the sum of the following items:

- (a) its total liabilities,
 - (b) its total non-cash loans and obligations,
 - (c) its revocable commitments *multiplied* by 0.1,
 - (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate,
- and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

In December 2018 and April 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (a) funds acquired on the Borsa İstanbul with repo transactions and (b) deposits and participation funds of certain official institutions. These amendments also removed a temporary article that distinguished the reserve requirement regime applicable to foreign currency liabilities other than deposits and participation funds that existed up to and prior to 28 August 2015 from those created after such date. The Central Bank further amended the Communiqué Regarding Reserve Requirements on 16 February 2019 to decrease the Turkish Lira liabilities reserve ratios for: (i) demand deposits, time deposits and participation funds with maturities of up to one year and other liabilities with maturities of up to (and including) three years, by 100 basis points, and (ii) all other liabilities subject to reserve requirements, by 50 basis points. On 9 May 2019, the Central Bank increased reserve requirements for all foreign-exchange liabilities (including foreign-exchange deposits/participation funds) deposits by 100 basis points and, on 27 May 2019, increased all reserve requirements for foreign-exchange deposits/participation funds by another 200 basis points, through which approximately US\$3.0 billion and US\$4.2 billion of liquidity, respectively, was withdrawn from the market. On both 7 August and 20 September 2019, the Central Bank increased reserve requirements for foreign-exchange deposits/participation funds by 100 basis points for all maturity brackets. To support financial stability and the real loan growth-linked reserve requirement practice, the Central Bank decided on 28 December 2019 to increase (effective as of 10 January 2020 for the liability period starting on 27 December 2019) the reserve requirement ratios for foreign exchange deposits/participation funds by 200 basis points for all maturity brackets, but applying a 200 basis point reduction on the new ratios for banks that attain certain Turkish Lira real loan growth conditions (*i.e.*, effectively keeping the reserve requirement ratios for foreign exchange deposits or participation funds of such banks unchanged).

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Leverage Ratio	Additional Reserve Requirement
Below 3.0%	2.0%
From 3.0% (inclusive) to 4.0%	1.5%
From 4.0% (inclusive) to 5.0%	1.0%

Effective from 9 August 2019, the Central Bank has introduced a special provision requirement regime applicable to certain Turkish Lira-denominated liabilities and remuneration rates of Turkish banks with annual loan growth rates within a certain range. As of 9 December 2019, it was determined that Turkish banks with an annual growth rate in certain Turkish Lira-denominated loans (determined in real, as opposed to nominal, terms and subject to certain adjustments) of 5-15% will be subject to a lowered reserve requirement ratio of: (a) 2% (which was previously 7%) in respect of their Turkish Lira deposits with a maturity of up to three-months and (b) 2% (which was previously 4%) in respect of their Turkish Lira deposits with a maturity of up to six-months. In addition, banks with such an annual loan growth rate will receive a higher interest rate on their reserve accounts maintained in Turkish Lira than will be paid to other banks.

On 17 March 2020, as part of the government's efforts to contain the possible adverse effects on the Turkish economy of the global uncertainty resulting from the COVID-19 pandemic, the Central Bank issued a press release announcing that (effective from the calculation period of 6 March 2020 through 31 December 2020) foreign currency reserve requirement ratios were reduced by 500 basis points in all liability types and all maturity brackets for banks meeting the annual loan growth rates described in the previous paragraph. In addition, through an amendment to the Communiqué Regarding Reserve Requirements, the Central Bank adjusted the annual growth rates noted therein by adding sector-specific criteria and providing that, in the calculation of the annual growth rate, a bank should exclude its Turkish Lira-denominated loans extended to customers to repay their foreign currency-denominated cash loans. In the same announcement, the Central Bank confirmed the implementation of other temporary measures: (a) providing banks with flexibility in Turkish Lira and foreign currency liquidity management, (b) offering targeted additional liquidity facilities to banks to secure credit flow to the corporate sector and (c) aiming to boost the cash flow of exporters by facilitating the discounting of export receivables.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette No. 26333 dated 1 November 2006, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's board of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. The duties and responsibilities of the audit committee include: (a) the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, (b) the functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, (c) the integrity of the information produced by such systems, (d) conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors, (e) regularly monitoring the activities of independent audit firms selected by the board of directors and (f) in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner.

Banks are required to select an independent audit firm in accordance with the Turkish Auditor Regulation. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014 (the “ICAAP Regulation”), banks are obligated to establish, manage and develop (for themselves and all of their consolidated financial subsidiaries) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. The ICAAP Regulation also requires banks to conduct an “internal capital adequacy assessment process” (“ICAAP”), which is an internal process whereby banks calculate the amount of capital required to cover the risks to which they are or may be exposed on an unconsolidated and consolidated basis and with a forward-looking perspective, taking into account their near- and medium-term business and strategic plans. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the “ICAAP Report”) representing the bank’s own assessment of its capital and liquidity requirements. The ICAAP Regulation established standards as to principles of internal control, internal audit and risk management systems and an ICAAP in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the ICAAP Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among other things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and that it applies an ICAAP such that the bank has adequate capital to meet the risks incurred by it. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA, which audits encompass all aspects of a bank’s operations, its financial statements, other matters affecting the bank’s financial position and the bank’s compliance with law. The Central Bank has the right to monitor compliance by banks with the Central Bank’s regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the ICAAP Regulation. According to this regulation, the BRSA monitors banks’ compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks’ internal audit systems.

The Savings Deposit Insurance Fund (SDIF)

The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits.* Pursuant to Article 63 of the Banking Law: (a) funds in checking accounts that are owned by commercial entities (which accounts are used solely for the payment of checks) and (b) funds in savings deposit accounts owned by natural persons are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Turkish Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Power to require Advances from Banks.* Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(c) *Contribution of the Central Bank.* If the SDIF’s resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts,

repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(d) *Premiums as an Expense Item.* Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(e) *Liquidation.* In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(f) *Claims.* In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 25 September 2019, up to TL 150,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette No. 26119 dated 25 March 2006, and as amended from time to time, are as follows:

(a) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(b) insuring the savings deposits and participation accounts in the credit institutions,

(c) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Turkish Treasury, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(d) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose banking licence has been revoked by the BRSA,

(e) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except to dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital, and

(f) taking management and control of the banks whose banking licence has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

(a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due or the bank is not complying with liquidity requirements,

(b) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,

(c) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,

(d) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,

(e) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,

(f) such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems,

(g) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure, or

(h) for D-SIBs, the precautions under the precaution plan described below are not implemented promptly, such precautions are unable to cure the applicable weakness or it is determined that such weakness cannot be cured even if such precautions were implemented,

then the BRSA may require the board of directors of such bank: (i) in the event of the occurrence of an event described in clause (a), (b), (c), (d) or (h), to:

(A) increase such bank's equity capital,

(B) not permit such bank to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

(C) increase such bank's loan provisions,

(D) stop such bank's extension of loans to its shareholders,

(E) dispose of such bank's assets in order to strengthen its liquidity,

(F) limit or stop such bank's new investments,

(G) limit such bank's salary and other payments, and/or

(H) cease such bank's long-term investments, and

(ii) in the event of the occurrence of an event described in clause (e), (f) or (g), to:

(A) cause such bank to comply with the relevant banking legislation,

(B) cease such bank's risky transactions by re-evaluating such bank's credit policy, and/or

(C) causing such bank to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA.

The BRSA may also take any other action in relation to the occurrence of an event described in clauses (a) through (h) that it may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank: (i) in the event of the occurrence of an event described in clause (a), (b), (c), (d) or (h) of the preceding paragraph, to:

(A) strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,

(B) dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,

(C) decrease its operational and management costs,

(D) postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees, and/or

(E) limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors, and

(ii) in the event of the occurrence of an event described in clause (e), (f) or (g) of the preceding paragraph, to:

(A) convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above, and/or

(B) implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing.

The BRSA may also take any other action in relation to the occurrence of an event described in clauses (a) through (h) of the preceding paragraph that it may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank to:

(a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period,

(b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,

(c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,

(d) make available long-term loans; *provided* that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders,

(e) limit or cease its non-performing operations and to dispose of its non-performing assets,

(f) merge with one or more other interested bank(s),

(g) provide new shareholders in order to increase its equity capital,

(h) deduct any resulting losses from its own funds, and/or

(i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank

cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; *provided* that any loss is deducted from the share capital of current shareholders.

In order for the advance identification of the appropriate response measures to be taken in case of the occurrence of any events (or probability of the occurrence of any events) that might weaken their financial structures, banks that are classified by the BRSA as systemically important banks (*i.e.*, as D-SIBs) must create prevention plans and submit those to the BRSA. In the case of any determination of the occurrence of any such events (or probability of the occurrence of any such events) with respect to such a bank (on a consolidated or non-consolidated basis), such bank must implement the precautions indicated in their prevention plan and notify the BRSA of such circumstances and the BRSA may impose the implementation of such precautions.

Any and all execution and bankruptcy proceedings (including preliminary injunction) against a bank whose license is revoked would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette No. 26333 dated 1 November 2006, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must perform an audit of, and provide an opinion on, the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must publish a copy of such reports on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments (which entered into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the 2013 Equity Regulation. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. Each bank is also required to form policies approved by its board of directors regarding internal audit and control processes relating to risk management.

On 15 September 2018, the Ministry of Commerce issued a communiqué that sets forth the procedures and principles relating to the application of Article 376 of the Turkish Commercial Code, which article regulates the measures that Turkish companies (*i.e.*, joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This new communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Turkey prepare their financial statements in Turkish Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based upon the currency rate applicable as of the date of such financial statements; *however*, until 1 January 2023, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. As such, companies will not be required to apply any measures set forth in Article 376 of the Turkish Commercial Code to maintain their capital if the relevant loss of capital or insolvency arises from currency fluctuations.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

The Corporate Governance Communiqué provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

As of the date of this Base Prospectus, the Bank is subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also required to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB. In its latest annual report before the date of this Base Prospectus, the Bank stated that it was in compliance with the mandatory principles of the Corporate Governance Communiqué.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders and other stakeholders, (b) public disclosure and transparency and (c) boards of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. The Bank is classified as a "1st Group" company.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings. According to the Corporate Governance Communiqué, banks may, taking into account the size of their operations and type of their structures, determine their corporate governance principles based upon those stated in the Corporate Governance Communiqué provided that they comply with the principles and procedures set out in the Banking Law and the provisions of other regulations entered into effect in accordance therewith.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute at least one-third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint at least three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee, in which case the above-mentioned qualifications for independent members are not applicable; *provided* that when all independent board members are selected from the audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1st Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees; *however*, banks are exempt from this requirement for the audit committee, early detection of risk committee and remuneration committee.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple

majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to monitor compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

In addition to the provisions of the Corporate Governance Communiqué related to the remuneration policy of banks, the BRSA published a guideline on good pricing practices in banks, which entered into force on 31 March 2016. This guideline sets out the general principles for employee remuneration as well as standards for remuneration to be made to the board of directors and senior management of banks.

As of the date of this Base Prospectus, the Bank is in compliance with the mandatory principles under the Corporate Governance Communiqué, as well as with applicable requirements for having independent directors.

Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery

Please see “The Group and its Business – Anti-Money Laundering, Combating the Financing of Terrorism and Anti-Bribery Policies.”

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders’ income levels before each limit increase of the credit card and (d) increase the minimum monthly payment required to be made by cardholders. The Central Bank also adjusts from time to time the monthly cap on individual and commercial credit card interest rates and the commission rates that can be applied by banks for their “acquisition” of vouchers from merchants, any of which changes might make the related business less profitable (or even unprofitable). In addition, pursuant to recent amendments to the Banking Law, the Central Bank has been empowered to determine the maximum interest rates for lending and deposit-taking activities of banks, as well as any fees, expenses and commissions charged by them.

Loan Transactions

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, financial lease transactions for housing and loans (except auto loans) secured by houses is 80% (which was 75% before such amendments), with exceptions for houses that have an energy identification document within the scope of the Energy Efficiency Law No. 5627, for which a higher loan-to-value percentage is applicable. On 19 March 2020, the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) published a resolution that increased such loan-to-value requirement to 90% for houses worth TL 500,000 or less; *provided* that such loans are made to consumers and are not used for the purchase of autos. In addition, in accordance with the Regulation on Loan Transactions of Banks, for auto loans extended to consumers, loans secured by autos and autos leased under financial lease transactions, the loan-to-value requirement is 70%; *provided* that, in each case, the sale price of the respective auto is not higher than TL 120,000; *however*, if the sale price of the respective auto is above this TL 120,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%.

The BRSA also set limitations regarding the number of instalments for housing finance and auto loans with certain exceptions, which limitations and exceptions are varied from time to time by the BRSA. Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans may be restructured at the request of the borrower with a maximum number of 72 instalments (with certain exceptions). The BRSA introduced two

provisional articles to the Regulation on Loan Transactions of Banks on 10 February 2019 and 26 February 2019, respectively, providing that the debt balances of individual loans that were overdue as of 10 February 2019 or had been utilised by 26 February 2019 may be restructured at the request of the borrower for a period of up to 60 months.

Caps on Fees, Commissions and POS Commission Rates

The BRSA and Central Bank have issued various laws in late 2019 and early 2020 that impose limitations on certain fees and commissions that Turkish banks may charge to customers. On 16 October 2019, the Central Bank introduced an amendment to cap the commission rates applied by banks in their “point of sale” (POS) business. The Central Bank then issued the Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profit and Loss Participation Rates (the “*Communiqué on Deposit and Loan Interest Rates*”) and the Communiqué on Procedures and Principles of Fees to be Collected by Banks from Commercial Customers (the “*Communiqué on Commercial Customer Fees*”), both of which became effective as of 1 March 2020 (for the Communiqué on Commercial Customer Fees, most of the provisions relating to fees became effective as of 1 April 2020) and impose certain such limitations. Pursuant to these communiqués, the caps on POS commission rates for purchases of goods and service were subjected to revision by reference to a monthly reference rate determined by the Central Bank *plus* a fixed rate set out under the Communiqué on Commercial Customer Fees, which rates are adjusted by taking into account the number of days between the day of a purchase transaction and the day on which the amount from such purchase is transferred by the applicable bank to the applicable merchant.

The Communiqué on Commercial Customer Fees further sets out standardised fees and caps that are to be charged to commercial customers, which fees and caps are listed under the Communiqué on Commercial Customer Fees depend upon the category of the applicable product and service. Turkish banks are required to apply to the Central Bank to charge any fees or commissions to commercial customers other than those listed under the Communiqué on Commercial Customer Fees. These limits include (*inter alia*) limits on fees for electronic funds transfers, credit allocation fees, credit underwriting fees and prepayment fees.

Foreign Currency Restrictions

F/X Loan Restriction. Decree 32 and the Capital Movements Circular of the Central Bank (the “*Capital Movements Circular*”) were amended, effective as of 2 May 2018, in order to introduce restrictions on Turkish resident legal entities utilising foreign currency loans. While this regime maintained the previous prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange-indexed loans, it introduced a strict prohibition on Turkish resident non-bank legal entities (each a “*Corporate Borrower*”) utilising foreign currency-indexed loans, imposed restrictions on Corporate Borrowers utilising foreign currency loans (the “*F/X Loan Restriction*”) and provided exemptions relating to a borrower’s foreign currency income (the “*F/X Income Exemption*”) and foreign currency activities (the “*Activity Exemption*”) and based upon the unpaid outstanding balance of a borrower’s total foreign currency loans (the “*Loan Balance*”).

As far as the F/X Income Exemption is concerned, if the Loan Balance of a Corporate Borrower is below US\$15 million, then the sum of the foreign currency loans to be utilised and the existing Loan Balance must not be more than the combined value of such Corporate Borrower’s foreign currency income as stated in its financial statements for the last three financial years. Turkish-resident financial institution lenders are required to control whether a Corporate Borrower complies with this rule. In case of any non-compliance with the F/X Loan Restriction rules, Turkish-resident financial institution lenders are required either to cancel or convert into Turkish Lira the portion of the foreign currency loans to such Corporate Borrower that exceeds this value. In case of a breach of this obligation, an administrative monetary fine might be imposed.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of, among others: (a) a domestic tender with an international element awarded to such Corporate Borrower, (b) defence industry projects approved by the Undersecretariat of Defence Industry, (c) public-private partnership projects or (d) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency incomes (*muhtemel döviz geliri*). Additionally, loans within the scope of an investment incentive certificate also benefit from the Activity Exemption; *provided* that a Corporate Borrower is required to declare whether any foreign currency loan

has been previously utilised based upon the same investment incentive certificate and, if so, such statement must be accompanied with information on the utilisation date, total amount and intermediary bank.

F/X Transaction Restriction. On 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between Persons residing in Turkey: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction contracts. According to such amendments, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (*i.e.*, by 13 October 2018). On 6 October 2018 and 16 November 2018, the Turkish Treasury issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any Covered Bonds issued directly to Turkish investors, subject to restrictions applicable to a resident of Turkey on directly investing in Covered Bonds (or beneficial interests therein) issued outside of Turkey – see “Transfer and Selling Restrictions”) are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

In August 2018, the BRSA capped Turkish banks’ exposure under swap, spot and forward transactions with foreign entities under which transactions the Turkish bank initially pays Turkish Lira and receives foreign currency to 25% of a bank’s regulatory capital, then reducing this level to 10% in February 2020. On 12 April 2020, as part of the government’s efforts to contain the possible adverse effects on the Turkish economy of the global uncertainty resulting from the COVID-19 pandemic, the BRSA issued a press release announcing that this level was reduced to 1%. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 1% level (which is calculated on a daily basis) is attained; *however*, transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. In addition, written approval of the BRSA is required in case there needs to be a cancellation or extension of any of these derivatives transactions.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank’s currency swaps, forwards, options and other similar products with non-residents with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10% of such bank’s most recently calculated regulatory capital; *provided* that this restriction does not apply to transactions with a bank’s non-Turkish financial subsidiaries and other affiliates that are subject to consolidation. With its press release on 12 April 2020, the BRSA amended this threshold by announcing that transactions with a remaining maturity of seven days shall not exceed 1% of the applicable bank’s most recently calculated regulatory capital on any given calendar date. Such threshold is applied as 2% for transactions with a remaining maturity of 30 days and 10% for transactions with a remaining maturity of one year.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. In addition, changes were introduced to this law on 15 March 2018 that (*inter alia*) states that the contractual termination, default and acceleration clauses of an agreement cannot be triggered in case the debtor makes a *concordat* application and such application shall not constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the “*Restructuring Regulation*”), which was amended on 21 November 2018 and 12 September 2019, with a view to regulate a financial restructuring opportunity for Turkish companies that have entered into loan transactions with: (a) Turkish banks, (b) financial lease, factoring and financing companies, (c) banks and financial institutions established outside Turkey, (d) multilateral banks and institutions that directly invest in Turkey, (e) special purpose companies established by the foregoing institutions for collection of receivables and/or (f) investment funds established as per the Capital Market Law (“*Creditor Institutions*”). The Restructuring Regulation sets forth the procedures and principles on financial restructuring framework agreement(s) (the “*Framework Agreement*”) to be executed amongst the Creditor Institutions.

Accordingly, implementation of the restructuring for companies that are financially indebted against banks and other financial institutions for an outstanding principal amount of TL 25 million or more has been initiated with a framework published on the website of the Banks Association of Turkey on 9 October 2019. On 8 November 2019,

implementation of a restructuring regime for companies that are financially indebted against banks and other financial institutions for an outstanding principal amount of less than TL 25 million was published. As both frameworks have been signed by the Bank, certain borrowers of the Bank might apply for restructuring of their debt.

Credit Guarantee Fund

The KGF was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises, in particular, to those that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional Article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount was increased to TL 25 billion in accordance with the Law No. 6770 dated 18 January 2017. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) (as amended from time to time), the KGF guarantees are supported by the Turkish Treasury. Pursuant to an amendment to such Decree that was published in the Official Gazette dated 30 March 2020, the Turkish Development and Investment Bank was added among the eligible lenders and natural persons were explicitly added as eligible borrowers. On 30 March 2020, in order to address the economic impact of the COVID-19 coronavirus, the amount available under the KGF programme was increased from TL 25 billion to TL 50 billion and the total amount of guarantees that may be given by the KGF was increased from TL 250 billion to TL 500 billion (along with increases in the guarantee limits with respect to individual borrower groups).

Pursuant to Presidential Decree No. 162 published in the Official Gazette dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured up to 96 months for working capital loans and up to 156 months for investment loans. Such Presidential Decree also requires lenders to provide an opportunity to borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

Additional COVID-19-Related Temporary Measures

In addition to the other temporary measures described above relating to the government's response to the COVID-19 pandemic, the BRSA announced on 23 March 2020 that (effective until 31 December 2020) certain measures to support banks' calculation of capital adequacy ratios and net foreign currency positions. Pursuant to these temporary rules, banks are entitled to use the 2019 year-end buying exchange rates in certain cases of calculating the Turkish Lira-equivalent amount of loans and other credits subject to credit risk (particularly when making such calculations with respect to cash and non-cash assets, excluding assets in foreign currency measured in historical cost). In addition, these temporary rules allow a bank to: (a) calculate the level of capital used in its capital adequacy ratio calculations by disregarding the negative net valuation differences related to the securities held in its "securities whose fair value difference is reflected in other comprehensive income" portfolio before 23 March 2020, (b) calculate its net foreign currency position by disregarding any decline in value of the securities they held in their portfolio before 23 March 2020 and (c) if the net valuation differences of the securities classified in the "fair value through other comprehensive income" portfolio as of 23 March 2020 are negative, exclude these differences through 31 December 2020 when calculating such bank's legal equity in accordance with the 2013 Equity Regulation and its capital adequacy ratio.

On 27 March 2020, in line with the Economic Stability Shield Package announced by President Erdoğan on 18 March 2020, the Banks Association of Turkey issued a press release regarding a new "Check Payment Credit Support" and "Economic Stability Shield Credit Support" for banks. These governmental credit supports, pursuant to which banks will be able to provide loans to corporate, commercial and (in particular) SME clients, will have a maturity of 12 months and an interest rate of 9.5% *per annum* and will require no principal or interest payments for three months. The maximum credit amounts that may be lent by a Turkish bank to a customer under these support programmes will be determined based upon such customer's annual turnover.

On 18 April 2020, the BRSA introduced the Asset Ratio described above, which ratio banks are required to calculate on a weekly basis starting from 1 May 2020. The monthly average of this ratio should not be lower than 100% for deposit-taking banks and 80% for participation banks. Any failure to satisfy this minimum level subjects the applicable bank to a fine of up to 5% of the shortfall, which fine shall not be less than TL 500,000 in any case.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form (with or without interest coupons attached) or registered form (without interest coupons attached), in each case either as Global Covered Bonds or Definitive Covered Bonds. Bearer Covered Bonds may (subject to certain limited exceptions) be issued only in “offshore transactions” to Persons who are not U.S. persons in reliance upon Regulation S and Registered Covered Bonds may be issued in “offshore transactions” to Persons who are not U.S. persons in reliance upon Regulation S, to Dealers for resale to QIBs in reliance upon Rule 144A or otherwise in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will initially be issued in the form of a temporary global covered bond (a “*Temporary Bearer Global Covered Bond*”) or, if so specified in the applicable Final Terms, a permanent global covered bond (a “*Permanent Bearer Global Covered Bond*”) and, with a Temporary Bearer Global Covered Bond, each a “*Bearer Global Covered Bond*”), which, in either case, will:

(a) if such Bearer Global Covered Bonds are issued in new global covered bond (“*NGCB*”) form, as stated in the applicable Final Terms, be delivered on or prior to the original Issue Date of such Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg, and

(b) if such Bearer Global Covered Bonds are not issued in *NGCB* form, be delivered on or prior to the original Issue Date of such Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Bearer Global Covered Bonds) and on all interest coupons relating to such Covered Bonds where TEFRA D is specified in the applicable Final Terms:

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

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

Beneficial interests in Covered Bonds that are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

NGCB Form. Where the Bearer Global Covered Bonds issued in respect of any Tranche are in *NGCB* form, the applicable Final Terms will indicate whether such Bearer Global Covered Bonds are intended to be held in a manner that would allow Eurosystem eligibility (though, as of the date of this Base Prospectus, Bearer Global Covered Bonds issued in respect of any Tranche in *NGCB* form do not comply with certain of the conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Bearer Global Covered Bond is to be so held does not necessarily mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for *NGCBs* will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Temporary Bearer Global Covered Bonds. Whilst any Bearer Covered Bond is represented by a Temporary Bearer Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of such Covered Bond due prior to the applicable Exchange Date (as defined below) will be made (against presentation of such Temporary

Bearer Global Covered Bond if such Temporary Bearer Global Covered Bond is not issued in NGCB form) only to the extent that certification (in a form to be provided) to the effect that the owners of beneficial interests in such Temporary Bearer Global Covered Bond are not U.S. persons or Persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has/have given a like certification (based upon the certifications it has received) to the Fiscal Agent.

For any Temporary Bearer Global Covered Bond, after the date (the “*Exchange Date*”) that begins immediately upon the expiration of a 40 day period after the later of the commencement of the offering of the applicable Tranche and such Tranche’s Issue Date, beneficial interests in such Temporary Bearer Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for: (a) beneficial interests in a Permanent Bearer Global Covered Bond of the same Series or (b) Bearer Definitive Covered Bonds of the same Series with, where applicable, Coupons, Receipts and Talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given; *provided* that purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds. The holder of a Temporary Bearer Global Covered Bond (or a beneficial interest therein) will not be entitled to collect any payment of interest, principal or other amount due on or after the applicable Exchange Date unless, upon due certification, exchange of such Temporary Bearer Global Covered Bond for an interest in a Permanent Bearer Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

Permanent Bearer Global Covered Bonds. Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Covered Bond will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Covered Bond (if the Permanent Bearer Global Covered Bond is not issued in NGCB form) without any requirement for certification in the manner described in the previous paragraph.

Exchange from Permanent Bearer Global Covered Bonds to Bearer Definitive Covered Bonds. The applicable Final Terms of a Tranche of Permanent Bearer Global Covered Bonds will specify that such Permanent Bearer Global Covered Bonds will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, Coupons and Talons attached only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that: (a) an Event of Default has occurred and is continuing with respect to the applicable Series, (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (c) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Covered Bonds represented by the applicable Permanent Bearer Global Covered Bond in definitive form and, accordingly, the Issuer has elected to request the exchange of such Permanent Bearer Global Covered Bond.

The Issuer will promptly give notice to the applicable Covered Bondholders in accordance with Condition 14 upon the occurrence of an Exchange Event. In the event of the occurrence of an Exchange Event described in clause (a) or (b) of the definition of Exchange Event in the preceding paragraph, the applicable Clearing System(s) (or any Person acting on their respective behalf), acting on the instructions of any holder of an interest in the applicable Permanent Bearer Global Covered Bond, may give notice to the Fiscal Agent requesting such an exchange. In the event of the occurrence of an Exchange Event as described in clause (c) of such definition, the Issuer may give notice to the Fiscal Agent requesting such an exchange. Any such exchange will occur no later than 45 days after the date of receipt of the first relevant such notice by the Fiscal Agent.

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

Registered Covered Bonds

The portion of the Registered Covered Bonds (or beneficial interests therein) of each Tranche offered and sold in reliance upon Regulation S in offshore transactions to Persons other than U.S. persons will initially be represented by a

global covered bond in registered form (each a “*Regulation S Registered Global Covered Bond*”) or, if so specified in the applicable Final Terms, by a registered covered bond in definitive form (a “*Definitive Regulation S Registered Covered Bond*” and, with each Regulation S Registered Global Covered Bond, a “*Regulation S Registered Covered Bond*,” the Bearer Covered Bonds and Regulation S Registered Covered Bonds being, collectively, the “*Regulation S Covered Bonds*”). Prior to expiration of the distribution compliance period (as defined in Regulation S) applicable to a Tranche of Regulation S Registered Covered Bonds, a Regulation S Registered Covered Bond (or beneficial interests therein) of such Tranche may not be offered or sold to, or for the account or benefit of, a U.S. person and such Regulation S Registered Covered Bond will be subject to the restrictions on transfer set forth therein and will bear the applicable restrictive legend described in “*Transfer and Selling Restrictions*.”

The portion of the Registered Covered Bonds (or beneficial interests therein) of each Tranche offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold by the Issuer or any Person acting on its behalf: (a) to Institutional Accredited Investors who execute and deliver to the Issuer an IAI Investment Letter in which they agree to purchase such Covered Bonds (or beneficial interests therein) for their own account and not with a view to the distribution thereof, (b) to QIBs pursuant to Rule 144A or (c) in transactions that are otherwise exempt from, or not subject to, the registration requirements of the Securities Act. The Registered Covered Bonds of each Tranche sold to Institutional Accredited Investors as described in clause (a) will be represented by one or more global covered bond(s) in registered form (each an “*IAI Global Covered Bond*”) or in definitive form (each an “*IAI Definitive Covered Bond*” and, with the IAI Global Covered Bonds, the “*IAI Covered Bonds*”) and the Registered Covered Bonds of each Tranche sold to QIBs as described in clause (b) will be represented by one or more global covered bond(s) in registered form (each a “*Rule 144A Global Covered Bond*” and, with the Regulation S Registered Global Covered Bonds and the IAI Global Covered Bonds, each a “*Registered Global Covered Bond*”).

Registered Global Covered Bonds will either be: (a) deposited with a custodian for, and registered in the name of a nominee of, DTC or (b) deposited with: (i) a Common Depository or (ii) if the Registered Global Covered Bonds are to be held under the “new safekeeping structure” for registered global securities that are intended to constitute eligible collateral for Eurosystem monetary policy operations (the “*NSS*”), a Common Safekeeper, in each case, for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee of that Common Depository or Common Safekeeper, as specified in the applicable Final Terms.

Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

Where Registered Global Covered Bonds issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Covered Bonds are intended to be held in a manner that would allow Eurosystem eligibility (though, as of the date of this Base Prospectus, Registered Global Covered Bonds issued in respect of any Tranche to be held under the NSS do not comply with certain conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Registered Global Covered Bond is to be so held does not necessarily mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for Registered Global Covered Bonds to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

The Covered Bonds of each Tranche sold by the Issuer to U.S. persons who are Institutional Accredited Investors (other than through one or more Dealer(s) under Rule 144A) will be Registered Covered Bonds in either definitive form (*i.e.*, IAI Definitive Covered Bonds) or global form (*i.e.*, IAI Global Covered Bonds). Unless otherwise set forth in the applicable Final Terms, IAI Covered Bonds will be issued only in minimum denominations of US\$500,000 and integral multiples of US\$1,000 in excess thereof (or its approximate equivalent in the applicable other Specified Currency at the time of issuance). IAI Covered Bonds will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described in “*Transfer and Selling Restrictions*.”

The Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of a Registered Covered Bond will, in the absence of provision to the contrary, be made in the manner provided in Condition 5 to the Person shown on the Register as the registered holder of such Registered Covered Bond as of the relevant Record Date. None of the Issuer or any Agent (including the Registrar) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds (including any payments pursuant to Conditions 5.8 and 5.9) or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange from Registered Global Covered Bonds to Registered Definitive Covered Bonds. The applicable Final Terms of a Tranche of Registered Global Covered Bonds will specify that such Global Covered Bonds will be exchangeable (free of charge), in whole but (except with respect to clause (a) of the definition of Exchange Event in the next sentence) not in part, for Registered Definitive Covered Bonds only upon the occurrence of an Exchange Event. For these purposes, “*Exchange Event*” means that: (a) an Event of Default has occurred and is continuing with respect to the applicable Series, (b) if the applicable Registered Global Covered Bond is registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as a depository for such Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (c) if the applicable Registered Global Covered Bond is registered in the name of a nominee for a Common Depository or, as the case may be, Common Safekeeper for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (d) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Covered Bonds represented by the applicable Registered Global Covered Bond in definitive form and, accordingly, the Issuer has elected to request the exchange of such Registered Global Covered Bond.

The Issuer will promptly give notice to the applicable Covered Bondholders in accordance with Condition 14 upon the occurrence of an Exchange Event. In the event of the occurrence of any Exchange Event described in clause (a), (b) or (c) of the definition thereof in the preceding paragraph, the applicable Clearing System(s) (or any Person acting on their respective behalf), acting on the instructions of any holder of an interest in the applicable Registered Global Covered Bond, may give notice to the Registrar requesting such an exchange. In the event of the occurrence of an Exchange Event specified in clause (d) of such definition, the Issuer may give notice to the Registrar requesting such an exchange. Any such exchange will occur no later than 45 days after the date of receipt of the first relevant such notice by the Registrar. In addition, as set out in the preceding paragraph with respect to clause (a) of the definition of Exchange Event therein, a holder of an interest in the applicable Registered Global Covered Bond credited to such holder’s account with the applicable Clearing System may request that the Registrar deliver, on behalf of the Issuer, to such Clearing System, Registered Definitive Covered Bonds in exchange for such holder’s interest in such Registered Global Covered Bond in accordance with the standard operating procedures of such Clearing System.

Transfer of Interests. Beneficial interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a Person who wishes to hold: (a) such interest in another Registered Global Covered Bond other than an IAI Global Covered Bond or (b) upon the delivery of an IAI Investment Letter, an IAI Covered Bond (including an interest in an IAI Global Covered Bond). IAI Definitive Covered Bonds may, subject to compliance with all applicable restrictions and if there is a Registered Global Covered Bond for the applicable Series, be transferred to a Person who wishes to hold such Covered Bonds in the form of an interest in such Registered Global Covered Bond; *provided* that if such Registered Global Covered Bond is an IAI Global Covered Bond, then such transferee shall have delivered an IAI Investment Letter. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **The Covered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “Transfer and Selling Restrictions”).**

General

Pursuant to the Agency Agreement, the Fiscal Agent will arrange that, where a further Tranche of Covered Bonds is issued that is intended to be consolidated with, and form a single Series with, an existing Tranche of Covered Bonds on a date after the Issue Date of the further Tranche, the Covered Bonds of such further Tranche will (to the extent applicable) be assigned an ISIN, Common Code, CUSIP, CINS, CFI Code and/or FISN number that are different from the ISIN, Common

Code, CUSIP, CINS, CFI Code and/or FISN assigned to Covered Bonds of any other Tranche of the same Series until such time as such Tranches are consolidated and form a single Series, which shall not be prior to the expiration of any applicable distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds of such further Tranche.

Repayment of the principal of a Covered Bond may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Covered Bond is still represented by a Global Covered Bond and such Global Covered Bond (or any part thereof) has become due and repayable in accordance with the Conditions of the applicable Series and payment in full of the amount due has not been made in accordance with the provisions of such Global Covered Bond, then, from 8:00 p.m. (London time) on the day immediately following the applicable due date, holders of interests in such Global Covered Bond credited to their accounts with a Clearing System will, on the basis of statements of account provided by such Clearing System, become entitled to proceed directly against the Issuer on and subject to the terms of the Deed of Covenant.

The Issuer may agree with any Dealer or investor that Covered Bonds may be issued in a form not contemplated by the Conditions of the Covered Bonds herein, in which event (for any listed issuance) a new prospectus or a supplement to this Base Prospectus, if appropriate, will be made available that will describe the effect of the agreement reached in relation to such Covered Bonds.

FORM OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms that, subject (for any transaction not listed on the Regulated Market) to any necessary amendment, will be completed for each Tranche of Covered Bonds. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Covered Bonds [(and beneficial interests therein)] are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area or the United Kingdom (each an “*EEA or UK Retail Investor*”). For these purposes: (a) a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “*MiFID II*”), (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “*Prospectus Regulation*”), and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds [(or beneficial interests therein)] to be offered so as to enable an investor to decide to purchase or subscribe for such Covered Bonds [(or beneficial interests therein)]. Consequently, no key information document required by Regulation (EU) 1286/2014 (as amended, the “*PRIIPs Regulation*”) for offering or selling the Covered Bonds [(or beneficial interests therein)] or otherwise making them available to EEA or UK Retail Investors has been prepared and, therefore, offering or selling the Covered Bonds [(or beneficial interests therein)] or otherwise making them available to any EEA or UK Retail Investor might be unlawful under the PRIIPs Regulation.]²

[MIFID II PRODUCT GOVERNANCE / ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY TARGET MARKET

Solely for the purposes of [each][the] manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (a) the target market for the Covered Bonds [(and beneficial interests therein)] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “*MiFID II*”)] [MiFID II], and (b) all channels for distribution of the Covered Bonds [(and beneficial interests therein)] to eligible counterparties and professional clients are appropriate. Any Person subsequently offering, selling or recommending the Covered Bonds [(or beneficial interests therein)] (a “*distributor*”) should take into consideration the manufacturer[’s][s’] target market assessment; *however*, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds [(or beneficial interests therein)] (by either adopting or refining the manufacturer[’s][s’] target market assessment) and determining appropriate distribution channels.]³

[NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (AS AMENDED, THE “SFA”)]

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “*CMP Regulations 2018*”), the Issuer has determined the classification of the Covered Bonds [(and beneficial interests therein)] to be capital markets products other than: (a) “prescribed capital markets products” (as defined in the CMP Regulations 2018) and (b) “Excluded Investment Products” (as defined in the Monetary Authority of Singapore (the “*MAS*”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]⁴

² Only applicable where paragraph 8(f) of Part B of the Final Terms is marked as “Applicable.”

³ Delete where: (a) none of the Managers/Dealers are MiFID II investment firms that are manufacturers pursuant to MiFID II for the purposes of the offering of the relevant Tranche of Covered Bonds, or revise where the relevant manufacturers have determined that an alternative target market is appropriate for the offering of the relevant Tranche of Covered Bonds (or beneficial interests therein), or (b) this matter is already addressed in the issue-specific prospectus for the issue of Covered Bonds. If this paragraph is included but the paragraph regarding the PRIIPs Regulation is not included, then include the definition of MiFID II in this paragraph.

⁴ Legend to be included on front of the Final Terms if the Covered Bonds (and, if applicable, beneficial interests therein): (a) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018 and (b) will be offered in Singapore.

FINAL TERMS

[Date]

TÜRKİYE İŞ BANKASI A.Ş.

Legal Entity Identifier (LEI): 789000FIRX9MDN0KTM91

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] (the “Covered Bonds”)
under the €2,000,000,000
Global Covered Bond Programme (the “Programme”)**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Covered Bonds (the “Conditions”) set forth in the base prospectus dated 5 May 2020 [and the supplement[s] to it dated [date] [and [date]]], which [together] constitute[s] a base prospectus [for the purposes of the [Prospectus Regulation][(Regulation (EU) 2017/1129) (the “Prospectus Regulation”))] ⁵ (the “Base Prospectus”). This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of the Prospectus Regulation] ⁵ and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus [and these Final Terms] ⁶ [has]/[have] been published on the Issuer’s website ([insert website address]) [and these Final Terms have been [made available in printed form at the registered address of the Issuer at [insert address][, at the offices of [insert the name of the financial intermediar(ies)] at [insert address] [and [insert address], respectively] and at the offices of the Fiscal Agent at [insert address]]/[published on the website of the Irish Stock Exchange plc trading as Euronext Dublin].

[The following alternative language for the preceding paragraph applies if the first Tranche of Covered Bonds of a Series that is being increased was issued under a base prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Covered Bonds (the “Conditions”) set forth in the base prospectus dated [date of the relevant previous base prospectus] [and the supplement[s] to it dated [date] [and [date]]] that [is][are] incorporated by reference into the base prospectus dated 5 May 2020. This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of the [Prospectus Regulation][(Regulation (EU) 2017/1129) (the “Prospectus Regulation”))] ⁵ and must be read in conjunction with the base prospectus dated 5 May 2020 [and the supplement[s] to it dated [date] [and [date]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Regulation] ⁵ (the “Base Prospectus”), including the Conditions incorporated by reference into the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus [and these Final Terms] ⁶ [has]/[have] been published on the Issuer's website ([insert website address]) [and these Final Terms have been [made available in printed form at the registered address of the Issuer at [insert address][, at the offices of [insert the name of the financial intermediar(ies)] at [insert address] [and [insert address], respectively] and at the offices of the Fiscal Agent at [insert address]]/[published on the website of the Irish Stock Exchange plc trading as Euronext Dublin].

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

⁵ Delete where the Covered Bonds are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances in which a prospectus is required to be published under the Prospectus Regulation.

⁶ The Final Terms should be published in accordance with the provisions of the Prospectus Regulation for Covered Bonds to be admitted to trading on a regulated market in the European Economic Area or the United Kingdom.

1. Issuer: Türkiye İş Bankası A.Ş.
2. (a) Series Number: [●]
- (b) Tranche Number: [●]
- (c) Date on which the Covered Bonds will be consolidated and form a single Series: [The Covered Bonds will be consolidated and form a single Series with *[identify earlier Tranches]* on [the Issue Date/exchange of the Temporary Bearer Global Covered Bond for interests in the Permanent Bearer Global Covered Bond, as referred to in item 21 below, which is expected to occur on or about *[date]*][Not Applicable]
3. Specified Currency: [●]
4. USD Payment Election: [Applicable][Not Applicable]
(Only applicable for Turkish Lira-denominated Covered Bonds.)
5. Aggregate Nominal Amount:
 - (a) Series: [●]
 - (b) Tranche: [●]
6. Issue Price: [●] *per cent.* of the Aggregate Nominal Amount of the Tranche *[plus accrued interest from [insert date] (if applicable)]*
7. (a) Specified Denomination(s): [●] [and integral multiples of [●] in excess thereof]
(NB: Covered Bonds must have a minimum denomination of €100,000 (or equivalent).)
(Note - for Covered Bonds in bearer form, where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:
“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].”)
(NB: Where a Temporary Bearer Global Covered Bond or a Permanent Bearer Global Covered Bond is, in each case, exchangeable for Definitive Covered Bonds, Definitive Covered Bonds must only be issued with a denomination equal to, or greater than, €100,000 (or equivalent) and integral multiples thereof.)

- (b) Calculation Amount [for Definitive Covered Bonds (in relation to the calculation of interest for Global Covered Bonds, see the Conditions)]: [●] (the “*Calculation Amount*”)
(If only one Specified Denomination, then insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
- (c) Redenomination: [Condition 5.10 is applicable] [Not Applicable]
(If applicable, insert relevant provisions for redenomination to euro of Covered Bonds issued in a Specified Currency other than euro.)
8. (a) Issue Date: [●]
- (b) Interest Commencement Date: [*Specify*][Issue Date][Not Applicable]
9. (a) Final Redemption:
- (i) Final Maturity Date: [*Fixed rate – specify date/Floating rate – Interest Payment Date [falling in][nearest to] [specify month and year]*]
- (ii) Extended Final Maturity Date: [Applicable][Not Applicable]
 [The Extended Final Maturity Date will, if applicable, fall on [*Insert Date*].]
- (iii) Extended Series Payment Date(s): [Applicable][Not Applicable]
[If applicable, insert relevant dates. Must correspond with Interest Payment Dates.]
- (b) Instalment Covered Bonds: [Applicable][Not Applicable]
- (i) Instalment Amounts: [●]
[If applicable, insert an instalment amount that reflects equal instalments through the Final Maturity Date.]
- (ii) Instalment Dates: Each Interest Payment Date from (and including) the Interest Payment Date on [●] up to (and including) the Final Maturity Date.
[If applicable, insert the first Interest Payment Date on which an Instalment Amount is to be paid.]
10. Interest Basis: [[●] per cent. per annum Fixed Rate]
 [[SONIA][●] [month] [[currency] [LIBOR/EURIBOR/TLREF/TRLIBOR]] +/- [●] per cent. per annum Floating Rate]
(see further particulars in item[s] [15] [and] [16] below)

11. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Final Maturity Date [(or, if the Issuer does not pay the Final Redemption Amount on the Final Maturity Date, the Extended Final Maturity Date set out in item 9(a)(ii) above)] at [●] *per cent.* of their nominal amount.
12. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date up to (but excluding) [●] [(the “[Fixed/Floating] Rate Period”)], item [15/16] below applies, and, for the period from (and including) [●] up to (and including) the [Final Maturity Date][Extended Final Maturity Date] [(the “[Fixed/Floating] Rate Period”)], item [15/16] below applies)][Not Applicable]
13. Issuer Call: [Applicable][Not Applicable]
 [(see further particulars in item 18 below)]
14. (a) Status of the Covered Bonds: Senior
- (b) Date Board approval for issuance of Covered Bonds obtained: [●] [Not Applicable]
(NB: Only relevant where Board (or similar) authorisation is required for the particular Tranche of Covered Bonds.)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Covered Bond Provisions: [Applicable [in respect of the Fixed Rate Period]][Not Applicable]
(If not applicable, then delete the remaining sub-items of this item.)
- (a) Rate(s) of Interest: [●] *per cent. per annum* payable in arrear on [the/each] Interest Payment Date
- (b) Interest Payment Date(s): [●] in each year up to and including the Final Maturity Date
(Amend appropriately in the case of irregular coupons.)
- (c) Interest Periods: [Adjusted/Not Adjusted]
- (d) Business Day Convention: [Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention/Not Applicable]
(Only applicable where Interest Periods and Interest Amounts are subject to adjustment.)
- (e) Specified Business Centre(s): [●][Not Applicable]
(Only applicable where Interest Periods and Interest Amounts are subject to adjustment.)

- (f) Fixed Coupon Amount(s) [for Definitive Covered Bonds (in relation to Global Covered Bonds, see the Conditions)]: per Calculation Amount][Not Applicable]
- (Only applicable to Covered Bonds initially issued in definitive form that carry unadjusted interest.)*
- (g) Broken Amount(s) [for Definitive Covered Bonds (in relation to Global Covered Bonds, see the Conditions)]: per Calculation Amount, payable on the Interest Payment Date falling [in/on]][Not Applicable]
- (Only applicable to Covered Bonds initially issued in definitive form that carry unadjusted interest.)*
- (h) Day Count Fraction: 30/360
Actual/Actual (ICMA)
Actual/360
Actual/365 (Fixed)
- (i) [Determination Date(s): in each year][Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)*
16. Floating Rate Covered Bond Provisions: Applicable [in respect of the Floating Rate Period]][Not Applicable]
- (If not applicable, then delete the remaining sub-items of this item.)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [, not subject to adjustment, as the Business Day Convention in sub-item (b) below is specified to be Not Applicable]
- (b) Business Day Convention: Floating Rate Convention][Following Business Day Convention][Modified Following Business Day Convention][Preceding Business Day Convention][Not Applicable]
- (c) Specified Business Centre(s):
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: Screen Rate Determination][ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent): (the “Calculation Agent”)[Not Applicable]
- (f) Screen Rate Determination: Applicable][Not Applicable]
- Reference Rate: SONIA][month [currency] [LIBOR/EURIBOR/TLREF/TRLIBOR]]

- Specified Time: [●]
(11:00 a.m. in the case of LIBOR, SONIA and EURIBOR, 3:30 p.m. in the case of TLREF and 11:30 a.m. in the case of TRLIBOR)
 - Relevant Financial Centre: [London][Brussels][Istanbul][●][Not Applicable]
 - Interest Determination Date(s): [●]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the second Istanbul business day prior to the start of each Interest Period if TLREF or TRLIBOR and the fifth (or other number specified under Observation Look-Back Period below) London Banking Day prior to the end of each Interest Period if SONIA.)
 - Relevant Screen Page: [●]
(In the case of EURIBOR, if not Reuters EURIBOR01, then ensure it is a page that shows a composite rate or amend the fallback provisions appropriately.)
 - Observation Look-Back Period: [[●] London Banking Days][Not Applicable]⁷
(NB: A minimum of five London Banking Days should be specified unless otherwise agreed with the Fiscal Agent (or such other Person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest).)
- (g) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
(In the case of a LIBOR- or EURIBOR-based option, the first day of the Interest Period.)
(NB: The fall-back provisions applicable to ISDA Determination under the ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR, which, depending upon market circumstances, might not be available at the relevant time.)
- (h) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation [and [●] shall be the Calculation Agent for

⁷ Only relevant for SONIA Reference Rate

these purposes] (specify for each short or long interest period and, if the Issuer is not to determine the interpolated rate, specify here the name of the Calculation Agent)]

- (i) Margin(s): [+/-][●] per cent. per annum
- (j) Minimum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (k) Maximum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (l) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360]
[360/360]
[Bond Basis]
[30E/360]
[Eurobond Basis]
[30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

- 17. Notice periods for Condition 6.2: [Minimum period: [●] days]
[Maximum period: [●] days]
- 18. Issuer Call: [Applicable][Not Applicable]

(If not applicable, then delete the remaining sub-items of this item.)
 - (a) Optional Redemption Date(s): [●]
 - (b) Optional Redemption Amount: [[●] per Calculation Amount]
 - (c) If redeemable in part: [Applicable][Not Applicable]
 - (i) Minimum Redemption Amount: [●]
 - (ii) Maximum Redemption Amount: [●]
 - (d) Notice periods: [Minimum period: [●] days]
[Maximum period: [●] days]

(NB: When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Fiscal Agent.)

19. Final Redemption Amount: [[●] per Calculation Amount]
20. Early Redemption Amount:
- (a) payable on redemption for taxation reasons: [[●] per Calculation Amount]
- (b) payable on redemption for event of default: [[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21. (a) Form of Covered Bonds: [Bearer Covered Bonds:
- [Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond that is exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event]
- [Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date]
- [Permanent Bearer Global Covered Bond exchangeable for Definitive Covered Bonds only upon the occurrence of an Exchange Event]
- [Bearer Definitive Covered Bonds]
- [Bearer Covered Bonds shall not be physically delivered: (i) in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with Article 4 of the Belgian Law of 14 December 2005, or (ii) in the United States of America.]]
- (NB: The option for an issue of Covered Bonds to be represented on issue by a Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in item 7 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].”)*
- [Registered Covered Bonds:
- [Regulation S Registered Global Covered Bond(s) registered in the name of a nominee for [DTC][a common depository for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Definitive Covered Bonds only upon the occurrence of an Exchange Event]
- [Rule 144A Global Covered Bond(s) registered in the name of a nominee for [DTC][a common depository for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear

and Clearstream, Luxembourg] exchangeable for Registered Definitive Covered Bonds only upon the occurrence of an Exchange Event]

[Definitive Regulation S Registered Covered Bonds]

[Rule 144A Registered Definitive Covered Bonds]

[IAI Definitive Covered Bonds]

[IAI Global Covered Bond registered in the name of a nominee for [DTC][a common depository for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Registered Definitive Covered Bonds only upon the occurrence of an Exchange Event]]

(NB: In the case of an issue with more than one Global Covered Bond or a combination of one or more Bearer Global Covered Bond(s) and IAI Definitive Covered Bond(s), specify the nominal amounts of each Global Covered Bond and, if applicable, the aggregate nominal amount of all IAI Definitive Covered Bonds if such information is available.)

(b) New Global Covered Bond: [Yes][No]

(Relevant to Bearer Global Covered Bonds only) [Eurosystem eligibility: [Yes][No]]

(c) New Safekeeping Structure: [Yes][No]

(Relevant to Registered Global Covered Bonds only) [Eurosystem eligibility: [Yes][No]]

22. Specified Financial Centre(s): [●][Not Applicable]

(Note that this item relates to the date of payment and not the end dates of Interest Periods for the purpose of calculating the Interest Amount, to which sub-item 16(c) relates.)

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

(Relevant to Bearer Definitive Covered Bonds only)

24. Insurance Policy: [Applicable][Not Applicable]

(If not applicable, then delete the remaining sub-items of this item.)

(a) Insurer: [●]

(b) Insurance Policy: [●]

(c) Insurance Agreement: [●]

[THIRD PARTY INFORMATION]

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

Signed on behalf of

Türkiye İş Bankası A.Ş..

By:

Duly authorised

By:

Duly authorised

PART B –OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and admission to trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin with effect from [●]; *however*, no assurance can be given that such application will be accepted.][Not Applicable]

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

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

2. RATINGS

- Ratings: [The Covered Bonds [have been][are expected to be] rated [●] by [●] [and [●] by [●]].][The following ratings reflect ratings assigned to Covered Bonds of this type issued under the Programme generally: [●] by [●] [and [●] by [●]].][Not Applicable]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the Covered Bonds to be issued have been specifically rated, that rating.)

[Need to include here a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

[Each of [*insert legal name of credit rating agency(ies)*] is established in the [European Union/United Kingdom] and is registered under Regulation (EC) No. 1060/2009 (the “*CRA Regulation*”).]

[Each of [*insert legal name of credit rating agency(ies)*] is established in the [European Union/United Kingdom] but is not registered under Regulation (EC) No. 1060/2009 (the “*CRA Regulation*”).]

[[*Insert legal name of credit rating agency*] is not established in the European Union or the United Kingdom but the rating it has given to the Covered Bonds is endorsed by [*insert legal name of credit rating agency*], which is established in the [European Union/United Kingdom] and registered under Regulation (EC) No. 1060/2009 (the “*CRA Regulation*”).]

[[*Insert legal name of credit rating agency*] is not established in the European Union or the United Kingdom but is certified under Regulation (EC) No. 1060/2009 (the “*CRA Regulation*”).]

[[Insert legal name of credit rating agency] is not established in the European Union or the United Kingdom and is not certified under Regulation (EC) No. 1060/2009 (the “CRA Regulation”) and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the European Union or the United Kingdom and registered under the CRA Regulation.]

(The above additional disclosure in respect of the relevant credit rating agency(ies) is only required in Final Terms for Covered Bonds that are to be admitted to trading on a regulated market in the European Union (which, for these purposes, includes the United Kingdom).)

Required Overcollateralisation Percentage: [●] per cent.

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

[Except for any fees [of [insert relevant fee disclosure]] payable to the [Managers /Dealers], so far as the Issuer is aware, no Person involved in the issue of the Covered Bonds has any interest, including a conflicting interest, that is material to the offer of the Covered Bonds. The [Managers/Dealers] and/or [its/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. - Amend as appropriate if there are other interests].

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under the Prospectus Regulation.)]

4. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: [●] per cent. per annum [in respect of the Fixed Rate Period]

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

5. HISTORIC INTEREST RATES (Floating Rate Covered Bonds only)

Details of historic [SONIA][[currency] LIBOR/EURIBOR/TLREF/TRLIBOR] rates can be obtained from [Reuters] at [●].

6. BENCHMARKS REGULATION (Floating Rate Covered Bonds only)

The below is provided in connection with the EU Benchmarks Regulation (Regulation (EU) 2016/1011) of 8 June 2016 (the “Benchmarks Regulation”).

(a) Name of “benchmark administrator” as described in the Benchmarks Regulation: [SONIA/LIBOR/EURIBOR/TLREF/TRLIBOR] is provided by [administrator legal name]

(b) Such “benchmark administrator” appears on the register of administrators maintained pursuant to Article 36 of the Benchmarks Regulation: [As of the date hereof, [administrator legal name] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation. [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply such that such benchmark administrator is not

currently required to obtain authorisation or registration (or, if located outside of the European Union, recognition, endorsement or equivalence).][As far as the Issuer is aware, the Bank of England as benchmark administrator of SONIA does not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation and is not required to appear on the register of administrators maintained pursuant to Article 36 of the Benchmarks Regulation.]]][Not Applicable]

7. OPERATIONAL INFORMATION

- (a) ISIN: [●][Not Applicable]
- (b) Common Code: [●][Not Applicable]
- (c) CUSIP: [●][Not Applicable]
- (d) CINS: [●][Not Applicable]
- (e) CFI Code: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]
- (f) FISN: [See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]
- (If the CFI Code and/or FISN is not required or requested as of the completion of the Final Terms, then it/they should be specified to be “Not Applicable,” but if it/they is/are not available as of the completion of the Final Terms, then it/they should be specified to be “Not Available.”)*
- (g) Any clearing system(s) other than Depository Trust Company, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable][give name(s) and number(s)]
- (h) Delivery: Delivery [against/free of] payment
- (i) Name(s) and address(es) of additional Paying Agent(s) (if any): [●][Not Applicable]
- (j) Deemed delivery of clearing system notices for the purposes of Condition 14: [Any notice delivered to Covered Bondholders of Covered Bonds held through a clearing system will be deemed to have been given on the [first/second] [business] day after the day on which it was given to the relevant clearing system.][Not Applicable]

- (k) Intended to be held in a manner that would allow Eurosystem eligibility:

[Yes. Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be deposited with one of the International Central Securities Depositories[(the “ICSDs”)] as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][include this text for Registered Covered Bonds that are to be held under the NSS] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them, the Covered Bonds may then be deposited with one of the International Central Securities Depositories[(the “ICSDs”)] as common safekeeper[(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][include this text for Registered Covered Bonds that are to be held under the NSS]. Note that this does not necessarily mean that the Covered Bonds 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.]

8. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable][give name(s)]
- (c) Stabilisation Manager(s) (if any): [Not Applicable][give name(s)]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable][give name]
- (e) U.S. selling restrictions: [Reg. S Compliance Category 2] [Rule 144A] [Section 4(a)(2)] [Rules identical to those provided in [TEFRA C][TEFRA D] applicable][TEFRA not applicable]
- (f) Prohibition of sales to EEA and UK Retail Investors: [Applicable][Not Applicable]

(If the Covered Bonds clearly do not constitute “packaged” products, then “Not Applicable” should be specified. If the Covered Bonds might constitute “packaged” products and no key information document will be prepared, then “Applicable” should be specified.)

(g) Prohibition of sales to Belgian consumers: [Applicable][Not Applicable]

(NB: advice should be taken from Belgian counsel before disapplying this selling restriction.)

9. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS The net proceeds from the issue of the Covered Bonds, the estimated amount of which net proceeds is [●], will be applied by the Issuer for [its general corporate purposes][●].

(See "Use of Proceeds" in the Base Prospectus. If the reason for the offer is different from general corporate purposes, then such specific reason will need to be included here.)

TERMS AND CONDITIONS OF THE COVERED BONDS

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

Terms and Conditions of the Covered Bonds

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Türkiye İş Bankası A.Ş. (the “Issuer”) pursuant to the Agency Agreement (as defined below).

References to “Covered Bonds” in these Terms and Conditions (these “Conditions”) shall, unless the context otherwise requires, be references to the Covered Bonds of this Series and mean: (a) in relation to any covered bonds represented by a global covered bond (a “Global Covered Bond”), such Global Covered Bond or any nominal amount thereof of a Specified Denomination, whether such Global Covered Bond is in bearer form (a “Bearer Global Covered Bond”) or registered form (a “Registered Global Covered Bond”), and (b) in relation to any definitive covered bonds in bearer form (the “Bearer Definitive Covered Bonds” and, with Bearer Global Covered Bonds, the “Bearer Covered Bonds”) or registered form (the “Registered Definitive Covered Bonds” and, with Bearer Definitive Covered Bonds, the “Definitive Covered Bonds”) (Registered Definitive Covered Bonds and Registered Global Covered Bonds being collectively the “Registered Covered Bonds”), such definitive Covered Bonds in bearer or, as the case may be, registered form.

The Covered Bonds and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 5 May 2020 (such agreement as further amended, supplemented and/or restated from time to time, the “Agency Agreement”) and made among the Issuer, The Bank of New York Mellon, London Branch, as fiscal agent (including as principal paying agent) and exchange agent (the “Fiscal Agent” and the “Exchange Agent,” which expressions shall, respectively, include any successor fiscal agent and exchange agent) and the other paying agents named therein (with the Fiscal Agent, the “Paying Agents,” which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch, as transfer agent (with the Registrar (as defined below), the “Transfer Agents,” which expression shall include any additional or successor transfer agents) and registrar (the “Registrar,” which expression shall include any successor registrar).

If so specified in the applicable Final Terms, the Issuer will also appoint a calculation agent with respect to a Series of Covered Bonds (the “Calculation Agent,” which expression shall include any successor calculation agent and any other calculation agent specified in such Final Terms).

Bearer Definitive Covered Bonds have interest coupons (“Coupons”). In addition, Bearer Definitive Covered Bonds that, when issued, have more than 27 interest payments remaining have talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Bearer Definitive Covered Bonds repayable in instalments have Receipts for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Bearer Global Covered Bonds do not have Coupons or Talons attached on issue.

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond and complete these Conditions. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

Any reference to a “Covered Bondholder” or “holder” in relation to a Covered Bond means: (a) in the case of a Bearer Covered Bond, the holder of such Covered Bond, and (b) in the case of a Registered Covered Bond, the Person(s) in

whose name such Covered Bond is registered in the Register (as defined below), and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below. Any reference herein to a “*Couponholder*” means the holder of a Coupon and shall, unless the context otherwise requires, include the holder of the related Talon(s).

As used herein, “*Tranche*” means an issue of Covered Bonds using the same Final Terms and that are identical in all respects (including as to listing and admission to trading); *provided* that such may have different principal amounts, holder(s), serial numbers and (if applicable) securities codes, and “*Series*” means a Tranche of Covered Bonds together with any other Tranche(s) of Covered Bonds: (a) that are expressed in the applicable Final Terms to be consolidated and form a single series with one or more previous Tranche(s) and (b) the terms and conditions of which are identical in all respects except for their respective issue dates (each an “*Issue Date*”), Tranche number, date of consolidation with one or more other Tranche(s), principal amounts, Interest Commencement Dates and Issue Prices, each as specified in the applicable Final Terms.

The Covered Bondholders and the Couponholders are entitled to the benefit of a deed of covenant dated 30 April 2018 and made by the Issuer (such deed as amended, restated and/or supplemented from time to time, the “*Deed of Covenant*”). The original of the Deed of Covenant is held by the common depository for Euroclear Bank SA/NV (“*Euroclear*”) and Clearstream Banking S.A. (“*Clearstream, Luxembourg*”).

Copies of the Agency Agreement, a deed poll dated 30 April 2018 and made by the Issuer (such deed poll as amended, restated and/or supplemented from time to time, the “*Deed Poll*”), the Deed of Covenant, the applicable Final Terms of the applicable Tranche of Covered Bonds and (other than the Final Terms for other Series, the Subscription Agreement for this or any other Series and the Programme Agreement) the other Transaction Documents may be inspected during normal business hours at the specified office of each of the Fiscal Agent, the other Paying Agents, the Registrar, the Exchange Agent and the other Transfer Agents (such agents being together referred to as the “*Agents*”). The Covered Bondholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant, the Security Assignment, the Security Agency Agreement, the Calculation Agency Agreement, the applicable Final Terms, the Cover Monitor Agreement, the Hedging Agreements and the other Transaction Documents. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Each Covered Bondholder, Receiptholder and Couponholder, by reason of holding one or more Covered Bonds, Receipts or Coupons (as applicable): (a) recognises the Security Agent as its representative in relation to the Transaction Security Documents and the Security Agency Agreement, acting in its name and on its behalf, (b) agrees to be bound by the terms of the Transaction Security Documents and the Security Agency Agreement as if such Covered Bondholder, Receiptholder or Couponholder were a party thereto and (c) acknowledges and accepts the terms of the appointment of the Security Agent as set out in the Security Agency Agreement and all of the provisions of the Security Agency Agreement relating to the exercise by the Security Agent of its powers, trusts, authorities, duties, rights and discretions contained therein.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the amended and restated master definitions and construction schedule dated 5 May 2020, and signed for the purpose of identification by Mayer Brown LLP and White and Case LLP (as further amended, supplemented and/or restated from time to time, the “*Master Definitions and Construction Schedule*”), a copy of which may be obtained as described above.

Words and expressions defined in the Master Definitions and Construction Schedule or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Master Definitions and Construction Schedule and the applicable Final Terms, the applicable Final Terms shall prevail.

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

Any reference to “*Applicable Law*” means: (a) as to any Person, any law (including common law) executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person and/or any of its property or to which such Person and/or any of its property is

subject, and (b) otherwise, any applicable law (including common law), executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority.

By acquiring the Covered Bonds (or beneficial interests therein), investors will be deemed to have acknowledged and agreed that a credit rating thereof is an assessment of credit and does not address other matters that might be of relevance to such investors, including, without limitation, whether any action proposed to be taken by the Issuer, the Security Agent or any other party to a Transaction Document is either: (a) permitted by the terms of the relevant Transaction Document or (b) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders.

1. FORM, DENOMINATION AND TITLE

1.1. Form and Denomination

The Covered Bonds are either Bearer Covered Bonds or Registered Covered Bonds as specified in the applicable Final Terms, will be numbered serially with an identifying number that the Issuer will procure to be recorded on the relevant Covered Bond and, in the case of Registered Covered Bonds, in the register of holders of the Registered Covered Bonds maintained by the Registrar outside of the United Kingdom (the “*Register*”) and shall be in the Specified Currency and Specified Denomination, in each case, as specified in the applicable Final Terms. Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

The Covered Bonds are issued pursuant to the Capital Markets Law, the Covered Bonds Communiqué and other Turkish Covered Bonds Law, as applicable.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a combination thereof, depending upon the “Interest Basis” specified in the applicable Final Terms. In addition, a Covered Bond may be an Instalment Covered Bond if so specified in the applicable Final Terms.

Bearer Definitive Covered Bonds are issued with Coupons attached. Bearer Definitive Covered Bonds that are Instalment Covered Bonds are issued with Receipts and references to Receipts and Receiptholders in these Conditions are only applicable to such Bearer Definitive Covered Bonds.

1.2. Title to the Covered Bonds

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfer in the Register in accordance with the provisions of the Agency Agreement. The Issuer and each of the Agents will (except as otherwise required by Applicable Law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not overdue and regardless of any notice of ownership, trust or any other interest or any writing on, or the theft or loss of, such Covered Bond) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the following paragraphs of this Condition 1.2.

For so long as the Depository Trust Company (“*DTC*”) or its nominee is the registered holder of a Registered Global Covered Bond, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes under the Transaction Documents except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through DTC’s participants. The expressions “Covered Bondholder” and “holder of Covered Bonds” and related expressions shall, for the purposes of any such Registered Global Covered Bond, be construed accordingly.

Subject to the preceding paragraph, for so long as any of the Covered Bonds is represented by a Global Covered Bond deposited with and, in the case of a Registered Global Covered Bond, registered in the name of a clearing system (or a nominee thereof for a common depository or a common safekeeper thereof), each Person (other than a clearing system or a nominee, common depository or common safekeeper thereof) who is for the time being shown

in the records of such clearing system as the holder of a particular principal amount of such Global Covered Bond (in which regard any certificate or other document issued by such clearing system as to the principal amount of such Global Covered Bond standing to the account of any Person shall be conclusive and binding for all purposes except in the case of manifest or proven error) shall, upon receipt of such certificate or other document by the Issuer or an Agent, be treated by the Issuer or such Agent (as applicable) as if such Person were the holder of such principal amount of such Covered Bonds (and the bearer or registered holder of such Global Covered Bond shall be deemed not to be the holder) for all purposes other than with respect to the payment of principal or interest on such Global Covered Bond, for which purpose the bearer of such Bearer Global Covered Bond or, as applicable, the registered holder of such Registered Global Covered Bond shall be treated by the Issuer and each Agent as the holder of such principal amount of such Covered Bonds in accordance with and subject to the terms of such Global Covered Bond. The expressions “*Covered Bondholder*” and “*holder of Covered Bonds*” and related expressions shall, for the purposes of any Global Covered Bond described in this paragraph, be construed accordingly.

Covered Bonds that are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of the applicable Clearing System.

2. TRANSFERS OF REGISTERED COVERED BONDS

2.1. Transfers of Interests in Registered Global Covered Bonds

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and (in turn) by direct and (if appropriate) indirect participants in such clearing systems acting on behalf of transferors and transferees of such beneficial interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for a Definitive Covered Bond of the same Series or for a beneficial interest in another Registered Global Covered Bond of the same Series, in each case, only in the Specified Denomination(s) specified in the applicable Final Terms (and provided that the aggregate outstanding principal balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the then-applicable rules and operating procedures of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement, the relevant Registered Global Covered Bond and/or the applicable Final Terms. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor’s nominee.

2.2. Transfers of Registered Definitive Covered Bonds

Subject as provided in Condition 2.4, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Final Terms) (and *provided* that, if transferred in part, the Principal Amount Outstanding of that Registered Definitive Covered Bond not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer: (a) the holder(s) must: (i) surrender such Registered Definitive Covered Bond for registration of the transfer thereof (or of the relevant part of such Registered Definitive Covered Bond) at the specified office of any Transfer Agent, with the form of transfer (substantially in the form set out in the Agency Agreement, completed as appropriate) thereon duly executed by such holder(s) (or by one or more attorney(s) duly authorised in writing therefor), and (ii) complete and deliver such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the Person(s) making the request. Any such transfer will be subject to such additional reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in the Agency Agreement).

Subject as provided in the preceding paragraph, the relevant Transfer Agent will promptly, and in any event within three business days (being for this purpose a day other than Saturday or Sunday on which commercial banks are open for business in the city in which the specified office of the relevant Transfer Agent is located) of its receipt of such a request (or such longer period as may be required to comply with any applicable fiscal or other Applicable Laws), authenticate (or procure the authentication of) and: (x) deliver, or procure the delivery of, at its specified

office to the specified transferee or (y) if so requested by the specified transferee (and then at the risk of such transferee), send by uninsured mail, to such address as such transferee may request, a new Registered Definitive Covered Bond of a like aggregate outstanding principal amount to the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) being transferred.

In the case of the transfer of part only of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the balance of the Registered Definitive Covered Bond not transferred will be so authenticated and delivered or (if so requested by the transferor, and then at the risk of such transferor) sent by uninsured mail, to such transferor's address in the Register, to the transferor. No transfer of a Registered Definitive Covered Bond will be valid unless and until entered in the Register.

2.3. Costs of Registration

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

2.4. Covered Bondholder Establishment of Clearing of a Registered Definitive Covered Bond

For so long as any Covered Bonds of a Series are represented by a Registered Global Covered Bond, holders of Registered Definitive Covered Bonds of the same Series may (to the extent that they have established settlement through DTC, Euroclear and/or Clearstream, Luxembourg) exchange such Registered Definitive Covered Bonds for interests in the relevant Registered Global Covered Bond of the same Series at any time.

3. STATUS OF THE COVERED BONDS

3.1. Status of the Covered Bonds

The Covered Bonds and any Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.2) unsecured obligations of the Issuer and (subject as provided above) rank and will (in the case of any insolvency, bankruptcy, liquidation or similar event relating to the Issuer) rank *pari passu*: (a) without any preference or priority among themselves, irrespective of their Series and Issue Date (for the purpose of clarification, each Series may have different timing for the repayment of principal and the timing and amount of interest payable), and (b) with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, in each case to the extent permitted by Applicable Laws relating to creditors' rights.

3.2. Mortgage Covered Bonds

The Covered Bonds are mortgage covered bonds (in Turkish, *ipotek teminatl  menkul kıymet*) issued in accordance with the Covered Bonds Communiqu  and subject to the terms thereof. The Covered Bonds (with any applicable Receipts and Coupons) are backed by assets forming the Cover Pool of the Issuer. In accordance with the Turkish Covered Bonds Law, by virtue of the Transaction Documents, registration of Cover Pool Assets in the Security Register and any Security Update Registration, the Covered Bonds and related Receipts and Coupons are secured by the Cover Pool (which includes all cashflows derived from the Cover Pool) and benefit from Statutory Segregation. In addition to the Cover Pool, the Covered Bonds are secured by the other Transaction Security (other than the security interest over the Agency Account).

3.3. Turkish Lira equivalent

For the purposes of determining the *pari passu* entitlement of any Covered Bondholder, Couponholder or Receiptholder to payment in the Transaction Documents, any amount that is not denominated in Turkish Lira shall be notionally converted into Turkish Lira using the Applicable Exchange Rate.

4. INTEREST

The applicable Final Terms indicate whether the Covered Bonds are Fixed Rate Covered Bonds or Floating Rate Covered Bonds.

4.1. Interest on Fixed Rate Covered Bonds

This Condition 4.1 applies to Fixed Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Covered Bonds. In particular, the applicable Final Terms specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s) (each such date, an “*Interest Payment Date*” for the purpose of such Fixed Rate Covered Bonds), the Final Maturity Date, the Extended Final Maturity Date (if any), the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) *per annum* equal to the applicable Rate(s) of Interest. Interest on Fixed Rate Covered Bonds will, subject as provided in these Conditions, be payable in arrear on the applicable Interest Payment Date(s) in each year up to (and including) the Final Maturity Date or Extended Final Maturity Date, as applicable.

In the case of Definitive Covered Bonds, the Interest Amount payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount, where a “Fixed Coupon Amount” is specified in the applicable Final Terms, to the Fixed Coupon Amount so specified; *provided* that the Interest Amount payable on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Definitive Covered Bonds where an applicable Fixed Coupon Amount (and, if applicable, a Broken Amount) is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the then-applicable Rate of Interest to:

- (a) in the case of Fixed Rate Covered Bonds that are represented by a Global Covered Bond, the Principal Amount Outstanding of the Fixed Rate Covered Bonds represented by such Global Covered Bond, or
- (b) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount,

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

4.2. Interest on Floating Rate Covered Bonds

This Condition 4.2 applies to Floating Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Covered Bonds. In particular, the applicable Final Terms specify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Specified Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the

Day Count Fraction. Where “ISDA Determination” applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Specified Time, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) *Interest Payment Dates*

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest shall be payable, subject as provided in these Conditions, in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms, or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, with each Specified Interest Payment Date, an “*Interest Payment Date*” for the purpose of such Floating Rate Covered Bond) that falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest shall be payable in respect of each Interest Period.

(b) *Rate of Interest*

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

(i) *ISDA Determination for Floating Rate Covered Bonds*

Where “ISDA Determination” is specified in the applicable Final Terms for a Tranche as the manner in which the Rate of Interest for such Tranche is to be determined, the Rate of Interest for such Tranche for each Interest Period shall be the relevant ISDA Rate *plus* or *minus* (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this clause (i), “*ISDA Rate*” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Fiscal Agent or the Calculation Agent, as applicable, were acting as the “Calculation Agent” (as defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of Covered Bonds of this Series (the “*ISDA Definitions*”) and under which:

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

For the purposes of this clause (i), “Floating Rate,” “Floating Rate Option,” “Designated Maturity” and “Reset Date” shall have the meanings given to those terms in the ISDA Definitions.

(ii) *Screen Rate Determination for Floating Rate Covered Bonds (other than for SONIA)*

Where “Screen Rate Determination” is specified in the applicable Final Terms for a Tranche as the manner in which the Rate of Interest for such Tranche is to be determined in respect of any Reference Rate other than for SONIA, the Rate of Interest for such Tranche for each Interest Period shall, subject as provided below, be either:

- (A) if there is only one quotation on the Relevant Screen Page, the offered quotation, or
- (B) in any other case, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

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

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

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, then the Rate of Interest for the relevant Interest Period shall be the rate *per annum* that the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the eurozone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TLREF or TRLIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks promptly provide the Fiscal Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more bank(s) (which bank(s) is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the eurozone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TLREF or TRLIBOR) or the interbank market of the

Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any); *provided* that if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, then the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) *Screen Rate Determination for Floating Rate Covered Bonds that reference SONIA*

Where “Screen Rate Determination” is specified in the applicable Final Terms for a Tranche as the manner in which the Rate of Interest for such Tranche is to be determined and the Reference Rate is specified in the applicable Final Terms as being SONIA, then:

- (A) The Rate of Interest for each Interest Accrual Period shall, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin.
- (B) If, in respect of any London Banking Day in the relevant Observation Period, the applicable SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA Reference Rate in respect of such London Banking Day shall be: (1) the Bank of England’s Bank Rate (the “*Bank Rate*”) prevailing at the close of business on such London Banking Day *plus* (2) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there are more than one highest spread, then only one of those highest spreads) and the lowest spread (or, if there are more than one lowest spread, then only one of those lowest spreads).
- (C) Notwithstanding clause (B) of this Condition 4.2(b)(iii), in the event the Bank of England publishes guidance as to: (1) how the SONIA Reference Rate is to be determined or (2) any rate that is to replace the SONIA Reference Rate, then the Calculation Agent shall, to the extent that is reasonably practicable and as set forth in a direction from the Issuer in writing, follow such guidance in order to determine SONIA for purposes of the Covered Bonds and for so long as the SONIA Reference Rate is not available or has not been published by the relevant authorised distributors.
- (D) If, on any Interest Determination Date, the Rate of Interest cannot be determined by reference to any of clauses (A) to (C) of this Condition 4.2(b)(iii), then the Rate of Interest for the relevant Interest Accrual Period shall be: (1) the Rate of Interest determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (2) if there is no such preceding Interest Determination Date, the initial Rate of Interest that would have been applicable to such Covered Bonds for the first scheduled Interest Period had the Covered Bonds been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first scheduled Interest Period).
- (E) If the Covered Bonds become due and payable in accordance with Condition 10, then the final Rate of Interest shall be calculated for the period from (and including) the most

recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the date on which the Covered Bonds become so due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon as provided in Condition 4.7.

(F) As used in this Condition 4.2(b)(iii):

“*Calculation Agent*” means the Fiscal Agent or such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s) or such other amounts as may be specified in the applicable Final Terms.

“*Compounded Daily SONIA*” means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily SONIA Reference Rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage shall be rounded if necessary to the fifth decimal place (with 0.000005 being rounded upwards),

where:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

“*d*” is the number of calendar days in the relevant Interest Accrual Period,

“*do*” is the number of London Banking Days in the relevant Interest Accrual Period,

“*i*” is, for any Interest Accrual Period, a series of whole numbers from one to *do*, each representing a London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual Period,

“*Interest Accrual Period*” means: (a) each Interest Period and (b) any other Relevant Period,

“*London Banking Day*” or “*LBD*” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, England,

“*ni*”, for any London Banking Day “*i*”, means the number of calendar days from and including such London Banking Day “*i*” up to but excluding the following London Banking Day,

“*Observation Look-Back Period*” is as specified in the applicable Final Terms,

“*Observation Period*” means, in respect of an Interest Accrual Period, the period from (and including) the date falling “*p*” London Banking Days prior to: (a) the first day of the relevant Interest Accrual Period to (but excluding) the date falling “*p*” London Banking Days prior to the Interest Payment Date for such Interest Accrual Period or (b) such date (if any) on which the relevant payment of interest falls due,

“*p*” is the number of London Banking Days included in the Observation Look-Back Period, as specified in the applicable Final Terms,

“*SONIA Reference Rate*,” in respect of any London Banking Day (“*LBD_x*”), is a reference rate equal to the daily Sterling Overnight Index Average (“*SONIA*”) rate for such *LBD_x* as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors, in each case on the London Banking Day immediately following such *LBD_x*, and

“*SONIA_{i-pLBD}*” means, in respect of any London Banking Day “*i*” falling in the relevant Interest Accrual Period, the SONIA Reference Rate for the London Banking Day falling “*p*” London Banking Days prior to the relevant London Banking Day “*i*.”

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

If the applicable Final Terms for a Tranche of Floating Rate Covered Bonds specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period for such Tranche shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Tranche of Floating Rate Covered Bonds specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period for such Tranche shall be such Maximum Rate of Interest.

A Final Terms may specify both a Minimum Rate of Interest and a Maximum Rate of Interest for a Tranche. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

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

The Fiscal Agent or the Calculation Agent, as applicable, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or any other Relevant Period).

The Fiscal Agent or the Calculation Agent, as applicable, will calculate the Interest Amount payable on the Floating Rate Covered Bonds for the relevant Interest Period (or any other Relevant Period) by applying the Rate of Interest to:

- (i) in the case of Floating Rate Covered Bonds that are represented by a Global Covered Bond, the Principal Amount Outstanding of the Covered Bonds represented by such Global Covered Bond, or
- (ii) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount,

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

(e) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based upon the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where “ISDA Determination” is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; *provided* that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer, in consultation with an independent adviser acting in good faith and in a commercially reasonable manner as an expert appointed by the Issuer in its reasonable discretion, determines appropriate. For the purposes of this Condition 4.2(e) only, “Calculation Agent” shall mean the Issuer or, if so specified in the applicable Final Terms, a financial institution of international repute appointed by the Issuer at its own expense for these purposes.

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

4.3. Notification of Rate of Interest and Interest Amounts

In the case of Floating Rate Covered Bonds and Fixed Rate Covered Bonds in respect of which Interest Periods and Interest Amounts are specified in the applicable Final Terms as being subject to adjustment, the Fiscal Agent or the Calculation Agent, as applicable, will cause: (a) to be notified to the Issuer and any stock exchange on which the relevant Covered Bonds are for the time being listed: (i) each Interest Amount for each Interest Period and the relevant Interest Payment Date and (ii) in the case of Floating Rate Covered Bonds, the Rate of Interest, and (b) notice thereof to be published in accordance with Condition 14, in each case, as soon as practicable after their determination but in no event later than the fourth London Business Day thereafter (or, in the case of Covered Bonds where the applicable Final Terms specify the Reference Rate as being SONIA, no later than the second London Banking Day thereafter). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange (if any) on which the relevant Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 14. For the purposes of this paragraph, the expression “*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

4.4. Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 and Condition 5.8, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest or proven error) be binding upon the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Covered Bondholders, Couponholders and Receiptholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Covered Bondholders, the Couponholders or the Receiptholders shall attach to the Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers and duties pursuant to such provisions.

4.5. Accrual of Interest

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from (and including) the date for its redemption unless, upon due presentation thereof, payment of principal in respect of such Covered Bond is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Covered Bond (or part thereof) have been paid, and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Covered Bondholders in accordance with Condition 14.

4.6. Day Count Fraction, Business Day Convention and other adjustments

- (a) *Day Count Fraction*

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 4:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Covered Bonds where the number of days in the Relevant Period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “*Accrual Period*”) is equal to or shorter than the Determination Period during which the Accrual Period ends, then the number of days in such Accrual Period *divided by* the product of: (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, or
 - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, then the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins *divided by* the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, and
 - (2) the number of days in such Accrual Period falling in the next Determination Period *divided by* the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year.

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

- (ii) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, then the actual number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 365 (or, if any portion of such period falls within a leap year, the sum of: (A) the actual number of days in that portion of the period falling in a leap year *divided by* 366 and (B) the actual number of days in that portion of the period falling in a non-leap year *divided by* 365),
- (iii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, then the actual number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 365,
- (iv) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, then the actual number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 365 or, in the case of an Interest Payment Date falling in a leap year, 366,

- (v) if “Actual/360” is specified in the applicable Final Terms, then the actual number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 360,
- (vi) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Final Terms, then the number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 360, calculated on a formula basis as follows:

- (A) in the case of Fixed Rate Covered Bonds, on the basis of a year of 360 days with 12 30-day months, and

- (B) in the case of Floating Rate Covered Bonds, on a formula basis as follows:

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of such period falls,

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day of such period falls,

“ M_1 ” is the calendar month, expressed as a number, in which the first day of such period falls,

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls,

“ D_1 ” is the first calendar day, expressed as a number, of such period unless such number is 31, in which case D_1 will be 30, and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in such period unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30,

- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, then the number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 360, calculated on a formula basis as follows:

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of such period falls,

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day of such period falls,

“ M_1 ” is the calendar month, expressed as a number, in which the first day of such period falls,

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls,

“ D_1 ” is the first calendar day, expressed as a number, of such period unless such number would be 31, in which case D_1 will be 30, and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in such period unless such number would be 31, in which case D_2 will be 30, and

- (viii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, then the number of days in the Interest Period or other Relevant Period, as the case may be, *divided by* 360, calculated on a formula basis as follows:

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

where:

“ Y_1 ” is the year, expressed as a number, in which the first day of such period falls,

“ Y_2 ” is the year, expressed as a number, in which the day immediately following the last day of such period falls,

“ M_1 ” is the calendar month, expressed as a number, in which the first day of such period falls,

“ M_2 ” is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls,

“ D_1 ” is the first calendar day, expressed as a number, of such period unless: (A) that day is the last day of February or (B) such number would be 31, in which case D_1 will be 30, and

“ D_2 ” is the calendar day, expressed as a number, immediately following the last day included in such period unless: (A) that day is the last day of February but not the Final Maturity Date or (B) such number would be 31, in which case D_2 will be 30.

(b) *Business Day Convention*

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

- (i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii), the “*Floating Rate Convention*,” then such Interest Payment Date: (A) in the case of clause (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of clause (2) below shall apply *mutatis mutandis*, or (B) in the case of clause (y) above, shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event: (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month that falls within the Specified Period after the preceding applicable Interest Payment Date occurred,
- (ii) the “*Following Business Day Convention*,” then such Interest Payment Date shall be postponed to the next day that is a Business Day,
- (iii) the “*Modified Following Business Day Convention*,” then such Interest Payment Date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day, or

(iv) the “*Preceding Business Day Convention*,” then such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(c) *Adjusted*

If “adjusted” is specified in the applicable Final Terms against the Interest Period for a Series of Fixed Rate Covered Bonds, then interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) the preceding Interest Payment Date (or, if there is no preceding Interest Payment Date, the Interest Commencement Date) to (but excluding) such relevant Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the relevant Business Day Convention and a lesser or additional (as applicable) amount of interest shall be payable by the Issuer if the actual date of payment occurs earlier or later than the originally scheduled date for payment as a result of the application of the relevant Business Day Convention.

(d) *Not Adjusted*

If “not adjusted” is specified in the applicable Final Terms against the Interest Period for a Series of Fixed Rate Covered Bonds, then interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) the preceding Interest Payment Date (or, if there is no preceding Interest Payment Date, the Interest Commencement Date) to (but excluding) such relevant Interest Payment Date, with the Interest Payment Date (for the purpose of determining the date of payment only) adjusted in accordance with the relevant Business Day Convention but no lesser or additional (as applicable) amount of interest becoming due and payable by the Issuer if the actual date of payment occurs earlier or later than the originally scheduled date for payment as a result of the application of the relevant Business Day Convention.

If the Interest Period for a Series of Fixed Rate Covered Bonds is not indicated in the applicable Final Terms as “adjusted” or “not adjusted,” then it shall be deemed to be “not adjusted.”

4.7. Interest Rate and Payments from Final Maturity Date in the Event of Extension of Maturity of the Covered Bonds up to the Extended Final Maturity Date

If an Extended Final Maturity Date is specified in the applicable Final Terms as applying to a Series of Soft Bullet Covered Bonds and the Issuer does not pay any amount representing the Final Redemption Amount in respect of the relevant Series on the applicable Final Maturity Date, then the maturity of such Series of Soft Bullet Covered Bonds is automatically extended beyond such Final Maturity Date until the applicable Extended Final Maturity Date in accordance with Condition 6.9. In such circumstances, interest will continue to accrue and be payable on any unpaid Principal Amount Outstanding for such Series of Soft Bullet Covered Bonds, such interest to be payable on each Extended Series Payment Date for such Series of Soft Bullet Covered Bonds up to (and including) its Extended Final Maturity Date, subject to and in accordance with Condition 4, and the Issuer will make such payments on each relevant Extended Series Payment Date and on such Extended Final Maturity Date. The final Extended Series Payment Date for a Series shall fall on the Extended Final Maturity Date for such Series.

As provided in Clause 14 of the Agency Agreement, the Issuer shall confirm to the Covered Bondholders (in accordance with Condition 14), the Paying Agents, the Registrar (in the case of a Registered Covered Bond) and the Fiscal Agent as soon as reasonably practicable (and in any event at least five London Business Days) prior to the Final Maturity Date of a Series of Soft Bullet Covered Bonds as to whether: (a) payment will be made of all or any part of the Final Redemption Amount of the applicable Series of Soft Bullet Covered Bonds in full on their Final Maturity Date or (b) the obligation to pay all or part of the Final Redemption Amount of the applicable Series of Soft Bullet Covered Bonds on their Final Maturity Date is to be deferred until the applicable Extended Final Maturity Date (any such notice under this clause (b) being an “*Extension Notice*”). For Series of Soft Bullet Covered Bonds that are Bearer Definitive Covered Bonds, the Agency Agreement provides provisions for the delivery of additional Coupons to the extent necessary.

As provided in Clause 14 of the Agency Agreement, promptly following receipt by the Fiscal Agent of an Extension Notice with respect to a Series of Global Covered Bonds, and in any event not less than three London Business Days prior to the Final Maturity Date of such Series, the Fiscal Agent shall notify Euroclear, Clearstream, Luxembourg and/or DTC, as applicable, that: (a) payment will be made of only part or none of the Final Redemption Amount of such Series on its Final Maturity Date and (b) the obligation to pay the remaining part of the Final Redemption Amount of such Series on its Final Maturity Date shall be deferred until the applicable Extended Final Maturity Date for such Series (with, as provided in the Transaction Documents, some or all of such amount being paid earlier from the Available Funds on each applicable Extended Series Payment Date).

A failure by the Issuer to provide an Extension Notice under Clause 14 of the Agency Agreement shall not affect the validity or effectiveness of any extension of the maturity of a Series of Soft Bullet Covered Bonds to the applicable Extended Final Maturity Date in accordance with Condition 6.9 nor shall constitute an Issuer Event or Event of Default or give rise to any rights to any Secured Creditor.

Where the applicable Final Terms for a Series of Soft Bullet Covered Bonds provides that such Soft Bullet Covered Bonds are subject to an Extended Final Maturity Date, such failure to pay the Final Redemption Amount by the Issuer on the Final Maturity Date of such Series shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

This Condition 4.7 shall only apply to Soft Bullet Covered Bonds with respect to which an Extended Final Maturity Date is specified in the applicable Final Terms.

4.8. Benchmark Discontinuation – Reference Rate Replacement

(a) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part(s) thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.8(b)), and, in each case, an Adjustment Spread (in accordance with Condition 4.8(c)) and any other required Benchmark Amendments (in accordance with Condition 4.8(d)).

An Independent Adviser appointed pursuant to this Condition 4.8 shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Covered Bondholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.8.

(b) *Successor Rate or Alternative Rate*

Notwithstanding the provisions of Condition 4.2(b), if the Issuer, following consultation with an Independent Adviser pursuant to Condition 4.8(a) and acting in good faith and in a commercially reasonable manner, determines that a Benchmark Event has occurred and that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.8(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.8), or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.8(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part(s)

thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.8).

(c) *Adjustment Spread*

If any Successor Rate or Alternative Rate is determined in accordance with Condition 4.8(b), then the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, shall determine an Adjustment Spread (which may be expressed as a specific quantum of, or a formula or methodology for determining, such Adjustment Spread and, for the avoidance of doubt, may be positive, negative or zero), which Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or any component part(s) thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(d) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with the foregoing provisions of this Condition 4.8 and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that additional amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread (such amendments, the “*Benchmark Amendments*”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.8(e), without any requirement for the consent or approval of Covered Bondholders or Couponholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.8(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Covered Bonds are for the time being listed or admitted to trading.

(e) *Notices, etc.*

Any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, each as determined under this Condition 4.8, will be notified promptly by the Issuer to the Calculation Agent and the other Paying Agents and, in accordance with Condition 14, the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Prior to any Benchmark Amendments taking effect and no later than one London Business Day following the date of notifying the Calculation Agent of the same, the Issuer shall deliver to the Calculation Agent a certificate signed by two authorised signatories of the Issuer:

- (i) confirming: (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate and (in either case) the applicable Adjustment Spread and (C) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4.8, and
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Calculation Agent shall display such certificate at its offices for inspection by the Covered Bondholders at all reasonable times during normal business hours.

The Successor Rate or Alternative Rate, the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate, the applicable Adjustment Spread and the Benchmark Amendments (if any)) be binding upon the Issuer, the Calculation Agent, the other Paying Agents, the Covered Bondholders and the Couponholders.

(f) *Survival of Original Reference Rate and Fallback Provisions*

Without prejudice to the obligations of the Issuer under Condition 4.8(a) through Condition 4.8(e), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(b) will continue to apply unless and until a Benchmark Event has occurred in relation to the Original Reference Rate and the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the applicable Adjustment Spread and any Benchmark Amendments, in each case, in accordance with Condition 4.8(e).

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) (and, in either case, the applicable Adjustment Spread) is determined and notified to the Calculation Agent pursuant to this Condition 4.8, then the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 4.2(b) will (if applicable) continue to apply to such determination.

For the avoidance of doubt, the preceding paragraph shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.8.

(g) *Defined Terms*

As used in this Condition 4.8:

“*Adjustment Spread*” means either: (i) a spread (which may be positive, negative or zero) or (ii) a formula or methodology for calculating a spread, which, in each case, is to be applied to the Successor Rate or the Alternative Rate (as the case may be) in accordance with Condition 4.8(b) and is the spread, formula or methodology that:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body,
- (B) in the case of a Successor Rate where no such formal recommendation as described in clause (A) has been made or in the case of an Alternative Rate, the Issuer determines, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is recognised or acknowledged as being in customary market usage in international debt capital market transactions that reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be), or
- (C) if the Issuer determines that neither clause (A) nor clause (B) applies, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be),

“*Alternative Rate*” means an alternative to the Original Reference Rate that the Issuer determines in accordance with Condition 4.8(b) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for debt securities with a commensurate interest period and in the same Specified Currency as the Covered Bonds,

“*Benchmark Amendments*” has the meaning given to it in Condition 4.8(d),

“*Benchmark Event*” means, with respect to an Original Reference Rate:

- (i) the Original Reference Rate ceasing to be published or administered or ceasing to exist,
- (ii) the later of: (A) the date of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances in which no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (B) the date falling six months prior to the specified date referred to in clause (A),
- (iii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued,
- (iv) the later of: (A) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in clause (A),
- (v) the later of: (A) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used (either generally or in respect of the Covered Bonds) or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in clause (A),
- (vi) it has, or will prior to the next Interest Determination Date, become unlawful for the Calculation Agent, any other Paying Agent or the Issuer to calculate any payments due to be made to any Covered Bondholder or Couponholder using the Original Reference Rate, or
- (vii) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used,

“*Calculation Agent*” means (except in the context of the “Calculation Agent” under the Calculation Agency Agreement) the Fiscal Agent or, for any Series, such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s),

“*Independent Adviser*” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 4.8(a),

“*Original Reference Rate*” means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part(s) thereof) in respect of any Interest Period(s) on the Covered Bonds, as specified in the applicable Final Terms,

“*Relevant Nominating Body*” means, in respect of an Original Reference Rate:

- (i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate, or
- (ii) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which such Original Reference Rate relates, (B) any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof, and

“*Successor Rate*” means a successor to or replacement of the Original Reference Rate that is formally recommended by any Relevant Nominating Body.

4.9. Defined Terms

In these Conditions:

“*Business Day*” means a day (other than, except as set forth in the applicable Final Terms, a Saturday or Sunday) that is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Specified Business Centre (other than the Trans-European Automatic Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) (the “*TARGET2 System*”)) specified in the applicable Final Terms,
- (b) if the TARGET2 System is specified as a Specified Business Centre in the applicable Final Terms, then a day on which the TARGET2 System is open, and
- (c) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open,

“*Interest Amount*” means the amount of interest,

“*Interest Commencement Date*” means, with respect to a Tranche of Covered Bonds, the date specified as such in the applicable Final Terms from (and including) which such Covered Bonds will accrue interest, which may or may not be their Issue Date,

“*Interest Period*” for a Series means the period from (and including) an Interest Payment Date for such Series (or, in respect of the first Interest Period for such Series, its Interest Commencement Date) to (but excluding) the next (or, in respect of the first Interest Period, first) Interest Payment Date for such Series,

“*Reference Banks*” means: (a) in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market, (b) in the case of a determination of EURIBOR, the principal eurozone office of four major banks in the eurozone interbank market, and (c) in the case of a determination of TLREF or TRLIBOR, the principal İstanbul office of four major banks in the Turkish Lira interbank market, in each case, as selected by the Issuer or as otherwise specified in the applicable Final Terms,

“*Reference Rate*” means, unless otherwise specified in the applicable Final Terms: (a) the London interbank offered rate (“*LIBOR*”), (b) the eurozone interbank offered rate (“*EURIBOR*”), (c) the Turkish Lira overnight reference rate (“*TLREF*”), (d) the Turkish Lira interbank offered rate (“*TRLIBOR*”) or (e) SONIA, in each case, as specified in the applicable Final Terms,

“*Relevant Period*” for a Series means the period from (and including) an Interest Payment Date for such Series (or, if none, the Interest Commencement Date for such Series) to (but excluding) the relevant payment date,

“*Relevant Screen Page*,” in respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, has the meaning given to that term in the applicable Final Terms,

“*Screen Rate Determination*” means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(ii),

“*Specified Time*” means, with respect to a Tranche of Covered Bonds, the time specified as such in the applicable Final Terms, and

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

5. PAYMENTS

5.1. Method of Payment

Except as provided in this Condition 5 below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank that processes payments in the Specified Currency.

Payments in respect of principal and interest on the Covered Bonds will be subject in all cases to: (a) any fiscal or other Applicable Laws applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7, and (b) any withholding or deduction (“*FATCA Withholding Tax*”) required pursuant to FATCA.

In these Conditions, “*FATCA*” means: (a) an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “*Code*”), (b) Sections 1471 through 1474 of the Code, (c) any regulations or agreements thereunder or official interpretations thereof, (d) any intergovernmental agreement between the United States and any other governmental authority entered into in connection with the implementation of the foregoing or (e) any Applicable Law, rule or official practice implementing such an intergovernmental agreement.

5.2. Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons

Notwithstanding any other provision of these Conditions to the contrary, payments of principal in respect of a Bearer Definitive Covered Bond will (subject as provided below in this Condition 5.2) be made in the manner provided in Condition 5.1 only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Receipt and/or such Bearer Definitive Covered Bond, and payments of interest in respect of a Bearer Definitive Covered Bond will (subject as provided below) be made as aforesaid only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments (if any) of principal on a Bearer Definitive Covered Bond other than the final instalment will (subject as provided below) be made in accordance with Condition 5.1 only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment on a Bearer Definitive Covered Bond will be made in accordance with

Condition 5.1 only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the applicable Bearer Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, then principal will be payable in accordance with Condition 5.1 only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer. On the date on which any Bearer Definitive Covered Bond becomes due and payable (subject, where applicable, to any extension of a Series of Soft Bullet Covered Bonds), unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7.2(a)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Bearer Definitive Covered Bond becoming due and repayable prior to its Final Maturity Date (or, as the case may be, Extended Final Maturity Date), all unmatured Receipts, Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

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

A “*Long Maturity Covered Bond*” is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond that on issue had a Talon attached) whose principal amount on issue is less than the aggregate interest payable thereon; *provided* that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date (or, if applicable Extended Series Payment Date) on which the aggregate amount of interest remaining to be paid thereon after that date is less than the principal amount of such Covered Bond.

5.3. Payments in Respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified in Condition 5.2 in relation to Bearer Definitive Covered Bonds or otherwise in the manner specified in the relevant Bearer Global Covered Bond, where applicable against surrender or, as the case may be, presentation and endorsement, of such Bearer Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond either by the Paying Agent to which it was presented or in the records of Euroclear or Clearstream, Luxembourg, as applicable.

5.4. Payments in Respect of Registered Covered Bonds

Payments of principal to redeem a Registered Covered Bond (whether or not in global form) in full will be made against surrender of such Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Specified Account of the holder (or the first named of joint holders) of such Registered Covered Bond appearing in the Register at: (a) where in global form and held under

the “new safekeeping structure” for registered global securities that are intended to constitute eligible collateral for Eurosystem monetary policy operations (the “NSS”), the close of the business day (being for this purpose a day other than Saturday or Sunday on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) in all other cases, the close of business at the specified office of the Registrar on the 15th day before the relevant due date (or, if such 15th day is not a day on which banks are open for business in the city in which the specified office of the Registrar is located, then the first such day prior to such 15th day) (in each case, the “Record Date”). Notwithstanding the previous sentence, if: (i) a holder does not have a Specified Account or (ii) the principal amount of such Registered Covered Bond is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), then payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank. For these purposes, “Specified Account” means the account maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means any bank that processes payments in such Specified Currency.

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

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by any Agent in respect of any payments of principal or interest in respect of the Registered Covered Bonds, except as provided in Conditions 5.8 and 5.9.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Fiscal Agent to an account of the Exchange Agent in the relevant Specified Currency on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement and Condition 5.9.

None of the Issuer or any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5. General Provisions Applicable to Payments

Except as provided in the Deed of Covenant, the registered holder of a Registered Global Covered Bond or the holder of a Bearer Global Covered Bond shall be the only Person entitled to receive payments in respect of the Covered Bonds represented by such Global Covered Bond and the Issuer will be discharged by payment to, or to the order of, such holder in respect of each amount so paid. Each of the Persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, as the beneficial owner of a particular principal amount of Covered Bonds represented by a Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for such Person’s share of each payment so made by or on behalf of the Issuer to, or to the order of, the registered holder of a Registered Global Covered Bond or the holder of a

Bearer Global Covered Bond. Except as provided in the Deed of Covenant, no Person other than the registered holder of a Registered Global Covered Bond or the holder of a Bearer Global Covered Bond shall have any claim against the Issuer in respect of any payments due on such Global Covered Bond.

Notwithstanding the provisions of Conditions 5.2 and 5.3, if any amount of principal and/or interest in respect of Bearer Covered Bonds is payable in U.S. dollars, then such payments will be made at the specified office of a Paying Agent in the United States only if:

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

5.6. Payment Day

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day, then the holder thereof shall not be entitled to payment of the relevant amount due until the next Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes:

“*Payment Day*” means any day (other than, except as set forth in the applicable Final Terms, a Saturday or Sunday) that (subject to Condition 8) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) London (unless otherwise specified in the applicable Final Terms),
 - (ii) in the case of Definitive Covered Bonds only, the relevant place of presentation, and
 - (iii) any Specified Financial Centre (other than the TARGET2 System) specified in the applicable Final Terms,
- (b) if the TARGET2 System is specified as a Specified Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open,
- (c) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open (in each of clauses (i) and (ii), disregarding any elections to receive payment in a different currency pursuant to Conditions 5.8 and 5.9), and
- (d) in the case of any payment in respect of a Global Covered Bond, a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, settle(s) payments in the applicable Specified Currency (or, with respect to DTC, U.S. dollars).

“*Relevant Clearing System*” means: (a) Clearstream, Luxembourg, (b) Euroclear, (c) DTC and/or (d) any other clearing system(s) in which the relevant Covered Bonds are held from time to time.

5.7. Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of a Covered Bond shall be deemed to include, as applicable:

- (a) any Additional Amounts that may be payable with respect to such principal under Condition 7.1,
- (b) the Final Redemption Amount of such Covered Bond,
- (c) the Early Redemption Amount of such Covered Bond,
- (d) the Optional Redemption Amount(s) (if any) of such Covered Bond,
- (e) any premium and any other amounts (other than interest) that may be payable by the Issuer under or in respect of such Covered Bond, and
- (f) in relation to Instalment Covered Bonds, the Instalment Amounts.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any Additional Amounts that may be payable with respect to such interest under Condition 7.1.

5.8. U.S. Dollar Exchange and Payments on Turkish Lira-denominated Covered Bonds held other than through DTC

- (a) If “USD Payment Election” is specified in the applicable Final Terms as being applicable, the Specified Currency set out in such Final Terms is Turkish Lira and interests in the Covered Bonds are not represented by a Registered Global Covered Bond registered in the name of DTC (or a nominee thereof) or by a Global Covered Bond held under the NSS, then the holder thereof (determined as of the applicable Record Date in the case of Registered Covered Bonds) may, no more than 14 days and no less than five Business Days before the due date (the “*Relevant Payment Date*”) for the next payment of interest and/or principal on such Covered Bond (such period, the “*USD Election Period*”), give an irrevocable election to any Paying Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds) to receive such payment in U.S. dollars instead of Turkish Lira (a “*USD Payment Election*”). Upon its receipt of such an election, the relevant Paying Agent or the Registrar (as applicable) shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Covered Bondholders during such USD Election Period and, upon its receipt of such notification, the Fiscal Agent shall notify the Exchange Agent of the proportion of such interest and/or principal in respect of the Covered Bonds due on the Relevant Payment Date (as defined below) that is payable to Covered Bondholders who have given a USD Payment Election (the “*Lira Amount*”).

Upon receipt of the Lira Amount from the Issuer and by no later than 11:00 a.m. (London time) on such Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent. Following receipt of the Lira Amount from the Fiscal Agent, the Exchange Agent shall provide for the Lira Amount to be converted into U.S. dollars in the manner provided in Condition 5.8(b) and then to be transferred to the Fiscal Agent for onward payment to the holders of such Covered Bond on such Relevant Payment Date in accordance with the provisions of this Condition 5.8 and Clause 5 of the Agency Agreement.

If the Fiscal Agent receives cleared funds from the Issuer in respect of Turkish Lira-denominated Covered Bonds held other than through DTC after the time noted in the previous paragraph, then the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent for conversion into U.S. dollars as soon as

reasonably practicable and, following such conversion, the Exchange Agent shall transfer such U.S. dollar amounts to the Fiscal Agent and the Fiscal Agent shall use reasonable efforts to pay any U.S. dollar amounts that Covered Bondholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter.

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

- (b) Upon receipt of the Lira Amount from the Fiscal Agent pursuant to Condition 5.8(a), the Exchange Agent shall purchase U.S. dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees, commissions or charges on foreign exchange transactions customarily charged by it in connection with such conversion, the “*Relevant Exchange Rate*”).
- (c) For the purposes of this Condition 5.8, neither the Exchange Agent nor the Issuer shall be liable to any Covered Bondholder, the Issuer or any third party for any losses whatsoever resulting from application by the Exchange Agent of the Relevant Exchange Rate. The Exchange Agent may rely conclusively on the basis on which its internal foreign exchange conversion rate (including, for the avoidance of doubt, any third party indices forming the basis for such conversation rates) for settlement has been determined and shall not be liable for losses associated with the basis for determination of such rate.

Each Agent shall be entitled to rely, without further investigation or enquiry, on any notification or irrevocable elections received by it or provided to it (including, without limitation, any calculation in respect of the Lira Amount) pursuant to this Condition 5.8 and shall not be liable to any party for any losses whatsoever resulting from acting in accordance with such notifications or irrevocable instructions or calculations even though, subsequent to its acting, it may be found that there was some defect in the notification or irrevocable instruction or the notification or irrevocable instruction was not authentic or an error existed in the calculations.

Any foreign exchange transaction effected by the Exchange Agent will generally be a transaction to buy or sell currency between: (i) on one part, the Issuer (acting through the Fiscal Agent, as an agent of the Issuer), and (ii) on the other part, either the Exchange Agent or its affiliate (acting as principal for its own account). The Fiscal Agent as agent of the Issuer will enter into the foreign exchange transaction with the Exchange Agent or its affiliate acting as a principal for its own account, and not as an agent, fiduciary or broker on behalf of the Issuer. In the sole and absolute discretion of the Exchange Agent, the foreign exchange transaction may be transmitted by the Exchange Agent or any of its affiliates acting as principal for its own account to a sub-custodian. In forwarding certain foreign exchange transactions to the sub-custodian for execution, the Exchange Agent or its affiliate acting as principal for its own account does not, and will, not serve as agent, fiduciary or broker on behalf of the Issuer.

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

- (d) Following conversion of the Lira Amount into U.S. dollars in accordance with this Condition 5.8 and the Agency Agreement, the Exchange Agent shall promptly notify the Fiscal Agent of: (i) the total amount of U.S. dollars purchased with the relevant Lira Amount (the “*USD Amount*”) and (ii) the Relevant Exchange Rate at which such U.S. dollars were purchased by the Exchange Agent.

- (e) On the Relevant Payment Date, the Fiscal Agent shall give notice to the applicable Covered Bondholders in accordance with Condition 14 of the matters set out in Condition 5.8(d)(i) and (ii) in reliance on the information provided to it by the Exchange Agent in accordance with Condition 5.8(d).
- (f) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. dollars with the Lira Amount, then the Exchange Agent will promptly so notify the Fiscal Agent, which shall, as soon as practicable after receipt of such notification from the Exchange Agent, notify the applicable Covered Bondholders of such event in accordance with Condition 14 and all payments on the applicable Covered Bonds on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 5 irrespective of any USD Payment Election made.
- (g) To give a USD Payment Election in respect of this Covered Bond (or a beneficial interest herein):
 - (i) if this Note is a Definitive Covered Bond, then the holder hereof must deliver at the specified office of any Paying Agent (with respect to Bearer Covered Bonds) or the Registrar (with respect to Registered Covered Bonds), on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Paying Agent (the “*USD Payment Election Notice*”) and in which such holder must specify a USD bank account to which payment is to be made under this Condition 5.8 accompanied by this Covered Bond or evidence satisfactory to the Agent concerned that this Covered Bond will, following the delivery of the USD Payment Election, be held to the Fiscal Agent’s order or under its control until the applicable U.S. dollar payment is made, and
 - (ii) if this Covered Bond is a Global Covered Bond, then the holder of an interest in this Global Covered Bond must, on any Business Day falling within the USD Election Period, give notice to any Paying Agent (with respect to Bearer Covered Bonds) or the Registrar (with respect to Registered Covered Bonds) of such exercise in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder’s instruction by Euroclear or Clearstream, Luxembourg or any depository for any of them to any Paying Agent or the Registrar, as the case may be, by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as applicable, from time to time.

Neither the Issuer nor any of the Agents will be liable for any delay or ultimate failure to pay the Covered Bondholders caused by any delay or failure of Euroclear, Clearstream, Luxembourg (or any of their respective direct or indirect participants) or any depository for either of them to provide payment instructions with respect to the relevant USD Payment Election.

- (h) Notwithstanding any other provision in these Conditions to the contrary: (i) all costs (including any fees, charges, commissions or spreads) of the purchase of U.S. dollars with the Lira Amount shall be borne *pro rata* by the relevant Covered Bondholders relative to the Covered Bonds of such Covered Bondholders the subject of USD Payment Elections, which *pro rata* amount will be deducted from the *pro rata* portion of the USD Amount paid to such Covered Bondholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, fees, charges, commissions or expenses or to indemnify any Covered Bondholder against any difference between the *pro rata* portion of the USD Amount received by such Covered Bondholder and the portion of the Lira Amount that would have been payable to the Covered Bondholder if it had not made the relevant USD Payment Election and (iii) neither the Issuer nor any Agent shall have any liability or other obligation to any Covered Bondholder with respect to the conversion into U.S. dollars of any amount paid by it to the Fiscal Agent in Turkish Lira or the payment of any U.S. dollar amount to the applicable Covered Bondholders.
- (i) Notwithstanding any provisions of these Conditions or the applicable Final Terms, in respect of any Covered Bonds that are the subject of a USD Payment Election in respect of any payment, the definition of Payment Day shall, for the purposes of such payment on the Relevant Payment Date, be deemed to

include a day (other than Saturday or Sunday) on which commercial banks are not authorised or required by Applicable Law to be closed in New York City.

5.9. Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars

For any Registered Global Covered Bond registered in the name of DTC or its nominee and denominated in a Specified Currency other than U.S. dollars, the holder of an interest in such Registered Global Covered Bond will receive payment in U.S. dollars unless it elects (through the applicable DTC participant and in accordance with normal DTC practice) to receive such payment in such Specified Currency in the manner specified in the Agency Agreement.

Neither the Issuer nor any of the Agents will be liable for any delay or ultimate failure to pay the Covered Bondholders caused by any delay or failure of DTC (or any of its direct or indirect participants) to provide payment instructions with respect to the relevant Specified Currency.

5.10. Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior written notice to the Agents and any applicable Clearing System and at least 30 days' prior notice to the applicable Covered Bondholders in accordance with Condition 14, elect that, with effect from the Redenomination Date specified in such notice, the applicable Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds for which the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency that is equivalent to at least €100,000 and that are admitted to trading on a regulated market in the European Economic Area (the "*Relevant Covered Bonds*"), it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg must have credited to its securities account with the relevant Clearing System a minimum original nominal amount of Covered Bonds of at least €100,000 (or such larger amount as might be required by Applicable Law).

Any such redenomination election will have effect as follows:

- (a) the applicable Covered Bonds and any related Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a principal amount for each Covered Bond and Receipt equal to the principal amount of that Covered Bond or Receipt in the Specified Currency, converted into euro at the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the treaty establishing the European Community, as amended; *provided* that if the Issuer determines, in consultation with the Fiscal Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, then such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the applicable Covered Bondholders, the Paying Agents and the competent listing authority, stock exchange and/or market (if any) on or by which such Covered Bonds are listed and/or admitted to trading of such deemed amendments,
- (b) except to the extent that an Exchange Notice has been given in accordance with clause (d) below, the amount of interest due in respect of the applicable Covered Bonds will be calculated by reference to the aggregate Principal Amount Outstanding of Covered Bonds held for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01,
- (c) if Definitive Covered Bonds for the applicable Series are required to be issued after the Redenomination Date, then they shall be issued at the expense of the Issuer: (i) in the case of Relevant Covered Bonds, in the denominations of €100,000 and/or such higher amounts as the Fiscal Agent may determine and notify to the applicable Covered Bondholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the applicable Covered Bondholders (for their individual accounts without

sharing) in euro in accordance with Condition 6, and (ii) in the case of Covered Bonds that are not Relevant Covered Bonds, in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Fiscal Agent may approve) €0.01 and such other denominations as the Fiscal Agent may determine and notify to the applicable Covered Bondholders,

- (d) if issued prior to the Redenomination Date, all unmatured Coupons of the applicable Series denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the “*Exchange Notice*”) that replacement euro-denominated Covered Bonds, Receipts and Coupons are available for exchange (*provided* that such are so available) and no payments will be made in respect of the then-existing Covered Bonds, Receipts and Coupons of such Series. The payment obligations contained in any Covered Bonds, Receipts and Coupons of such Series so issued prior to the Redenomination Date will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for the applicable Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the applicable Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the applicable Covered Bonds,
- (e) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts and the Coupons of the applicable Series will be made solely in euro as though references in such Covered Bonds, Receipts and Coupons to the Specified Currency were to euro. Payments thereon will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque,
- (f) if the applicable Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, then it will be calculated:
 - (i) in the case of Global Covered Bonds, by applying the Rate of Interest to the aggregate Principal Amount Outstanding of Covered Bonds represented by such Global Covered Bonds, and
 - (ii) in the case of Definitive Covered Bonds, by applying the Rate of Interest to the Calculation Amount,

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

- (g) if the applicable Covered Bonds are Floating Rate Covered Bonds, then the applicable Final Terms will specify any relevant changes to the provisions relating to interest, and
- (h) such other changes shall be made to this Condition (and the Final Terms and other Transaction Documents) as the Issuer may decide, after consultation with the Fiscal Agent, and as may be specified in the Exchange Notice, to conform it to conventions then applicable to instruments denominated in euro.

5.11. Defined Terms

In these Conditions, the following expressions have the following meanings:

“*Final Redemption Amount*” means, in respect of a Tranche of Covered Bonds, the amount specified in the applicable Final Terms.

“*Optional Redemption Amount*” has, in respect of a Tranche of Covered Bonds, the meaning (if any) given in the applicable Final Terms.

“*Rate of Interest*” has, with respect to any Tranche, the meaning given to that term in the applicable Final Terms as further elaborated by Condition 4.

6. REDEMPTION AND PURCHASE

6.1. Redemption at Maturity

Subject to Condition 6.9, and unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in (except as provided in Conditions 5.8 and 5.9) the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms.

The Final Maturity Date (and, if applicable, Extended Final Maturity Date) for any Series may only be scheduled to occur on an Interest Payment Date (or, if applicable, Extended Series Payment Date) for such Series as set out in the applicable Final Terms.

6.2. Redemption for Taxation Reasons

Unless provided otherwise in the applicable Final Terms, if:

- (a) as a result of any change in, or amendment to, the Applicable Laws of a Relevant Jurisdiction (as defined in Condition 7.2(b)), or any change in the application or official interpretation of the Applicable Laws of a Relevant Jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the most recently issued Tranche of Covered Bonds of this Series (which shall, for the avoidance of doubt and for the purposes of this Condition 6.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date, the Issuer would be required to:
 - (i) pay Additional Amounts as provided or referred to in Condition 7, and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed, assessed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the applicable prevailing rates on the date on which agreement is reached to issue the most recently issued Tranche of Covered Bonds of this Series, and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may, at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the applicable Covered Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Covered Bonds of this Series at any time at their Early Redemption Amount together (if applicable) with all interest accrued and unpaid to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two authorised signatories of the Issuer stating that the requirement referred to in clause (a) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it, and

(ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

6.3. Redemption at the Option of the Issuer (Issuer Call)

This Condition 6.3 applies to Covered Bonds that are subject to redemption prior to the Final Maturity Date (or, as applicable, Extended Final Maturity Date) at the option of the Issuer (other than for taxation reasons pursuant to Condition 6.2), such option being referred to as an “*Issuer Call*.” The applicable Final Terms contain provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any Issuer Call. In particular, the applicable Final Terms identify any Optional Redemption Date(s), any Optional Redemption Amount, any minimum or maximum amount of Covered Bonds that can be redeemed and the applicable notice periods.

If “Issuer Call” is specified as being applicable in the applicable Final Terms, then the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or (if a Minimum Redemption Amount and/or Maximum Redemption Amount is specified in the applicable Final Terms as being applicable) some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if applicable) with all interest accrued and unpaid to (but excluding) the relevant Optional Redemption Date. If a Minimum Redemption Amount and/or Maximum Redemption Amount is specified in the applicable Final Terms as being applicable, then any such redemption must be of a principal amount not less than such Minimum Redemption Amount and not more than such Maximum Redemption Amount; *provided* that Registered Covered Bonds (or, for Registered Global Covered Bonds, beneficial interests therein) shall be redeemed under this Condition 6.3 only in a Specified Denomination.

In the case of a partial redemption of Covered Bonds under this Condition 6.3, the Covered Bonds to be redeemed (“*Redeemed Covered Bonds*”) will: (a) in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, be selected individually by lot not more than 30 days prior to the date fixed for redemption, and (b) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) and/or DTC (such date of selection being hereinafter called the “*Selection Date*”). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3.

“*Optional Redemption Date*” has the meaning (if any) given in the applicable Final Terms.

6.4. Early Redemption Amounts

For the purpose of Conditions 6.2, 6.5, 6.11 and 10, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (the “*Early Redemption Amount*”):

- (a) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price of the first Tranche of Covered Bonds of this Series and payable in the Specified Currency of such Covered Bond, at the Final Redemption Amount thereof, or
- (b) in the case of a Covered Bond (including an Instalment Covered Bond) with a Final Redemption Amount that is or may be less or greater than the Issue Price of the first Tranche of Covered Bonds of this Series or that is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding.

6.5. Instalments

Instalment Covered Bonds will be redeemed in the instalment amount as specified in the applicable Final Terms (the “*Instalment Amount*”) and on the Instalment Date(s) specified in such Final Terms. In the case of early redemption of Instalment Covered Bonds, the applicable Early Redemption Amount will be determined pursuant to Condition 6.4. Instalment Dates for a Series may only be scheduled to occur on Interest Payment Dates for such Series.

6.6. General

Prior to the publication of any notice of redemption pursuant to Condition 6.2 or 6.3, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories (at the relevant time) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions set out in Condition 6.2 or 6.3 for such right of the Issuer to arise have been satisfied and that the Issuer will have the funds in the relevant Specified Currency outside of the Republic of Turkey (“*Turkey*”), not subject to the interest of any other Persons (other than any ordinary course banker’s lien or similar encumbrance of the applicable account bank), required to fulfil its obligations hereunder in respect of the Covered Bonds to be redeemed and any amounts required under the Transaction Documents and/or the Turkish Covered Bonds Law to be paid at the same time *pari passu* with, or in priority to, such Covered Bonds (including any early termination amount or settlement amount payable to a Hedging Counterparty under a Hedging Agreement in connection with such redemption) and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions set out above, in which event it shall be conclusive and binding upon all Covered Bondholders, Receiptholders and Couponholders of the applicable Series.

6.7. Purchases by the Issuer and/or its Subsidiaries

The Issuer and/or any of its Subsidiaries may at any time purchase or otherwise acquire (or have a third party do so for its benefit) Covered Bonds (or beneficial interests therein) (*provided* that, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market or otherwise, including (without limitation) in its capacity as a broker for a customer. If any such purchases or acquisitions of Covered Bonds (or beneficial interests therein) are made by tender, exchange or other process, then such tender, exchange or other process shall not be required to be available to all Covered Bondholders of the applicable Series, or in the same manner, except to the extent required by Applicable Law. Such Covered Bonds (or beneficial interests therein) (and, in the case of Bearer Definitive Covered Bonds, the related Receipts, Coupons and Talons) may be held, resold or, at the option of the Issuer or (with the Issuer’s consent) any such Subsidiary (as the case may be) for those Covered Bonds held by it, surrendered to any Paying Agent and/or the Registrar for cancellation pursuant to Condition 6.8; *provided* that any such resale or surrender of a Bearer Definitive Covered Bond shall include a sale or surrender (as applicable) of all related Receipts, Coupons and Talons. The Covered Bonds so purchased or acquired, while held by or on behalf of the Issuer or any such Subsidiary, shall (except to the extent held as broker or otherwise for one or more other Person(s)) not entitle it (as the Covered Bondholder with respect thereto) to vote in any vote of the Covered Bondholders and shall (except to the extent held as broker or otherwise for one or more other Person(s)) not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Covered Bondholders or for the purposes of Condition 15.1.

Each of the Agents, the Security Agent, the Calculation Agent and any other Secured Creditor is expressly authorised to take part in an exchange offer by the Issuer or a third party, including an exchange offer to less than all of the Covered Bondholders for all or any portion of a Series of Covered Bonds (or beneficial interests therein), and shall be held harmless for doing so. By its acquisition of a Covered Bond (or a beneficial interest therein), each investor therein agrees (or shall be deemed to agree) to the above, including that any such tender or exchange offer (or other process) need not be extended to all investors in the Covered Bonds (for example, if investors in Italy, the United States and/or some other jurisdictions were to be excluded from participating in such a tender or exchange offer or other process) (for the purpose of clarification, nothing in this paragraph alters the Issuer’s or any other Person’s obligation to comply with Applicable Law in connection with any such tender or exchange offer or other process and no investor in the Covered Bonds has any obligation to participate in any such tender or exchange offer or other process).

6.8. Cancellation

All Covered Bonds that are redeemed, all Global Covered Bonds which are exchanged in full, all Registered Covered Bonds that have been transferred, all Receipts or Coupons that are paid and all Talons that are exchanged will immediately be cancelled (together, in the case of Bearer Definitive Covered Bonds, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption or cancellation). All Covered Bonds, Receipts, Coupons and Talons so cancelled shall be forwarded to the Fiscal Agent or as the Fiscal Agent may specify and cannot be reissued or resold.

In addition, the Issuer or any of its Subsidiaries may, as described in Condition 6.7, surrender to any Paying Agent or the Registrar any Covered Bonds, together (in the case of Bearer Definitive Covered Bonds) with all unmatured Receipts, Coupons or Talons (if any) relating to them or surrendered with them, and such Covered Bonds, Receipts, Coupons or Talons shall, to the extent that the Issuer indicates in writing the same to the relevant Paying Agent, be cancelled by the Paying Agent to which they are surrendered. Each of the Paying Agents shall deliver all cancelled Covered Bonds, Receipts, Coupons and Talons to the Fiscal Agent or as the Fiscal Agent may specify.

6.9. Extension of Maturity up to an Extended Final Maturity Date

If so specified in the applicable Final Terms relating to a Series of Soft Bullet Covered Bonds, the Issuer's obligations under the relevant Covered Bonds to pay their Principal Amount Outstanding on the relevant Final Maturity Date may be deferred to the applicable Extended Final Maturity Date. Such deferral will occur automatically if the Issuer does not pay the Final Redemption Amount on the relevant Final Maturity Date for such Soft Bullet Covered Bonds. Upon such automatic deferral, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds may be paid by the Issuer on any Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date (or, pursuant to Condition 6.3, the Issuer may elect to redeem such Series earlier than the Extended Final Maturity Date if and to the extent permitted under the provisions of any applicable Issuer Call option). Interest will continue to accrue and be payable on any unpaid amounts on each Extended Series Payment Date for such Series up to the relevant Extended Final Maturity Date in accordance with Condition 4 and as specified in the applicable Final Terms. As provided in Condition 4.7, the Issuer shall give to the applicable Covered Bondholders, the Fiscal Agent and the Paying Agents notice of its intention to redeem all or any of the Principal Amount Outstanding of such Soft Bullet Covered Bonds.

Upon any automatic deferral described in the preceding paragraph, the Issuer shall:

- (a) without prejudice to its obligations in Schedule 1, Parts 1(c) and (d) of the Security Agency Agreement, promptly liquidate all Authorised Investments that are Cover Pool Assets (which, for the avoidance of doubt, do not include any investments that are Hedge Collateral) and Substitute Assets to the extent necessary to pay the Final Redemption Amount for such Series of Soft Bullet Covered Bonds,
- (b) deposit the proceeds of such liquidation (the "*Liquidation Proceeds*") into the relevant Designated Account(s) (such proceeds to form part of the Available Funds), and
- (c) on the Final Maturity Date for such Series and on each Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date, apply all Available Funds towards the payment of any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds plus accrued interest thereon; *provided* that where an Interest Payment Date (including any such date that is also an Extended Series Payment Date) of any other Series of Covered Bonds (or any payment by the Issuer under a Hedging Agreement) corresponds with such Extended Series Payment Date, the Issuer shall apply all Available Funds towards payment of amounts due and payable in respect of such Series of Soft Bullet Covered Bonds, such other Series of Covered Bonds and such Hedging Agreement(s), as applicable, on a *pro rata* basis (as a result of any such payment, the amount that otherwise would be payable to a Covered Bondholder pursuant to any purchase or redemption of the applicable Series by the Issuer, including with respect to the interest that will accrue after such payment, will be reduced).

Any extension of the maturity of Soft Bullet Covered Bonds under this Condition 6.9 shall be irrevocable. Where this Condition 6.9 applies, any non-payment of the Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds under this Condition 6.9 shall not constitute an Event of Default for any purpose or give any Covered Bondholder, Receiptholder or Couponholder any right to receive any payment of interest, principal or otherwise on the relevant Soft Bullet Covered Bonds other than as expressly set out in these Conditions. Where this Condition 6.9 applies, any non-payment of the Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds to their Extended Final Maturity Date under this Condition 6.9 shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

In the event of the extension of the maturity of Soft Bullet Covered Bonds under this Condition 6.9, interest rates, interest periods and interest payment dates on such Soft Bullet Covered Bonds from (and including) the Final Maturity Date of such Covered Bonds to (but excluding) their Extended Final Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.

If the Issuer redeems part and not all of the Principal Amount Outstanding of a Series of Soft Bullet Covered Bonds after the applicable Final Maturity Date, then the redemption proceeds shall be applied rateably across the Covered Bonds of such Series and the Principal Amount Outstanding on the relevant Covered Bonds shall be reduced by the level of that redemption.

6.10. Mandatory Redemption by the Administrator

Notwithstanding anything else herein or in any other Transaction Documents to the contrary, and without the consent of the Covered Bondholders, the Administrator (pursuant to Article 27(6) of the Covered Bonds Communiqué) may, with the consent of the Capital Markets Board (the “CMB”) of Turkey, determine to cause the Issuer to redeem any Series of Covered Bonds in whole or in part on one or more redemption date(s) prior to the relevant Final Maturity Date or Extended Final Maturity Date applicable to such Covered Bonds. In such case, the Administrator may perform the liquidation of the Cover Pool Assets and instruct or cause the Issuer to make an early redemption of such Covered Bonds. If so instructed or caused to make an early redemption of this Series of Covered Bonds, then the Issuer will have the right to and will, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the applicable Covered Bondholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds of this Series (as so instructed or caused) at their Early Redemption Amount together (if appropriate) with all interest accrued and unpaid to (but excluding) the date of redemption.

7. TAXATION

7.1. Payment without Withholding

All payments of principal and interest in respect of the Covered Bonds (including with respect to the Receipts and Coupons, if any) by (or on behalf of) the Issuer shall 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 Applicable Law. In that event, the Issuer shall pay such additional amounts (“*Additional Amounts*”) as shall be necessary in order that the net amounts received by the holders of the Covered Bonds, Receipts or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no Additional Amounts shall be payable in relation to any payment in respect of any Covered Bond, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Covered Bond, Receipt or Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Covered Bond, Receipt or Coupon or the receipt of payment in respect thereof,

- (b) presented for payment in Turkey, or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder of the relevant Covered Bond, Receipt or Coupon would have been entitled to Additional Amounts on presenting the same for payment on the last day of such 30 day period (assuming that day to have been a Payment Day).

Notwithstanding any other provision of these Conditions or the other Transaction Documents, in no event will the Issuer, any Paying Agent or any other Person be required to pay any Additional Amounts or other amounts in respect of the Covered Bonds (including on Receipts and Coupons) for, or on account of, any withholding or deduction required pursuant to FATCA.

7.2. Defined Terms

In these Conditions:

- (a) “*Relevant Date*” means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of such money having been so received, notice to that effect has been duly given to the holder of the applicable Covered Bond by the Issuer in accordance with Condition 14, and
- (b) “*Relevant Jurisdiction*” means: (i) Turkey or any political subdivision or any authority thereof or therein having power to tax or (ii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of principal and interest on the Covered Bonds, Receipts or Coupons.

7.3. References to Principal and Interest

Reference is hereby made to Condition 5.7 with respect to references to principal and interest payable on the Covered Bonds.

7.4. Tax Sharing Laws

The: (a) Issuer and/or any Paying Agent may request each Covered Bondholder to provide to the Issuer and each Paying Agent (or any agent acting on any of their respective behalf) all information reasonably available to it that is reasonably requested by the Issuer and/or such Paying Agent (or any agent acting on any of their respective behalf) in connection with the Tax Sharing Laws and (b) Issuer and each of the Paying Agents (or any agent acting on any of their respective behalf) may: (i) provide such information, any related documentation and any other information concerning such Covered Bondholder’s investment in the Covered Bonds to each other and/or any relevant tax authority and (ii) take such other steps as it may deem necessary or helpful to comply with the Tax Sharing Laws; *provided* that the requirements of this paragraph shall not apply to any Covered Bondholder that is an Exempt Government Entity. For the purpose of clarification, this is applicable only to the registered Covered Bondholders (or holders of Bearer Covered Bonds) and not to holders of beneficial interests in the Covered Bonds held through Clearing Systems.

8. PRESCRIPTION

Covered Bonds (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest with respect thereto are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date therefor.

Without prejudice to the generality of the preceding paragraph:

- (a) the Issuer shall be discharged from its obligation to pay principal on a Registered Covered Bond (including any related Receipts) to the extent that the relevant Registered Covered Bond certificate has not been surrendered to the Registrar by, or a cheque that has been duly dispatched in the applicable currency of payment remains uncashed at, the end of the period of 10 years from the Relevant Date for such payment, and
- (b) the Issuer shall be discharged from its obligation to pay interest on a Registered Covered Bond to the extent that a cheque that has been duly dispatched in the applicable currency of payment remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon that would be void pursuant to Condition 5.2.

9. ISSUER EVENTS; CONSEQUENCES OF THE OCCURRENCE OF A CONTINUING ISSUER EVENT

For so long as an Issuer Event, an Event of Default or (with respect to clauses (a) through (c) below) a Potential Breach of Statutory Test is continuing:

- (a) no further Covered Bonds shall be issued,
- (b) after the Issuer's detection of such Issuer Event, Event of Default or Potential Breach of Statutory Test, all amounts on deposit in the Collection Account shall be transferred by the Issuer to the TL Designated Account within two İstanbul Business Days of receipt (and, with respect to amounts in the Collection Account at the time of detection, within two İstanbul Business Days of such detection),
- (c) after the Issuer's detection of such Issuer Event, Event of Default or Potential Breach of Statutory Test, all collections of principal and interest on the Cover Pool Assets will be dedicated exclusively towards the satisfaction of all the Issuer's payment obligations towards the Secured Creditors, subject to: (i) in the case of the Other Secured Creditors, the provisions of Article 29 of the Covered Bonds Communiqué, and (ii) in all cases, the provisions of Article 13 of the Covered Bonds Communiqué, and
- (d) where Article 27(1) of the Covered Bonds Communiqué applies, an Administrator may be appointed by the CMB to manage the Cover Pool.

In the case of Soft Bullet Covered Bonds where the applicable Final Terms provide that the Issuer's obligations under the relevant Covered Bonds to pay the applicable Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date, the non-payment by the Issuer of the Principal Amount Outstanding on such Soft Bullet Covered Bonds on such Final Maturity Date shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

10. EVENTS OF DEFAULT

10.1. Events of Default

An "*Event of Default*" arises if one or both of the following events occurs and is continuing:

- (a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof, or

- (b) on the Final Maturity Date (in the case of Covered Bonds that are not subject to an Extended Final Maturity Date) or Extended Final Maturity Date (in the case of Soft Bullet Covered Bonds that are subject to an Extended Final Maturity Date), as applicable, of any Series of Covered Bonds there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of seven İstanbul Business Days from the due date thereof.

At any time following the occurrence of any Event of Default and for so long as such Event of Default is continuing, the Security Agent acting as directed by the Covered Bondholder Representative may serve a notice of default on the Issuer (such notice, a “*Notice of Default*”), upon the Issuer’s receipt of which the Principal Amount Outstanding of the Covered Bonds of each Series shall become immediately due and payable at their Early Redemption Amount as set out in the Final Terms.

In the case of Soft Bullet Covered Bonds where the applicable Final Terms provide that the Issuer’s obligations under the relevant Covered Bonds to pay the applicable Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date, any non-payment by the Issuer of the Principal Amount Outstanding on such Soft Bullet Covered Bonds on such Final Maturity Date shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

10.2. Enforcement

The Security Agent, at its discretion and without notice, may take such steps or proceedings against or in relation to the Issuer as it may think fit to enforce the provisions of the Transaction Security Documents and the other English Law Transaction Documents to which it is a party (or with respect to which the Issuer’s rights, title, interest and benefit therein has been assigned to it pursuant to the Security Assignment), but the Security Agent shall not be bound to take any such steps or proceedings unless so requested in writing by the Covered Bondholder Representative (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction).

Pursuant to the Security Assignment, each of the Secured Creditors (other than the Security Agent) agrees with (or, by their accepting the benefits of the Security Assignment, shall be deemed to have agreed with) the Security Agent and the Issuer that such Secured Creditor: (a) shall not be entitled to take, and shall not take, any steps whatsoever to enforce the security created by or pursuant to the Security Assignment, or to direct the Security Agent to do so, and (b) shall not be entitled to take, and shall not take, any steps (including, without limitation, the exercise of any right of set-off) for the purpose of recovering any of the Secured Obligations owing to it or any other debts whatsoever owing to it by the Issuer or procuring the winding-up, examination, administration, bankruptcy, insolvency, dissolution or reorganisation of the Issuer (or any analogous procedure or step in any jurisdiction in relation to the Issuer) in respect of the Secured Obligations; *provided* that if the Security Agent or the Receiver, having become bound to do so, fails to serve a Notice of Default and/or to take any steps or proceedings to enforce such security pursuant to the Security Assignment within a reasonable time, and such failure is continuing, then the Secured Creditors shall be entitled to take any such steps and proceedings as they shall deem necessary (other than procuring the winding-up, examination, administration, bankruptcy, insolvency, dissolution or reorganisation of the Issuer (or any analogous procedure or step in any jurisdiction in relation to the Issuer) in respect of the Secured Obligations); *and provided further* that the Covered Bondholder Representative is entitled to direct the Security Agent to enforce the security created pursuant to the Security Assignment as more particularly set out in this Condition 10 and the Security Agency Agreement.

In acting on the instructions of the Covered Bondholder Representative, the Security Agent shall not be required to consider the interests of any other Secured Creditor. The Security Agent shall not be required to take any action that would involve the Security Agent in any liability or expense (unless previously pre-funded and/or indemnified and/or secured to its satisfaction). The Security Agent shall not, in any event, have regard to the consequences for individual Secured Creditors resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular jurisdiction. No Secured Creditor shall be entitled to require from the Issuer or the Security Agent, nor shall any Secured Creditor be entitled to claim from the Issuer or the Transaction Security, any indemnification or other payment in respect of any consequence (including any tax consequence) for such individual Secured Creditor of any such exercise.

For the avoidance of doubt, the Security Agent shall be entitled to act in relation to all matters arising under these Conditions, the Security Agency Agreement, the Transaction Security Documents and the other Transaction Documents to which it is a party as soon as it has received any instruction, direction and/or request from the Covered Bondholder Representative (subject in all cases to the requirement for the Security Agent to first have been pre-funded and/or secured and/or indemnified to its satisfaction) and if the Security Agent receives a conflicting instruction, direction and/or request from one or more Secured Creditor(s) (other than the Covered Bondholder Representative) in relation to any such matter, then the Security Agent shall in no way incur any liability for acting or continuing to act as it was instructed, directed and/or requested by the Covered Bondholder Representative.

The Covered Bondholder Representative is required to be appointed by the Majority Instructing Creditor. The Security Agency Agreement and the Agency Agreement contain provisions for convening meetings of Covered Bondholders to appoint the Covered Bondholder Representative.

10.3. Transfer to Another Institution

Pursuant to the provisions of Article 27 of the Covered Bonds Communiqué, in the event that an Administrator is appointed to the Cover Pool, the Administrator may, with the consent of the CMB, transfer (an “*Administrator Transfer*”) all or part of the Cover Pool Assets and the Total Liabilities and any other obligations that benefit from the Cover Pool to another bank or mortgage finance institution (each within the meaning of the Covered Bonds Communiqué). An Administrator Transfer is not subject to the consent of the Security Agent, Covered Bondholders, Hedging Counterparties, Agents or other Secured Creditors.

Notwithstanding any other provision of these Conditions or any other Transaction Document, an Administrator Transfer shall not constitute an Event of Default.

The Issuer shall use its best endeavours to effect any such Administrator Transfer at the earliest opportunity and in as smooth and trouble-free manner as is reasonably possible in the circumstances.

11. REPLACEMENT OF COVERED BONDS, RECEIPTS, COUPONS AND TALONS

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

12. AGENTS

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

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent, appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts; *provided* that the applicable requirements (if any) of Clause 25 of the Agency Agreement are satisfied.

In addition, the Issuer shall as soon as practicable appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5.5.

Notice of any termination or appointment and of any changes to the specified office of an Agent will be given to the Covered Bondholders promptly by the Fiscal Agent in accordance with Clauses 27 and 28 of the Agency Agreement.

Any such variation, termination, appointment or change of any Agent shall only take effect (other than in the case of the bankruptcy, insolvency or similar event of the applicable Agent or a Paying Agent ceasing to be a FATCA-Compliant Entity or as otherwise prescribed by the Agency Agreement, when (if so requested by the Issuer) it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholder, Receiptholder, Couponholder or other Person. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted, with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

For the purposes of this Condition, "*FATCA-Compliant Entity*" means a Person payments to whom are not subject to any FATCA Withholding Tax.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon included in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to terminate concurrently with payment of the final Coupon included in the relevant Coupon sheet.

14. NOTICES

All notices to Covered Bondholders regarding the Bearer Covered Bonds will be deemed to be validly given if published in a leading English language newspaper of general circulation in London. It is anticipated (but not required) that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules of any stock exchange or other relevant authority on which the Bearer Covered Bonds (if any) are for the time being listed or by which they have been admitted to trading, including publication on the website of such stock exchange or other relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date by which publication has occurred in all required newspapers.

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

So long as any Global Covered Bond is held on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such website(s) or such mailing the delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable, for communication by them to the holders of interests in such Global Covered Bond and, in addition, for so long as any Covered Bond is listed on a stock exchange or is admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of interests in such Covered Bond on such day as is specified in the applicable Final Terms after the day on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable (or, if not so specified, on the second London Business Day after the date on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable).

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same (together, in the case of any Bearer Definitive Covered Bond, with the relevant Bearer Definitive Covered Bond(s)) with the Fiscal Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). Any such Bearer Definitive Covered Bond shall be returned to the relevant Covered Bondholder after such notice has been given in the event such Bearer Definitive Covered Bond is otherwise due to be returned to such Covered Bondholder. For so long as any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of an interest in such Global Covered Bond to the Fiscal Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders of a Covered Bond shall be deemed for all purposes to have notice of the contents of any notice given to the applicable Covered Bondholder.

Notices given by (or on behalf of) the Issuer to Covered Bondholders of this Series pursuant hereto shall also be delivered to all Hedge Counterparties (if any) that are parties to Hedging Agreements relating to this Series at the same time as they are given to such Covered Bondholders, which notices (unless published as provided in the first paragraph of this Condition 14) shall be delivered to each such Hedge Counterparty in accordance with the relevant Hedging Agreement.

15. MEETINGS OF COVERED BONDHOLDERS AND MODIFICATIONS

15.1. Meetings of Covered Bondholders

The Agency Agreement contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of any modification of the Covered Bonds (including any of these Conditions), the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer at any time and shall be convened by the Issuer: (a) other than in respect of a Programme Reserved Matter, at any time if required in writing by Covered Bondholders holding not less than 10% in Principal Amount Outstanding of the Covered Bonds of this Series for the time being outstanding, (b) in respect of a Programme Reserved Matter, at any time if required in writing by Covered Bondholders holding not less than 10% in aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or (c) in order to appoint the Covered Bondholder Representative, at any time if required by any Covered Bondholder. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the Person(s) who convened (or, if applicable, caused the Issuer to convene) such meeting giving at least five days' notice (which, in the case of a meeting convened by the Issuer, will be given to the applicable Covered Bondholders in accordance with Condition 14 and to the Fiscal Agent and the Security Agent); *provided* that if the Issuer had convened such meeting after having been required to do so by one or more Covered Bondholder(s) pursuant to Clause 3.1 of Schedule 3 of the Agency Agreement, then the Issuer may not so cancel such meeting absent a request to do so from such Covered Bondholder(s).

The quorum at any such meeting for appointing the Covered Bondholder Representative (which is required to be appointed by the Majority Instructing Creditor) shall be one or more Eligible Person(s) present and holding or representing at least a majority of the Principal Amount Outstanding of all Series of Covered Bonds for the time being outstanding. The quorum at any meeting of the holders of a Series of Covered Bonds for passing an Extraordinary Resolution (but not a Programme Resolution) is one or more Eligible Person(s) present and holding or representing in the aggregate at least a majority of the Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding, or at any adjourned meeting one or more Person(s) being or representing Covered Bondholders whatever the principal amount of the Covered Bonds so held or represented; *provided* that at any meeting the business of which includes any Series Reserved Matter (including modifying the Final Maturity Date or Extended Final Maturity Date of the applicable Series of Covered Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the applicable Series of Covered Bonds, altering the currency of payment of the applicable Series of Covered Bonds, the related Receipts or the related Coupons or amending the Deed of Covenant), the quorum shall be one or more Eligible Person(s) present and holding or representing not less than two-thirds in Principal Amount Outstanding of the applicable Series of Covered Bonds for the time being outstanding, or at any adjourned such meeting one or more Eligible Person(s) present and holding or representing not less than one-third in Principal

Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding. An Extraordinary Resolution or Programme Resolution passed by the Covered Bondholders shall be binding upon all the Covered Bondholders, whether or not they are present at any meeting and whether or not they vote on the resolution, and on all Couponholders and Receiptholders.

15.2. Modification

The Issuer may make modifications to these Conditions and/or the other Transaction Documents in the manner described in Clause 32 of the Agency Agreement and (with respect to any Transaction Document) as provided within the applicable Transaction Document. Any such modification shall be binding upon the Covered Bondholders, Receiptholders and Couponholders and, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the applicable Covered Bondholders as soon as practicable thereafter in accordance with Condition 14.

Notwithstanding any other provision of these Conditions or the Agency Agreement, the consent or approval of the Covered Bondholders or the Couponholders shall not be required in the case of amendments to these Conditions pursuant to Condition 4.8 to vary the method or basis of calculating the rate(s) or amount of interest or the basis for calculating any Interest Amount in respect of the Covered Bonds or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 4.8, where the Issuer has delivered to the Calculation Agent a certificate pursuant to Condition 4.8(e).

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Covered Bondholders or any other Secured Creditors, create and issue further Covered Bonds having terms and conditions the same as those of this Series of Covered Bonds, or the same in all respects except for the amount and/or date of the first payment of interest thereon, the issue date and/or the date from which interest starts to accrue, and so that the same shall be consolidated and form a single Series with such outstanding Covered Bonds; *provided* that the Issuer shall ensure that such further Covered Bonds will be fungible with such outstanding Covered Bonds for U.S. federal income tax purposes as a result of their issuance being a “qualified reopening” under U.S. Treasury Regulation § 1.1275-2(k) unless the original Covered Bonds were, and such further Covered Bonds are, offered and sold by (or on behalf of) the Issuer solely in reliance upon Regulation S in offshore transactions to Persons other than U.S. persons; *and provided further* that: (a) there is no Potential Breach of Statutory Test, Issuer Event or Event of Default outstanding at the time of such issuance and that such issuance would not cause a Potential Breach of Statutory Test, Issuer Event or Event of Default, (b) the Issuer notifies each Relevant Rating Agency of any Series of Covered Bonds of the issuance not less than five Business Days prior to the relevant issuance, (c) if applicable, such issuance has been approved by the CMB in accordance with the Turkish Covered Bonds Law, and (d) if a Hedging Agreement is in place with respect to such outstanding Covered Bonds, a further Hedging Agreement (or amendment or other modification of such existing Hedging Agreement) is entered into with respect to such further Covered Bonds.

In addition, the Issuer may from time to time, without the consent of the Covered Bondholders or any other Secured Creditors, create and issue separate Series of Covered Bonds under the Programme subject to satisfaction of clauses (a) and (c) referred to in the proviso to the immediately preceding paragraph.

Notwithstanding the preceding two paragraphs, if this Series is rated by one or more Relevant Rating Agency(ies), then in order to issue any other Series of Covered Bonds or any further Tranche of this or any other Series, a Rating Agency Confirmation from the Relevant Rating Agency(ies) of this Series shall have been obtained *unless* the new issuance is denominated and payable in Turkish Lira.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any Person that exists or is available apart from that Act and the rights and remedies of the relevant Hedge Counterparty(ies) in respect of the matters

described in Condition 14 above and the rights and remedies of the Security Agent in respect of the matters described in the preamble to Condition 1 and Conditions 10, 15 and 18.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1. Governing Law

These Conditions, and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, English law; *provided* that the Statutory Segregation referred to in Condition 3 is and shall be governed by and construed in accordance with the laws of Turkey.

18.2. Submission to Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Covered Bondholders, Receiptholders and Couponholders, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) have exclusive jurisdiction to settle any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Covered Bonds, Receipts and/or Coupons (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of any of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Covered Bonds, Receipts and/or Coupons) (together referred to as "*Proceedings*") and accordingly submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) with respect thereto.

To the full extent allowed by Applicable Law, the Issuer irrevocably waives any objection that it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) shall be conclusive and binding upon it and (to the extent permitted by Applicable Law) may be enforced in the courts of any other jurisdiction.

Nothing contained in this clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not, to the extent allowed by Applicable Law.

18.3. Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedure Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Covered Bonds, the Receipts and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in such courts in connection with such action shall constitute (in addition to other legal evidence) conclusive evidence of the existence and amount of the claim against the Issuer pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedure Law of Turkey (Law No. 5718).

18.4. Waiver of Immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues any immunity in relation to any Proceedings, including, without limitation, immunity from the jurisdiction of any court or tribunal,

suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise), any process for execution of any award or judgement or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the Applicable Laws of such jurisdiction.

18.5. Service of Process

In connection with any Proceedings in England, service of process may be made upon the Issuer at any of its branches or other offices in England and the Issuer undertakes that, in the event of its ceasing to have such a branch or other office, it shall promptly appoint another Person as its agent for that purpose. If the Issuer fails so to appoint such other Person, then the Security Agent may appoint an agent for this purpose; *provided* that the Issuer may thereafter appoint a replacement therefor. This Condition does not affect any other method of service allowed by Applicable Law.

18.6. Other Documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and agreed to service of process in terms substantially similar to those set out above.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Security Assignment

Pursuant to the Security Assignment, the Secured Obligations owing to the Secured Creditors (including the Security Agent and any Receiver) are secured by, *inter alia*:

(a) a security assignment over all the Issuer's rights, title, interest and benefit, present and future, in, to and under:

(i) each of the Offshore Bank Accounts,

(ii) the English Law Transaction Documents (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement), including, without limitation, any guarantee, credit support document or credit support annex entered into pursuant to the Hedging Agreements governed by the laws of England and Wales and any eligible credit support (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Deed or the 1995 English Law Credit Support Deed, each as defined by the International Swaps and Derivatives Association, Inc.) delivered or transferred to the Issuer thereunder, including, without limitation, all moneys received in respect thereof, all dividends paid or payable thereon, all property paid, distributed, accruing or offered at any time to or in respect of or in substitution thereof and the proceeds of sale, repayment and redemption thereof, and

(iii) all payments of any amounts that may become payable to the Issuer under the items described in clauses (i) and (ii), all payments received by the Issuer thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof,

which is held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for: (A) other than Excess Hedge Collateral and the Agency Account, the Secured Creditors to whom the Secured Obligations from time become due, owing or payable, (B) in the case of Excess Hedge Collateral, the relevant Hedging Counterparty as security for the Issuer's obligations to transfer or deliver such Excess Hedge Collateral pursuant to the terms of the relevant Hedging Agreement to the relevant Hedging Counterparty, and (C) in the case of the Agency Account, the Reserve Fund Secured Creditors, and

(b) a charge, by way of first fixed equitable charge to the Security Agent, over all the Issuer's rights, title, interest and benefit, present and future, in, to and under the Authorised Investments denominated in a currency other than Turkish Lira and which are Cover Pool Assets (and all moneys, income and proceeds to become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same), which are held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for the Secured Creditors to whom the Secured Obligations from time to time become due, owing or payable.

"*English Law Transaction Documents*" means the Security Assignment, the Security Agency Agreement, the Agency Agreement, the Offshore Bank Account Agreement, the Calculation Agency Agreement, the Hedging Agreements (to the extent governed by the laws of England and Wales), the Subscription Agreements (to the extent governed by the laws of England and Wales), the Programme Agreement, the Deed of Covenant, the Custody Agreements and any additional document (governed by the English law, including those governed by the laws of England and Wales) entered into in respect of a Series of Covered Bonds and/or the Cover Pool and designated as an English Law Transaction Document by the Issuer and the Security Agent.

The Security Agent has declared in the Security Assignment that it shall hold all such right, title, interest and benefit, present and future, in, to and under: (a) each of the Hedge Collateral Account(s) and the Non-TL Hedge Collection

Account(s) for the benefit of and on trust for the Secured Creditors (other than in respect of the Excess Hedge Collateral, which is held for the benefit of the relevant Hedging Counterparty) and (b) the Agency Account for the benefit of and on trust for the Reserve Fund Secured Creditors.

Notwithstanding the assignment made by the Issuer in the Security Assignment, the Issuer shall be entitled to exercise its rights in respect of the English Law Transaction Documents, but subject to the provisions of the English Law Transaction Documents and certain provisions of the Security Assignment.

Notwithstanding the security created by the Security Assignment, but subject to the security enforcement provisions contained in the Security Assignment: (a) amounts may and shall be withdrawn from the Offshore Bank Accounts in the amounts contemplated in, and for application in accordance with, the Conditions, the Offshore Bank Account Agreement, the Calculation Agency Agreement and the relevant Hedging Agreement (if any), (b) payments of the commissions, expenses and other amounts payable by the Issuer relating to or otherwise in connection with the issue of the Covered Bonds may be made by the Issuer out of the proceeds from the issue of the Covered Bonds and (c) payments to be made under the Transaction Documents may be made by the Issuer and in accordance with the directions of the Issuer, subject as provided in the Offshore Bank Account Agreement and the Calculation Agency Agreement. Any amounts so withdrawn or paid shall be automatically released and discharged from the security interest created under the Security Assignment. Subject as provided above and for making Authorised Investments as permitted in the Security Assignment, no other payments may be made out of any of the Offshore Bank Accounts without the prior written approval of the Security Agent.

The security interests on the Security Assignment Security will become enforceable upon the occurrence of an Event of Default and the serving of a Notice of Default on the Issuer. Upon such security becoming enforceable, the Security Agent will be entitled to appoint a Receiver and/or to enforce the security constituted by the Security Assignment, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses and liabilities that it may incur by so doing.

All moneys received by the Security Agent on the realisation or enforcement of the security interests on the Security Assignment Security and other Non-Statutory Security (subject to the following paragraph) will be held and applied by the Security Agent in the following order of priority: (a) firstly, to pay, or procure the payment of, *pro rata* and *pari passu*, all amounts due to: (i) the Covered Bondholders in respect of all outstanding Covered Bonds, (ii) the Receiptholders and Couponholders in respect of all outstanding Receipts and Coupons and (iii) the Hedging Counterparties (if any) in respect of all outstanding Hedging Agreements, and (b) secondly, to the extent remaining after all payments made pursuant to clause (a) have been satisfied (for the purposes hereof, the amounts used to make payments pursuant to clause (a) shall be deemed first to have been made from funds other than Additional Cover), to use the Additional Cover (if any) or any other amounts permitted by the Covered Bonds Communiqué from time to time to meet the Secured Obligations of the Other Secured Creditors permitted by Article 29 of the Covered Bonds Communiqué; *provided* that if the Covered Bonds Communiqué is amended after the Programme Closing Date to permit Other Secured Creditors to have access to the Additional Cover on a priority or a *pari passu* basis with the Covered Bondholders and/or the Hedging Counterparties (if any), then the Security Assignment (and, to the extent applicable, other Transaction Documents) will (at the request of the Security Agent) be amended to reflect the statutory order of priority prescribed by the Covered Bonds Communiqué in respect of Additional Cover from time to time.

Notwithstanding the foregoing paragraph: (a) funds from the Agency Account shall be applied in payment of, *pro rata* and *pari passu*, all amounts due and payable to the Reserve Fund Secured Creditors and (b) Excess Hedge Collateral (if applicable) shall be transferred or delivered by the Security Agent to the relevant Hedging Counterparty (if any). The Agency Account does not form part of the Cover Pool. To the extent possible under Applicable Law, at any time after a Notice of Default has been served on the Issuer, the Security Agent may (with notice to the Issuer) sell or otherwise dispose of the Security Assignment Security or any part of it and (notwithstanding the above) shall be entitled to apply the proceeds of such sale or other disposal in paying the costs of such sale or disposal and only thereafter in or towards the discharge of the Secured Obligations or otherwise as provided for in the Security Assignment.

The Security Assignment is governed by the laws of England and Wales.

Security Agency Agreement

Pursuant to the terms of the Security Agency Agreement, the Issuer has appointed the Security Agent to act as the security agent and trustee of the Secured Creditors in connection with the Security Assignment, the other Transaction Security Documents, the Offshore Bank Account Agreement, the Calculation Agency Agreement and the Security Agency Agreement.

The Issuer has agreed to pay to the Security Agent a fee for acting as Security Agent and to reimburse the Security Agent for certain charges and expenses incurred by the Security Agent in connection with the Transaction Documents to which it is a party.

Notwithstanding any provision of any Transaction Document to the contrary, the Security Agent is not required: (a) to undertake any act that may be illegal or contrary to any Applicable Law or fiduciary duty or duty of confidentiality to which the Security Agent is subject or (b) to perform its duties and obligations or exercise its rights and remedies, or expend or risk its own funds or incur a financial liability, under the Transaction Documents to which it is a party where amounts are due and payable to the Security Agent under such a Transaction Document and remain unpaid or the repayment of such funds or adequate indemnity against such risk or liability is not assured to the Security Agent.

In the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by any Transaction Document, the Security Agent may act by responsible officers or a responsible officer for the time being of the Security Agent.

In order for the Covered Bondholders to direct or instruct the Security Agent under the Security Agency Agreement, the Transaction Security Documents and/or the other Transaction Documents to which the Security Agent is a party, the Majority Instructing Creditor shall appoint a representative (which may be any person and need not be a Covered Bondholder) (such representative, the “*Covered Bondholder Representative*”) on such terms as the Majority Instructing Creditor thinks fit, to act as the representative of the Covered Bondholders. The Security Agent shall have no duty to verify the authority of the Covered Bondholder Representative and shall be entitled (without enquiry) to rely on any instruction received from any person whom the Security Agent believes in good faith to be the Covered Bondholder Representative.

“*Majority Instructing Creditor*” means, at any time, the holders of at least a majority in Principal Amount Outstanding of the Covered Bonds then outstanding (with the Principal Amount Outstanding of Covered Bonds not denominated in Turkish Lira notionally converted into Turkish Lira using the Applicable Exchange Rate).

None of the Security Agent, any Receiver nor any delegate, agent, attorney or co-agent appointed by the Security Agent (“*Delegate*”) will be liable for: (a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Transaction Security Document or the Non-Statutory Security unless caused by its negligence, wilful misconduct or wilful default or that of its officers, directors or employees, (b) exercising or not exercising any right, power, authority or discretion given to it by, or in connection with, any Transaction Security Document, the Non-Statutory Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Security Document or the Non-Statutory Security unless caused by its negligence, wilful misconduct or wilful default or that of its officers, directors or employees, (c) any shortfall that arises on the enforcement or realisation of the Non-Statutory Security, (d) without prejudice to the generality of clauses (a) to (c) above, any damages, costs, losses, diminution in value or liability whatsoever arising as a result of: (i) any *force majeure* event or (ii) the general risks of investment in, or the holding of assets in, any jurisdiction, (e) any loss, cost, damage, expense or liability occasioned to the Non-Statutory Security, however caused, by the Administrator, whether or not acting in accordance with the Covered Bonds Communiqué, or any other person (including any bank, broker, depository, warehouseman or other intermediary or by any clearing system or the operator thereof), or otherwise, unless caused by the negligence, wilful misconduct or wilful default of the Security Agent, the Receiver or a Delegate (or their respective officers, directors or employees), respectively, (f) any decline in value or any loss realised upon any sale or other disposition of any Non-Statutory Security pursuant to any Transaction Document or (g) any deficiency that might arise because the Security Agent, the Receiver or a Delegate is subject to tax (other than in respect of its net income) in respect of the Non-Statutory Security or any party thereof or any income thereon or any proceeds thereof.

“*Non-Statutory Security*” means: (a) any property, assets or undertakings (other than the Agency Account and the property, assets and undertakings included in the Cover Pool) charged, pledged or otherwise secured by the Issuer pursuant to the Transaction Security Documents for the benefit of the Secured Creditors, and (b) the Agency Account secured by the Issuer pursuant to the Security Assignment for the benefit of the Reserve Fund Secured Creditors.

For so long as any Covered Bonds remain outstanding, the Issuer has covenanted in the Security Agency Agreement in favour of, *inter alios*, the Security Agent (for itself and for the benefit of the other Secured Creditors), that it will at all times:

(a) maintain a Fiscal Agent, Paying Agent, Exchange Agent, Registrar and Transfer Agent with specified offices in accordance with the Conditions and at all times maintain any other agents required by the Conditions,

(b) give notice in writing to the Fiscal Agent and the Security Agent promptly upon becoming aware of the occurrence of an Issuer Event, Transferability and Convertibility Event or Event of Default and without waiting for the Fiscal Agent or the Security Agent to take any further action,

(c) administer and manage the Cover Pool in the manner described in Schedule 2 of the Security Agency Agreement,

(d) maintain the Cover Register in accordance with the requirements of the Covered Bonds Communiqué and ensure that it is up-to-date at all times,

(e) ensure at all times that the Cover Pool Assets are identified in such manner as is required to benefit from Statutory Segregation,

(f) give to the Security Agent at all times such opinions, certificates, information and evidence as it shall reasonably require for the purpose of the discharge of the duties, powers, trusts, authorities and discretions vested in it under the Security Agency Agreement, the Transaction Security Documents, the Offshore Bank Account Agreement and the Calculation Agency Agreement or by operation of Applicable Law; *provided* always that the foregoing shall not oblige the Issuer to give any information non-disclosure of which is required by any Applicable Law,

(g) deliver to the Fiscal Agent for distribution to any Covered Bondholder upon such Covered Bondholder’s written request to the Fiscal Agent:

(i) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer’s audited consolidated financial statements for such financial year, prepared in accordance with BRSA Principles, together with the corresponding financial statements for the preceding financial year, and all such annual financial statements shall be accompanied by the report of the auditors thereon, and

(ii) not later than four months after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited (or, if published, audited) consolidated financial statements for such six month period, prepared in accordance with BRSA Principles, together with the corresponding financial statements for the corresponding period of the previous financial year, and all such interim financial statements shall be accompanied by the report of the auditors thereon,

(h) so far as permitted by Applicable Law, at all times execute all such further documents and do all such further acts and things that are necessary at any time or times in the reasonable opinion of the Security Agent to give effect to the terms and conditions of the Security Agency Agreement, the Transaction Security Documents, the Offshore Bank Account Agreement and the Calculation Agency Agreement,

(i) send to the Fiscal Agent and the Security Agent a copy of each notice given to the Covered Bondholders of any one or more Series in accordance with Condition 14,

(j) give prior notice to the Fiscal Agent and the Security Agent of any proposed redemption pursuant to Condition 6.2 or 6.3 and, if it shall have given notice to the relevant Covered Bondholders in accordance with the Conditions of its intention, duly proceed to redeem any relevant Covered Bonds accordingly,

(k) in the event of the unconditional payment to a Paying Agent or the Security Agent (in any case) of any sum due in respect of principal, redemption amount, premium (if any) and/or interest on the Covered Bonds of any Series or any of them being made after the due date for payment thereof, promptly give or procure the Fiscal Agent to give notice to the Covered Bondholders of such Series in accordance with Condition 14 that such payment has been made,

(l) give or procure that there be given notice to the Covered Bondholders in accordance with the Conditions of any appointment (other than the initial appointment), resignation or removal of the Fiscal Agent, Exchange Agent, Registrar or any Transfer Agent or Paying Agent as shown on the Covered Bonds or so published in accordance with the Conditions as soon as practicable and in any event within 14 days after such event taking effect and within 30 days of notice received from the Fiscal Agent, Exchange Agent, Registrar or any Transfer Agent or Paying Agent of a change in its specified office, give notice to the Security Agent and the Covered Bondholders of such change,

(m) in order to enable the Fiscal Agent and/or the Security Agent to ascertain the Principal Amount Outstanding of Covered Bonds of each Series for the time being outstanding, deliver to the Fiscal Agent and/or the Security Agent promptly after being so requested in writing by the Fiscal Agent and/or the Security Agent, as applicable, a certificate in writing signed by an authorised signatory of the Issuer setting out the total numbers and Principal Amount Outstanding of the Covered Bonds of each Series that up to and including the date of such certificate have been purchased by or for the account of the Issuer, any holding company of the Issuer or any Subsidiary of the Issuer or such holding company, in each case held by them as beneficial owner, and the Principal Amount Outstanding of the Covered Bonds of each Series so purchased that have been cancelled,

(n) maintain its principal office in Turkey and that it will maintain at all times its Turkish banking licence issued to it by the BRSA in accordance with the Banking Law,

(o) maintain all necessary authorisations to be an issuer of mortgage covered bonds (within the meaning of the Covered Bonds Communiqué),

(p) permit any of the Security Agent, the Cover Monitor and, with the Issuer's prior approval (such approval not to be unreasonably withheld or delayed), any auditor or professional adviser of the Security Agent or the Cover Monitor at any time during normal business hours upon reasonable notice to have access to all books of record, account and other relevant records in the Issuer's possession relating to the administration of the Cover Pool Assets and related matters (in each case other than during an Issuer Event or an Event of Default, at such person's sole expense; *provided* that the Issuer shall not, except to the extent that it has separately agreed otherwise with such person, be responsible to reimburse such person for such expenses); *and provided further* that such access to such books of record, accounts and other relevant records shall always comply with the Applicable Law of Turkey, including, but not limited to, the Turkish Covered Bonds Law and the confidentiality terms of the banking legislation of Turkey,

(q) give, within seven İstanbul Business Days after demand by the Security Agent or the Cover Monitor, any information required to comply with the terms of the Turkish Covered Bonds Law,

(r) so far as permitted by Applicable Law, from time to time upon request from a Relevant Rating Agency, provide such further information as such Relevant Rating Agency reasonably requests for purposes of its rating on the Covered Bonds or a Series thereof,

(s) observe and comply with its obligations under the Turkish Covered Bonds Law,

(t) observe and comply with its obligations under the Transaction Documents (to the extent not otherwise provided for above),

(u) from the First Issue Date and on each London Business Day thereafter, maintain the Reserve Fund in an amount at least equal to the Reserve Fund Required Amount; *provided* that the Issuer shall not be considered to be in breach of its obligations under this clause if, during the continuance of a Transferability and Convertibility Event, it is impossible for the Issuer to deposit monies to the Reserve Fund as a result of such Transferability and Convertibility Event,

(v) maintain records in relation to the Designated Account(s) in accordance with the Transaction Documents,

(w) maintain the Cover Pool in accordance with the requirements for Cover Pool Assets and, to the extent there are any Hedging Agreements in place, the Hedging Agreements set out in the Covered Bonds Communiqué,

(x) perform such checks and reviews as are required on each Statutory Test Date and Issue Date to ensure that each Cover Pool Asset included in the Statutory Test calculations is in compliance with the Individual Asset Eligibility Criteria and the Covered Bonds Communiqué; notwithstanding anything in the Transaction Documents to the contrary, the parties to the Security Agency Agreement have acknowledged and agreed that such checks and reviews will utilise the data as of each applicable date (*e.g.*, as of the date of a change in the Cover Pool) but might be checked and reviewed when such information becomes available after such date,

(y) comply with the Statutory Tests (*i.e.*, as of the date of this Base Prospectus, the Nominal Value Test, the Cash Flow Matching Test, the Net Present Value Test and the Stress Test). The Statutory Tests (both their nature and their method of calculation) might vary from time to time to the extent that the Covered Bonds Communiqué is amended; *provided* that all Series of Covered Bonds are subject to the Statutory Tests as in force at the time of their issuance unless expressly provided otherwise by the Turkish Covered Bonds Law. The method of calculating the Statutory Tests shall (within the requirements of the Covered Bonds Communiqué) be determined by the Issuer, acting reasonably (and subject to any guidance, pronouncement, rule, official directive or guideline (whether or not having the force of law) issued by the CMB to the Issuer specifically or to covered bond issuers generally in relation to the method of calculating the Statutory Tests). For the avoidance of doubt, with respect to any Covered Bonds with a floating interest rate, the Issuer may, at any time, perform such calculations utilising the interest rate in effect at such time,

(z) in addition to the Statutory Tests, ensure that the Nominal Value of the Cover Pool is not less than the product of: (i) the Turkish Lira Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds outstanding and (ii) the sum of one plus the decimal equivalent of the highest then-existing Required Overcollateralisation Percentage among all then-outstanding Series. The then-existing Required Overcollateralisation Percentage for each Series shall be specified in each Investor Report,

(aa) if, on a Statutory Test Date, there is a Potential Breach of Statutory Test, cure any breach(es) of the relevant Statutory Test(s) within one month of such Statutory Test Date,

(bb) if, in its own monitoring of the Statutory Tests, the Issuer identifies a Potential Breach of Statutory Test, promptly notify the Fiscal Agent, the Security Agent and the Cover Monitor of such breach and cure such breach within one month of the Issuer's detection of such breach,

(cc) in accordance with Article 20(1) of the Covered Bonds Communiqué, test whether the Cover Pool complies with the Statutory Tests at every change to the Cover Register and, in any case, at least once per calendar month as long as any Series of Covered Bonds is outstanding and, as applicable, in the case of the issuance of a new Series of Covered Bonds; by the 10th İstanbul Business Day after the end of each calendar month, the Issuer shall submit a report relating to the last test made during the preceding calendar month to the Cover Monitor,

(dd) maintain the Cover Pool for the benefit of all Covered Bondholders in compliance with the Statutory Tests,

(ee) to the extent that any mortgage loan included in the Cover Pool is not in compliance with the Individual Asset Eligibility Criteria, make such substitutions in the Cover Pool as are necessary to ensure

compliance with the Individual Asset Eligibility Criteria; *provided* that no such substitution shall be required if the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué,

(ff) establish and maintain the Cover Register in accordance with the Turkish Covered Bonds Law,

(gg) create Statutory Segregation over each Cover Pool Asset and segregate the Cover Pool for the satisfaction of the rights of the Covered Bondholders, the Hedging Counterparties (if any) and (subject to the provisions of Article 29 of the Covered Bonds Communiqué) the Other Secured Creditors,

For the avoidance of doubt: (i) a mortgage loan or derivative contract intended to become a Cover Pool Asset is required to meet the asset requirements set out in Article 10 (in the case of mortgage loans) and Article 11 (in the case of derivative contracts) of the Covered Bonds Communiqué at the time of inclusion in the Cover Register. In the event that a Cover Pool Asset thereafter ceases to meet the asset requirements of the Covered Bonds Communiqué (or failed to have satisfied such requirements at the time of its inclusion in the Cover Register), the Issuer is obliged under Article 13(5) of the Covered Bonds Communiqué to replace such asset with Cover Pool Assets that do satisfy the requirements of Articles 10 and 11 (as applicable) of the Covered Bonds Communiqué unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer is not obliged to remove any such ineligible Cover Pool Asset), and (ii) the Cover Pool shall include all assets included in the Cover Register from time to time notwithstanding that such assets may have ceased to satisfy the statutory requirements for covered assets specified in the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria.

All Mortgage Rights relating to the Mortgage Assets are themselves included in the Cover Pool as part of the receivables of such Mortgage Assets; *however*, if it is subsequently judicially determined that all or part of the Mortgage Rights of the type referred to in clauses (b) and (c) of the definition of Mortgage Rights (*i.e.*, the Ancillary Rights) do not constitute receivables of Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué, then such Ancillary Rights shall not be Cover Pool Assets and thus not benefit from Statutory Segregation.

(hh) apply the relevant proceeds of Ancillary Rights in satisfaction of any indebtedness owed by the Issuer under the Transaction Documents to the Secured Creditors as an unsecured contractual obligation only (for the avoidance of doubt, such Ancillary Rights shall not be Cover Pool Assets and thus not benefit from Statutory Segregation),

(ii) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), as an unsecured contractual obligation only, transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Security Agent, by the next day that is both an İstanbul Business Day and a business day for the Security Agent) all Related Payments to the Security Agent for the benefit of the Secured Creditors to be applied in satisfaction of the Secured Obligations; *it being understood* that (as such do not constitute receivables of the Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué and therefore do not benefit from Statutory Segregation) any such Related Payments shall not be deposited into the Collection Account or the Designated Accounts and shall otherwise remain segregated from the Cover Pool Assets,

(jj) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Offshore Account Bank, by the next day that is both an İstanbul Business Day and a business day for the Offshore Account Bank) all payments made to the Issuer on Cover Pool Assets (other than Hedging Agreements) in currencies other than Turkish Lira to the applicable Non-TL Designated Account(s),

(kk) in respect of Substitute Assets, comply with the Substitute Asset Limit and the requirements of the Covered Bonds Communiqué relating to Mandatory Excess Cover Cover Pool Assets,

(ll) act in a manner consistent with that of a Prudent Lender and Servicer of Mortgage Assets in respect of the Mortgage Assets; *provided* that:

(i) during the continuance of an Issuer Event, the Issuer may not make any Mortgage Asset Modification(s) other than in accordance with its then prevailing servicing and collection procedures in respect of mortgage assets that are not part of the Cover Pool, and

(ii) the Issuer shall service the Mortgage Assets with no less care than the Issuer exercises or would exercise in connection with the servicing of mortgage assets held for its own account as if such Mortgage Assets were not part of the Cover Pool,

(mm) only make changes to the Cover Pool as set out below:

The Issuer shall be entitled (and, in the circumstances set out in Article 13(5) of the Covered Bonds Communiqué, shall be obliged) to add, remove or substitute Cover Pool Assets, subject to making appropriate Security Update Registration(s), to:

(i) allocate to the Cover Pool additional assets at any time, including for the purposes of issuing further Series of Covered Bonds, complying with the Statutory Tests and/or the Required Overcollateralisation Percentage of any Series, maintaining the rating(s) assigned to any Series of the Covered Bonds and/or maintaining or increasing the creditworthiness of the Cover Pool; *provided* that such new assets meet the requirements of the Covered Bonds Communiqué, comply with the Individual Asset Eligibility Criteria and do not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, and

(ii) remove (including to substitute) one or more Cover Pool Assets (including any Cover Pool Assets that cease to comply or did not comply at the time of their registration in the Cover Register with the requirements of the Covered Bonds Communiqué and/or the Individual Asset Eligibility Criteria) at any time in accordance with the Covered Bonds Communiqué and to the extent not prohibited by the Transaction Documents; *provided* that, in addition to the requirements of the Covered Bonds Communiqué: (A) any assets added to the Cover Pool by way of substitution must comply with the Individual Asset Eligibility Criteria, (B) any assets added to the Cover Pool by way of substitution or any removal of assets from the Cover Pool does not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, (C) neither any Potential Breach of Statutory Test nor any Issuer Event of the type described in clauses (a) through (f) of the definition thereof would occur as a result of such removal or Cover Pool Asset Substitution and (D) any collections in respect of any such removed Cover Pool Assets will no longer be transferred to the Collection Account. The Issuer is obliged to substitute any Cover Pool Assets that cease to comply with the requirements of the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer may either keep such ineligible Cover Pool Asset within the Cover Pool or remove such ineligible Cover Pool Asset without new eligible assets being registered in the Cover Register). By the 10th İstanbul Business Day after the end of each calendar month, the Issuer shall submit a report relating to the last test made during the preceding calendar month to the Cover Monitor.

It is agreed that: (A) upon the occurrence of any Potential Breach of Statutory Test or an Issuer Event that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, and (B) upon the occurrence of an Event of Default that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless: (1) such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué or (2) such substitution or removal is made by the Administrator in accordance with the provisions of the Covered Bonds Communiqué or by the Security Agent in accordance with the Transaction Documents,

(nn) for so long as any Covered Bonds are outstanding that are listed on any regulated market of a Member State or offered to the public in a Member State, in each case, in circumstances that require the publication of a prospectus under the Prospectus Regulation (or analogous requirement in any jurisdiction outside Turkey in which the Covered Bonds are issued or listed on a relevant Stock Exchange), on or before the Investor Report Date after each Collection Period, the Issuer will publish on its website an Investor Report for such Collection Period, and

(oo) the Issuer shall maintain the Collection Account and the TL Designated Account.

The Issuer will deposit or credit within two İstanbul Business Days of receipt all collections of interest and principal and any other amounts it receives on the Cover Pool Assets denominated in Turkish Lira (including all moneys received from Authorised Investments denominated in Turkish Lira, if any, and any payments under Hedging Agreements) included in the Cover Pool Assets into the Collection Account; *provided* that such need not apply with respect to any such amounts that the Issuer collects on behalf of a governmental authority or other third party (*e.g.*, taxes) or for house-related payments due by the applicable Borrower to third parties for which the Issuer is acting as a collection agent (*e.g.*, home insurance). The Issuer will not commingle any of its other funds and general assets (including any Related Payments) with amounts standing to the credit of the Collection Account.

With respect to any Turkish Lira payments received by the Issuer under Hedging Agreements (if any), such amounts deposited into the Collection Account or the TL Designated Account (and any proceeds of Authorised Investments made with such funds) will be technically and separately tracked by the system of the Issuer so as to distinguish them from the other amounts in the Collection Account or TL Designated Account, as applicable; *however*, all such amounts shall, for all other purposes of the Transaction Documents, otherwise be treated as part of the Collection Account or TL Designated Account, as applicable.

For purposes of calculating compliance with the Statutory Tests: (a) cash amounts standing to the credit of the Collection Account (and investments made with such amounts) shall not constitute part of the Cover Pool and (b) the TL Designated Account (and investments made with such amounts) shall constitute part of the Cover Pool.

All amounts deposited in, and standing to the credit of, the Collection Account and the TL Designated Account shall constitute segregated property distinct from all other property of the Issuer pursuant to Article 13 of the Covered Bonds Communiqué.

Unless an Issuer Event of the type described in clauses (a) through (f) of the definition thereof or an Event of Default is then continuing, the Issuer will be entitled to withdraw any amounts from time to time standing to the credit of the Collection Account, if any, to the extent that (if such amounts were transferred to the TL Designated Account) would result in there being funds that are in excess of any cash amounts required to satisfy the Statutory Tests (for the avoidance of doubt, the Issuer shall not withdraw any amount from such accounts if a Potential Breach of Statutory Test is continuing on the applicable withdrawal date).

Unless an Issuer Event of the type described in clauses (a) through (f) of the definition thereof or an Event of Default is then continuing, the Issuer will be entitled to withdraw amounts from time to time standing to the credit of the relevant Designated Account(s), if any, that are in excess of any cash amounts required to satisfy the Statutory Tests; *provided* that the Issuer shall not be entitled to withdraw amounts from the Non-TL Designated Account(s) during the continuance of a Transferability and Convertibility Event other than in accordance with the provisions of the Calculation Agency Agreement and the Offshore Bank Account Agreement to pay Secured Creditors (for the avoidance of doubt, the Issuer shall not withdraw any amount from such accounts if a Potential Breach of Statutory Test is continuing on the applicable withdrawal date).

After the occurrence of a Potential Breach of Statutory Test, an Event of Default or an Issuer Event, the Issuer shall procure that within two İstanbul Business Days of its detection thereof (and on each İstanbul Business Day thereafter for so long as such Potential Breach of Statutory Test, Event of Default or Issuer Event is continuing), all amounts on deposit in the Collection Account are transferred by the Issuer to the TL Designated Account (and the Issuer may also cause any or all of such amounts to be paid directly into the TL Designated Account). Other than Turkish Lira that is identified to act as Substitute Assets, the Issuer will not commingle any of its other funds and general assets with amounts standing to the credit of the TL Designated Account.

The Non-TL Hedge Collection Account(s) and the Hedge Collateral Account(s) are described in “*Offshore Bank Account Agreement*” below.

“*London Business Day*” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

The Security Agency Agreement is governed by the laws of England and Wales.

Offshore Bank Account Agreement

Pursuant to the terms of the Offshore Bank Account Agreement among the Issuer, the Offshore Account Bank, the Security Agent and the Calculation Agent, the Issuer has appointed the Offshore Account Bank to perform certain duties (and the Offshore Account Bank accepted such appointment), including:

(a) acting on the instructions of the Issuer, the Security Agent and/or the Administrator, as applicable, or information provided by the Calculation Agent,

(b) making payments from the Offshore Bank Accounts as instructed by the Issuer (or, if an Administrator has been appointed, the Administrator) and/or the Security Agent, as applicable, and

(c) providing the Issuer (or, if an Administrator has been appointed, the Administrator), the Security Agent and/or the Calculation Agent with details of the amounts standing to the credit of the Offshore Bank Accounts from time to time that the Issuer (or, if an Administrator has been appointed, the Administrator), the Security Agent and/or the Calculation Agent may request, including in order for them to make the calculations required in performing their respective obligations (including making calculations required under Hedging Agreements (if any), including for the related payments) and exercising their respective rights under the Transaction Documents.

As of the Programme Closing Date, the following accounts have been opened at the Offshore Account Bank:

(a) the euro Non-TL Designated Account in the name of the Issuer (as to which see Clause 5 of the Offshore Bank Account Agreement) (which account is a Non-TL Designated Account),

(b) the U.S. dollar Non-TL Designated Account in the name of the Issuer (as to which see Clause 5 of the Offshore Bank Account Agreement) (which account is a Non-TL Designated Account), and

(c) the Agency Account (as to which see Clause 9 of the Offshore Bank Account Agreement) in the name of the Security Agent (which account is not a Non-TL Designated Account and is not a Cover Pool Asset).

Non-TL Designated Accounts

With respect to amounts received on Substitute Assets in currencies other than Turkish Lira, a separate Non-TL Designated Account will be established in the name of the Issuer pursuant to the Offshore Account Bank Agreement for each applicable currency. Save as provided in the Offshore Bank Account Agreement, no amount other than those deriving from Substitute Assets will be paid into the Non-TL Designated Account(s). Notwithstanding the above, the amounts deriving from Substitute Assets may be payable directly to the Issuer (including within Turkey and/or through a clearing system such as Euroclear or Clearstream, Luxembourg); *provided* that the Issuer shall transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Offshore Account Bank, by the next day that is both an İstanbul Business Day and a business day for the Offshore Account Bank) all such amounts to the applicable Non-TL Designated Account(s).

Other than to make Authorised Investments, no amounts shall be withdrawn from the Non-TL Designated Accounts (by the Issuer or otherwise) other than for the purposes of making payment to a Secured Creditor in accordance with the process of Clause 5.3 of the Offshore Bank Account Agreement unless the Security Agent provides its prior written consent. Such consent shall be provided by the Security Agent (without further enquiry) following its receipt of certification

by the Issuer that: (a) no Reconciliation Event has occurred and is continuing, (b) no Event of Default has occurred and is continuing and (c) immediately following such withdrawal, the Statutory Tests and the Required Overcollateralisation Percentage will continue to be satisfied.

“*Reconciliation Event*” means the occurrence of an Issuer Event described in clauses (a) through (f) of the definition thereof or the occurrence of a Transferability and Convertibility Event, in each case that is continuing.

Subject to Clauses 2.3 and 13.3 of the Offshore Bank Account Agreement, the Offshore Account Bank shall comply with any instruction of the Issuer (or, if an Administrator has been appointed, the Administrator) given on any London Business Day to effect a payment to a Secured Creditor by debiting any one of Non-TL Designated Account(s): (a) if such instruction: (i) is in writing in a manner required by the Offshore Bank Account Agreement, and (ii) complies with the mandates delivered by the Issuer or the Security Agent to the Offshore Account Bank (such direction shall constitute a payment instruction) and (b) unless the Offshore Account Bank has been notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing). The Calculation Agent shall promptly notify the Issuer, the Offshore Account Bank and the Security Agent of the occurrence of a Reconciliation Reporting Event.

Amounts to be credited into the Non-TL Designated Account(s) include: (a) any amounts received by the Issuer in respect of the Substitute Assets and Authorised Investments that (in each case) are Cover Pool Assets, are not denominated in Turkish Lira and do not relate to the Agency Account, (b) other than funds transferred as described in clause (a), any amounts credited into the applicable Non-TL Designated Account(s) by the Issuer from its own funds, including Authorised Investments that are Substitute Assets or for effecting payments to Secured Creditors of Secured Obligations that are not denominated in Turkish Lira, (c) any amounts transferred by the Issuer or the Administrator, as applicable, in connection with the sale of Cover Pool Assets that are not denominated in Turkish Lira and (d) any amounts transferred from the Non-TL Hedge Collection Account(s) at the request of the Issuer in the circumstances specified in the Offshore Bank Account Agreement.

Subject to the Substitute Asset Limit, cash amounts standing to the credit of the Non-TL Designated Account(s) (and Authorised Investments made with such amounts) shall constitute part of the Cover Pool for the purposes of the Statutory Tests (for the purpose of clarification, the amounts described in clause (c) of the previous paragraph derived from Mortgage Assets are not subject to the Substitute Asset Limit as they are collections on such Mortgage Assets). All amounts deposited in, and standing to the credit of, the Non-TL Designated Account(s) shall constitute segregated property distinct from all other property of the Issuer pursuant to Article 13 of the Covered Bonds Communiqué.

Hedge Collateral Accounts

With respect to credit support provided by Hedging Counterparties to the Issuer pursuant to the Hedging Agreements (if any), a separate Hedge Collateral Account will be established and maintained pursuant to the Offshore Bank Account Agreement for each applicable currency (other than Turkish Lira) and for each applicable Hedging Counterparty in respect of each relevant Hedging Agreement. The Hedge Collateral Accounts will be held with the Offshore Account Bank in the name of the Security Agent for the benefit of and on trust for the Secured Creditors (to the extent such Hedge Collateral does not constitute Excess Hedge Collateral) and for the benefit of and on trust for the relevant Hedging Counterparty (to the extent such Hedge Collateral constitutes Excess Hedge Collateral). Hedge Collateral provided to the Issuer by a Hedging Counterparty under a Hedging Agreement shall be credited to the relevant Hedge Collateral Account.

Payments, deliveries and/or transfers of Hedge Collateral to the relevant Hedge Collateral Account shall be made in accordance with the provisions of the relevant Hedging Agreement. For the avoidance of doubt, Hedge Collateral will be deposited in a Hedge Collateral Account regardless of whether a Reconciliation Event or an Event of Default has occurred.

Subject to Clauses 6.4 and 6.5 of the Offshore Bank Account Agreement, payments, deliveries and/or transfers of Hedge Collateral from the relevant Hedge Collateral Account shall be made solely for the purpose of making payments (by the applicable Hedge Counterparty) or deliveries (by the Issuer) in respect of: (a) any Settlement Amount (as defined in the ISDA Master Agreement), any Close-out Amount (as defined in the ISDA Master Agreement) or any analogous payment, (b) any Return Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.), (c) any Interest Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York

Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.), (d) any substitution of Hedge Collateral permitted by the applicable Hedging Agreement, (e) any amounts in respect of default interest or (f) any amounts analogous to any of the above, in each case: (i) other than in respect of any amounts referred to in clause 6.3(a) of the Offshore Bank Account Agreement, to be delivered to the relevant Hedging Counterparty under a collateral agreement entered into under or in connection with the relevant Hedging Agreement (including but without limitation the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.) or any analogous agreement, and (ii) in the case of amounts referred to in clause 6.3(a) of the Offshore Bank Account Agreement, due to the Issuer or deliverable to the relevant Hedging Counterparty following the termination (in whole or in part, as applicable) of the relevant Hedging Agreement, as applicable. If a Reconciliation Event has occurred and is then continuing, any amount due to the Issuer under clause 6.3(a) of the Offshore Bank Account Agreement shall be transferred from the relevant Hedge Collateral Account to the relevant Non-TL Hedge Collection Account.

The Security Agent will, within one London Business Day following receipt of the relevant approved form (or, if later, on the value date indicated in such approved form), make such payments, deliveries and/or transfers (or direct or instruct the payment, delivery and/or transfer, as applicable) of Hedge Collateral to the relevant Hedging Counterparty unless notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing) as to the relevant payment, delivery and/or transfer, as applicable.

“*Reconciliation Reporting Event*” means: (a) the detection by the Calculation Agent of a manifest error in a Reconciliation, (b) the relevant payment, delivery or transfer, as applicable, cannot be reconciled by the Calculation Agent against the approved form, (c) the relevant payee is not a Secured Creditor and/or (d) the Calculation Agent is otherwise unable to validate the relevant payment, transfer or delivery, as applicable (including, without limitation, due to the absence of an approved form).

“*Reconciliation*” means that the Calculation Agent shall compare the requested payment against an approved form required by the Calculation Agency Agreement and: (a) confirm that the relevant payee is a Secured Creditor, (b) calculate (or check the computation) of the relevant payment transfer or delivery, as applicable, to be made, and (c) in the case of payments under each Hedging Agreement and the transfer or delivery of Hedge Collateral, as applicable, check that the account details and specified payee or transferee for the requested payment, transfer or delivery, as applicable are correct.

Where a Hedging Counterparty provides Hedge Collateral (other than in Turkish Lira) to the Issuer in accordance with the terms of a Hedging Agreement, such collateral will be credited to the relevant Hedge Collateral Account. Any Hedge Collateral applied in satisfying any termination payments payable by the relevant Hedging Counterparty to the Issuer in respect of the relevant Hedging Agreement: (a) if not in Turkish Lira, will be transferred to the Non-TL Hedge Collection Account of the corresponding currency, and (b) if in Turkish Lira, will be transferred to the Collection Account or the TL Designated Account, as applicable. Excess Hedge Collateral (including any standing to the credit of the Hedge Collateral Account(s)) shall not be available to Secured Creditors (other than to the relevant Hedging Counterparty) and (if in a Hedge Collateral Account) shall be returned to the relevant Hedging Counterparty upon a request from the Issuer.

“*Secured Obligations*” means any and all moneys, all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity) and all other amounts due, owing, payable or owed by the Issuer to the Secured Creditors under the Covered Bonds and/or the other Transaction Documents and secured by the Transaction Security, and references to Secured Obligations includes references to any of them.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Hedge Collateral Account(s) are accounts of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Secured Creditors (in respect of Excess Hedge Collateral, being held for the benefit of the relevant Hedging Counterparty only).

Non-TL Hedge Collection Accounts

With respect to payments by a Hedging Counterparty under the Hedging Agreements (if any) in currencies other than Turkish Lira (including amounts transferred thereto pursuant to Clause 6.6 of the Offshore Bank Account Agreement), a separate Non-TL Hedge Collection Account will be established and maintained for each applicable currency with the Offshore Account Bank pursuant to the Offshore Bank Account Agreement, each of which accounts is to be in the name of

the Security Agent for the benefit of and on trust for the Secured Creditors (for the purpose of clarification, a transfer or delivery by a Hedging Counterparty of Hedge Collateral is not a payment on a Hedging Agreement). All such payments will be paid into the relevant Non-TL Hedge Collection Account. For the avoidance of doubt, any amounts that are not denominated in Turkish Lira that are paid to the Issuer or the Security Agent, as applicable, by the Hedging Counterparties under the Hedging Agreements (including all scheduled payments, principal exchange amounts, termination payments, final payments on cross-currency swaps or other unscheduled sums due and payable by each Hedging Counterparty under any Hedging Agreement, but excluding Hedge Collateral) will be paid into a Non-TL Hedge Collection Account regardless of whether a Reconciliation Event or an Event of Default has occurred.

Amounts may be withdrawn by the Security Agent from the Non-TL Hedge Collection Account(s) solely for the purposes of paying amounts due or otherwise scheduled to be paid by the Issuer on the Covered Bonds and Hedging Agreements (*i.e.*, the due and payable Total Liabilities), unless the Issuer has otherwise delivered to the Agents the necessary amounts to make all such payments that are then due and payable, in which case the funds in the Non-TL Hedge Collection Account(s) shall be transferred, at the request of the Issuer, to the relevant Non-TL Designated Account(s).

In respect of Hedging Agreements, the Security Agent, within one London Business Day following receipt of the relevant approved form (or, if later, on the value date indicated in such approved form), shall pay (or direct or instruct the payment of, as applicable) non-Turkish Lira payments due or otherwise scheduled to be paid by the Issuer thereunder unless notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing) as to the relevant payment.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Non-TL Hedge Collection Account(s) are accounts of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Secured Creditors.

All amounts deposited in, and standing to the credit of, the Non-TL Hedge Collection Account(s) shall constitute segregated property distinct from all other property of the Issuer pursuant to Article 13 of the Covered Bonds Communiqué.

All: (a) amounts payable in Turkish Lira by a Hedge Counterparty under a Hedging Agreement will be credited to the Collection Account or the TL Designated Account, as applicable, and (b) Hedge Collateral provided in Turkish Lira by a Hedge Counterparty under a Hedging Agreement will be managed in the manner agreed in such Hedging Agreement.

Agency Account

The Issuer has established a reserve fund maintained in an U.S. dollar-denominated account (the “*Agency Account*”) maintained at the Offshore Account Bank for the benefit of the Reserve Fund Secured Creditors (the “*Reserve Fund*”). From the First Issue Date and on each London Business Day thereafter whilst any Covered Bonds are outstanding, the Reserve Fund will be fully funded by the Issuer at all times in an amount at least equal to the greater (the “*Greater Amount*”) of: (a) two years’ estimated Programme and Series fees of the Agents, any Covered Bond Calculation Agent, the Calculation Agent, the Security Agent and the Offshore Account Bank (the “*Reserve Fund Secured Creditors*”) that are not payable in Turkish Lira (as reasonably determined by the Issuer) from each such London Business Day (for the avoidance of doubt, such fees do not include any fees (including any Series-related fees) that are payable before or at the time of any issuance of Covered Bonds) and (b) such other amount as may be agreed from time to time between the Issuer and any of the Reserve Fund Secured Creditors (such greater amount, the “*Reserve Fund Required Amount*”); *provided* that the Issuer shall not be considered to be in breach of its obligations under this clause if, during the continuance of a Transferability and Convertibility Event, it is impossible for the Issuer to deposit moneys to the Reserve Fund as a result of such Transferability and Convertibility Event. If the balance in the Reserve Fund at any time exceeds the Greater Amount, then the excess amount in the Reserve Fund shall be transferred to the Issuer promptly after its request to the Offshore Account Bank.

Fees included in the calculation of the Reserve Fund Required Amount and not denominated in U.S. dollars shall be notionally converted into U.S. dollars using the Applicable Exchange Rate at the relevant date of calculation. The Reserve Fund may (without the consent of any other person) be debited by the Security Agent to meet the outstanding fees and reimbursable costs and expenses of (and all other amounts due and payable under and in respect of the Transaction Documents) to the Reserve Fund Secured Creditors upon the occurrence and during the continuance of a Reconciliation Event or an Event of Default, in each case where the Issuer has otherwise failed to pay such amounts.

In lieu of funds held in the Agency Account, the Issuer may also provide Authorised Investments (or instruct the Security Agent to use funds in the Agency Account for the purchase of Authorised Investments); *however*, the parties to the Offshore Bank Account Agreement have agreed that separate custody arrangements in accordance with the Security Agent's standard custody terms as well as security and instruction arrangements to the satisfaction of the Security Agent will need to be put in place to hold such securities. For the purpose of calculating whether the Agency Account holds the Reserve Fund Required Amount, any such securities shall be valued at the lower of: (a) the outstanding principal amount and (b) if applicable, the market value as of close of business in the applicable market on the last applicable business day of the most recent calendar month. Upon the occurrence of a Reconciliation Event or Event of Default, such Authorised Investments shall be liquidated by the Issuer (or the Security Agent on its behalf) and the proceeds thereof credited to the Agency Account.

Rights in, and cash amounts standing to the credit of, the Agency Account (and Authorised Investments with respect thereto) do not constitute part of the Cover Pool for the purposes of the Statutory Tests or otherwise.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Agency Account is an account of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Reserve Fund Secured Creditors.

Following the redemption in full of all Covered Bonds under the Programme and the satisfaction in full of the outstanding fees and reimbursable costs and expenses of (and all other amounts due and payable under and in respect of the Transaction Documents to) the Reserve Fund Secured Creditors, any remaining balance in the Reserve Fund shall be transferred to the Issuer promptly after its request to the Offshore Account Bank.

In the event that an Offshore Account Bank Event occurs, the Issuer and the Security Agent will use their respective commercially reasonable endeavours to procure that the Offshore Bank Accounts are transferred to another financial institution that has the Offshore Account Bank Required Rating pursuant to an agreement with such institution in substantially the form of the Offshore Bank Account Agreement within a period not exceeding 30 calendar days from the date on which such Offshore Account Bank Event occurs, and the Offshore Account Bank will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same; *provided* that if such is not possible within such 30 calendar day period, then the Issuer and the Security Agent shall continue to use their respective commercially reasonable endeavours to effect such transfer. The Offshore Account Bank will notify the Issuer of its applicable ratings promptly (and, in any event, within 10 London Business Days) after the end of each calendar month; *it being understood* that the Issuer is independently responsible for monitoring the Offshore Account Bank's ratings for purposes of determining whether an Offshore Account Bank Event occurs.

The Offshore Account Bank Agreement is governed by the laws of England and Wales.

Calculation Agency Agreement

Pursuant to the terms of the Calculation Agency Agreement among the Issuer, the Security Agent and the Calculation Agent, the Security Agent has appointed the Calculation Agent as its agent to make certain Reconciliations as required pursuant to the provisions of the Offshore Bank Account Agreement, including:

- (a) in relation to the Non-TL Designated Account(s) following the occurrence of a Reconciliation Event:
 - (i) reconciling amounts payable from the Non-TL Designated Account(s) to Other Secured Creditors, and
 - (ii) notifying the Issuer, the Security Agent and the Offshore Account Bank in the case of a Reconciliation Reporting Event,

(b) in relation to the Hedge Collateral Account(s) (if applicable) following the occurrence of a Reconciliation Event:

(i) reconciling the amounts to be transferred or delivered in respect of Hedge Collateral to or from the relevant Hedge Collateral Account in accordance with the relevant Hedging Agreement, and

(ii) notifying the Issuer, the Security Agent, the Offshore Account Bank and the relevant Hedging Counterparty (if any) in the case of a Reconciliation Reporting Event, and

(c) in relation to the Non-TL Hedge Collection Account(s) (if applicable) following the occurrence of a Reconciliation Event:

(i) reconciling payments under each applicable Hedging Agreement (if any) and Covered Bonds, as applicable, to or from the relevant Non-TL Hedge Collection Account (if applicable) in accordance with the relevant Hedging Agreement (if any) and the applicable Final Terms, as applicable (for the purpose of clarification, a transfer or delivery by a Hedging Counterparty of Hedge Collateral is not a payment on a Hedging Agreement), and

(ii) notifying the Issuer, the Security Agent, the Offshore Account Bank and the relevant Hedging Counterparty (if any) in the case of a Reconciliation Reporting Event,

provided that:

(A) if applicable, the Calculation Agent shall not be required to calculate (or check the computation of):

(1) any Settlement Amount (as defined in the ISDA Master Agreement), any Close-out Amount (as defined in the ISDA Master Agreement) or any analogous payment,

(2) any Return Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(3) any Interest Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(4) any Delivery Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(5) any substitution notice delivered pursuant to a credit support annex,

(6) any amounts in respect of default interest in respect of a Hedging Agreement, or

(7) any amounts analogous to any of the above,

(B) the Calculation Agent shall not be obliged to perform a Reconciliation in respect of any payment, delivery or transfer, as applicable, unless such payment, delivery or transfer can be reconciled against an approved form or other supporting evidence as may have been provided by

the relevant Secured Creditor (including the relevant Hedging Counterparty (if any)), the Issuer, an Agent or the Security Agent, as applicable. Without prejudice to Clause 6.7 (*Request for Information*) of the Calculation Agency Agreement, the Issuer agrees to co-operate with reasonable requests from the Security Agent and the Calculation Agent to enable a Reconciliation to be performed by the Calculation Agent in a timely manner in respect of the relevant payment, transfer or delivery, as applicable, and

(C) the Calculation Agent shall not be obliged to perform a Reconciliation in respect of any payment or withdrawal from the Agency Account.

Absent a Reconciliation Reporting Event, no further notice, consent or approval shall be required from the Calculation Agent in order for the relevant payment, transfer or delivery, as applicable, to be made.

The Calculation Agent shall at all times promptly perform its obligations at the request of the Security Agent.

The Issuer has agreed to pay the Calculation Agent a fee for carrying out such services and to reimburse the Calculation Agent for certain expenses.

The Calculation Agent may, without giving any reason, resign at any time by giving at least 60 days' written notice to the Issuer and the Security Agent and may be removed at any time by the Security Agent or the Issuer on at least 45 days' written notice to the Calculation Agent (with a copy to the Issuer or the Security Agent, as applicable); *provided* that no such resignation or removal shall be effective unless a successor calculation agent has been appointed.

The Calculation Agency Agreement is governed by the laws of England and Wales.

Programme Agreement

Under the terms of an amended and restated programme agreement dated 5 May 2020 (as further amended, supplemented and/or restated from time to time, the "*Programme Agreement*") among the Issuer and the Dealers, the Issuer and the Dealers have agreed that the Dealers shall be appointed as Dealers under the Programme and will purchase Covered Bonds (or beneficial interests therein) from the Issuer pursuant to the terms of the Programme Agreement and the relevant Subscription Agreement.

The Programme Agreement is governed by the laws of England and Wales.

Agency Agreement

Under the terms of the Agency Agreement, the Agents have each agreed to provide the Issuer with certain agency services. In particular, each Paying Agent has agreed to hold available for inspection at its specified office during normal business hours copies of all documents required to be so available by the Conditions of any Covered Bonds. For these purposes, the Issuer shall provide the Paying Agents with sufficient copies of each of the relevant documents (or an electronic copy thereof).

The Agency Agreement is governed by the laws of England and Wales.

Amendments

Pursuant to the provisions of the Agency Agreement, the Issuer may (without the consent of the other parties hereto and, subject to the provisions of the other applicable Transaction Documents, the other parties thereto and any other Secured Creditors) make:

(a) any amendment to any of the provisions of the Conditions of any Series, the Deed of Covenant, the Agency Agreement or any other Transaction Document, which amendment is: (i) made while no Covered Bonds are outstanding or (ii) in the opinion of the Issuer, either: (A) of a formal, minor or technical nature or that is made for the purpose of curing any ambiguity or of curing or correcting any manifest or proven error or any other

defective provision contained therein or (B) not materially prejudicial to the interests of the Covered Bondholders and/or the Hedging Counterparties (if any) (in each case, considered: (1) as a class and not individually, and (2) from a contractual perspective without consideration of any regulatory or other unique circumstances that might apply to any one or more Covered Bondholders and/or Hedging Counterparties (if any)),

(b) any amendment to any of the Transaction Documents if the Issuer proposes to: (i) appoint a rating agency to assign a credit rating to one or more Series of Covered Bonds or (ii) revise any provision of the Transaction Documents in accordance with the then current rating agency criteria of one or more of the Relevant Rating Agencies (such as to establish or alter the Offshore Account Bank Required Rating relating to such Relevant Rating Agency); *provided* that: (A) the Issuer certifies to the Security Agent and the Fiscal Agent that such amendment is necessary or desirable in order to give effect to the appointment of the additional Relevant Rating Agency and the assignment of its initial credit rating to the relevant Covered Bonds or to conform any provision of the Transaction Documents to the then current rating agency criteria of one or more of the Relevant Rating Agencies and (B) subject to Clause 32.4 of the Agency Agreement, Rating Agency Confirmation with respect to each outstanding Series of Covered Bonds has been obtained in respect of such amendment,

(c) any modification to a Hedging Agreement (if any) that is requested by the Issuer or the relevant Hedging Counterparty in order to enable the Issuer and/or the relevant Hedging Counterparty to comply with any requirements that apply to it under EMIR, Dodd-Frank, MiFID II or the Applicable Laws of Turkey (or other hedging-related Applicable Law in any jurisdiction to which the Issuer or the relevant Hedging Counterparty (if any) is subject), including any New EMIR Requirements, New Dodd-Frank Requirements, New MiFID II Requirements or New Turkish Law Requirements (or other hedging-related Applicable Law in any jurisdiction to which the Issuer or the relevant Hedging Counterparty (if any) is subject), as applicable, in relation to such Hedging Agreement (if any), subject to the Issuer and/or the relevant Hedging Counterparty, as applicable, providing the Fiscal Agent and the Security Agent with written certification that the Issuer and/or the relevant Hedging Counterparty is only seeking to implement changes it considers appropriate to comply with EMIR, Dodd-Frank, MiFID II or the Applicable Law of Turkey (or other hedging-related Applicable Law in any jurisdiction to which the Issuer and/or the relevant Hedging Counterparty (if any) is subject), including to meet the New EMIR Requirements, New Dodd-Frank Requirements, New MiFID II Requirements or New Turkish Law Requirements, as applicable, together with any modification to any other Transaction Document(s) that may be necessary as a consequence of such modification to the relevant Hedging Agreement (if any); *provided* that any modification or change to the payment instructions (*i.e.*, the account to which payment is to be made by the Hedging Counterparty (if any)) contained in such Hedging Agreement (if any) shall require the consent of the Security Agent (as directed by the Covered Bondholder Representative),

(d) any amendment to any of the Transaction Documents (including a change in the definitions of Cover Pool, Cover Pool Asset, Individual Asset Eligibility Criteria, Substitute Asset Limit, Required Overcollateralisation Percentage and Statutory Test (and their corresponding subsidiary definitions)) (to the extent not otherwise permitted by the Transaction Documents, including per (a) and (b) above and (j) below) as a result of any amendment, restatement, modification or other change to the Turkish Covered Bonds Law; *provided* that: (i) the Issuer provides the Security Agent and the Fiscal Agent with written certification that the Issuer is only seeking to implement mandatory provisions of the Turkish Covered Bonds Law applicable to the Programme and (ii) each Relevant Rating Agency has been notified in writing in respect of such amendment not less than five London Business Days prior to the proposed amendment,

(e) any amendment to effect the substitution of the Issuer in accordance with the provisions of the Covered Bonds Communiqué, together with any modification to any other Transaction Document that may be necessary as a consequence of such substitution,

(f) any amendment to effect the appointment of a third party service provider (*hizmet sağlayıcı*) (within the meaning of the Covered Bonds Communiqué) or an Administrator, together with the modification to any other Transaction Document that may be necessary for the sole purpose of enabling such third party service provider or Administrator to carry out its statutory duties and for no other purpose,

(g) any amendment to effect the appointment or replacement of any Agent, the Security Agent, the Calculation Agent, the Offshore Account Bank or a Covered Bond Calculation Agent; *provided* that: (i) such

appointment or replacement is otherwise made in accordance with the provisions of the relevant Transaction Documents applicable to such Agent, the Security Agent, the Calculation Agent, the Offshore Account Bank or such Covered Bond Calculation Agent and (ii) each Relevant Rating Agency has been notified in writing of such amendment not less than five London Business Days prior to the proposed amendment,

(h) any amendment to effect the appointment of a replacement Cover Monitor to the Programme; *provided* that: (i) such appointment is otherwise made in accordance with the provisions of the Cover Monitor Agreement (if relevant) and the Covered Bonds Communiqué and (ii) each Relevant Rating Agency has been notified in writing of such amendment not less than five London Business Days prior to the proposed amendment,

(i) any amendment to any of the Transaction Documents to facilitate the inclusion of a guarantor or other enhancer for Series of Covered Bonds, which amendment the Issuer certifies to the Security Agent and the Fiscal Agent is not materially prejudicial to the then-existing Covered Bondholders and/or the Hedging Counterparties (if any) (in each case, considered: (i) as a class and not individually, and (ii) from a contractual perspective without consideration of any regulatory or other unique circumstances that might apply to any one or more Covered Bondholders and/or Hedging Counterparties (if any)) (*it being acknowledged and agreed* that: (A) any such amendment that permits the guarantor/enhancer to: (1) receive its interest/premium/fee on a *pro rata* basis with interest on the Covered Bonds, (2) receive interest and/or principal (or reimbursement for making a guaranty/enhancement payment for interest and/or principal) on a *pro rata* basis with interest and/or principal, as applicable, on the Covered Bonds, (3) receive indemnities and other payments on a *pro rata* basis with similar payments to Covered Bondholders and/or (4) be a Secured Creditor will not be considered to be materially prejudicial to the then-existing Covered Bondholders and/or the Hedging Counterparties (if any) as a class and (B) any such guarantor or other enhancer is not, as of the Programme Closing Date, permitted to be paid from the Cover Pool except to the extent that it may receive payment therefrom as an Other Secured Creditor),

(j) any amendment to the Individual Asset Eligibility Criteria as a result of the inclusion of additional Cover Pool Assets in the Programme or to comply with the Issuer's then current underwriting, servicing and collection procedures; *provided* that: (i) any such change is in compliance with the provisions of the Covered Bonds Communiqué, (ii) any requirements in the Transaction Documents as to the inclusion of additional Cover Pool Assets in the Programme are satisfied and (iii) subject to Clause 32.4 of the Agency Agreement, Rating Agency Confirmation with respect to each outstanding Series of Covered Bonds has been obtained in respect of such amendment, and

(k) at any time after a change in the Applicable Law of Turkey (including in the Covered Bonds Communiqué) that permits the Additional Cover to be made available to some or all of the Other Secured Creditors on a *pari passu* or priority basis to the Total Liabilities, any amendment to the Agency Agreement, the Security Assignment or any other Transaction Document to provide for such *pari passu* or priority treatment.

Any such amendment or modification will be binding upon the Agents, Covered Bondholders, Receiptholders, Couponholders and other Secured Creditors and, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the Covered Bondholders, Receiptholders and Couponholders as soon as practicable thereafter in accordance with Condition 14. Notwithstanding the above, such amendment and modification provisions (other than clause (a)(i)) do not apply to any Series Reserved Matter or Programme Reserved Matter. Each party to the Agency Agreement is thereby authorised and instructed to acknowledge and/or execute any such amendment or modification to the extent requested by the Issuer.

Notwithstanding anything in clauses (a) through (k) in the preceding paragraph to the contrary, any amendment or other modification that decreases the rights of any Agent or the Security Agent (in their respective individual capacities), as applicable, or increases the obligations and/or liabilities of any Agent or the Security Agent, as applicable, including any amendment or modification to the definition of Reserve Fund Secured Creditor, shall require the consent of such Agent or the Security Agent, as applicable, which shall be in its sole discretion.

The Security Agency Agreement, Security Assignment, Offshore Bank Account Agreement, Calculation Agency Agreement and Master Definitions and Construction Schedule each provide that: (a) any provision thereof may be amended or waived; *provided* that such amendment or waiver is in writing and is signed by the parties to that Document (with respect to the Master Definitions and Construction Schedule, the Issuer and the Security Agent), but (b) notwithstanding clause (a),

the Issuer may (without the consent of the other parties to the applicable document) make any amendment thereto in the manner described in this “*Amendments*” section.

Any amendments, modifications or waivers in relation to the Conditions or the other Transaction Documents that are not covered by the above in this “*Amendments*” section are, subject to the requirements for Programme Reserved Matters and Series Reserved Matters, required to be effected by Extraordinary Resolution (though substituting the phrases “not less than 75%” with “more than 50%” in the definition of Extraordinary Resolution) in respect of the Covered Bonds for the time being outstanding (or, if applicable, a Series of Covered Bonds) and (except for waivers of compliance by the Issuer) require the consent of the Issuer.

“*Dodd-Frank*” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

“*MiFID IP*” means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and relevant regulations made under it.

“*New Dodd-Frank Requirements*” means provisions, rules, regulations, directions, processes, guidelines and procedures relating to Dodd-Frank (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

“*New EMIR Requirements*” means provisions, rules, regulations, directions, processes, guidelines and procedures relating to EMIR (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities or ESMA) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

“*New MiFID II Requirements*” means provisions, rules, regulations, directions, processes, guidelines and procedures relating to MiFID II (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities or ESMA) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

“*New Turkish Law Requirements*” means provisions, rules, regulations, directions, processes, guidelines and procedures relating to any relevant (present or future) requirements of the Applicable Law of Turkey relating to derivatives (including, without limitation, in each case, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

A “*Series Reserved Matter*” means, with respect to any Series:

(a) modification of the Final Maturity Date or Extended Final Maturity Date of such Series or reduction or cancellation of the Principal Amount Outstanding of such Series payable at maturity,

(b) reduction or cancellation of the amount of principal or the rate of interest, or modification of any date for payment of interest, in respect of such Series or variation of the method of calculating the rate of interest in respect of such Series,

(c) reduction of any Minimum Rate of Interest and/or Maximum Rate of Interest specified in the applicable Final Terms,

(d) alteration of the currency of payment of such Series, its related Receipts or the related Coupons,

(e) amendment of the Deed of Covenant,

(f) modification of the majority required to pass an Extraordinary Resolution,

(g) the sanctioning of any scheme or proposal described in paragraph 4.9(i) of Schedule 3 of the Agency Agreement, or

(h) alteration of this definition or the proviso to paragraph 3.7 of Schedule 3 of the Agency Agreement,

A Series Reserved Matter is required to be passed by an Extraordinary Resolution of the relevant Series of Covered Bonds. For the purposes of a Series Reserved Matter, the quorum shall be one or more eligible person(s) present and holding or representing in the aggregate not less than two thirds in Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding.

An “*Extraordinary Resolution*” when used:

(a) in respect of the Covered Bonds for the time being outstanding means: (i) a resolution passed at a meeting of the Covered Bondholders duly convened and held in accordance with the provisions of Schedule 3 (*Provisions for Meetings of Covered Bondholders*) of the Agency Agreement by a majority consisting of not less than 75% of the eligible persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes (as determined in accordance with the Agency Agreement) cast on the poll, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Covered Bondholders, or (iii) consent given by way of electronic consents through the Relevant Clearing System(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds for the time being outstanding (the resolutions in writing and consents given pursuant to clauses (ii) and (iii) shall be combined in calculating the level of approval), and

(b) in respect of a Series of Covered Bonds means: (i) a resolution passed at a meeting of the Covered Bondholders of the relevant Series duly convened and held in accordance with the provisions of Schedule 3 (*Provisions for Meetings of Covered Bondholders*) of the Agency Agreement by a majority consisting of not less than 75% of the eligible persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes (as determined in accordance with the Agency Agreement) cast on the poll, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds of the relevant Series, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Covered Bondholders of the relevant Series, or (iii) consent given by way of electronic consents through the Relevant Clearing System(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding (the resolutions in writing and consents given pursuant to clauses (ii) and (iii) shall be combined in calculating the level of approval).

A “*Programme Reserved Matter*” means:

(a) a modification that would have the effect of altering the majority required to pass a specific resolution or the quorum required at any Programme Meeting,

(b) an amendment of this definition or the definition of Programme Meeting, or

(c) a modification that would have the effect of altering the requirements to declare an Event of Default under Condition 10 or altering the taking of enforcement action under Condition 10.2 of the Covered Bonds.

A Programme Reserved Matter is required to be passed by a Programme Resolution.

A “*Programme Resolution*” means: (a) a resolution in writing signed by or on behalf of holders of a majority of the Principal Amount Outstanding of all Covered Bonds, (b) a resolution of a Programme Meeting duly convened and held in accordance with the provisions of the Agency Agreement that has been passed by a majority of votes cast at such Programme Meeting or (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form

satisfactory to the Fiscal Agent) by or on behalf of the holders of a majority of the Principal Amount Outstanding of all Covered Bonds (the resolutions in writing and consents given pursuant to clauses (a) and (c) shall be combined in calculating the level of approval).

A “*Programme Meeting*” means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment) that has been convened to consider a Programme Reserved Matter.

Deed of Covenant

Under the terms of the Deed of Covenant, the Issuer covenants with accountholders holding interests in the Covered Bonds through a depositary for one or more Clearing System(s) that such accountholders will acquire direct rights of enforcement against the Issuer if the relevant Global Covered Bond becomes void.

The Deed of Covenant is governed by the laws of England and Wales.

Hedging Agreements

To provide a hedge against possible variances in the rates of interest payable on or currency risks associated with the Mortgage Assets/and or the Covered Bonds, the Issuer may enter into one or more interest rate swap(s) with one or more Interest Rate Hedge Provider(s) and/or one or more currency swap(s) with one or more Currency Hedge Provider(s) under one or more Interest Rate Hedging Agreement(s) and/or Currency Hedging Agreement(s), respectively.

With respect to Tranches not denominated in Turkish Lira, the Issuer is not obligated to enter into any Hedging Agreement; *however*, if the Issuer elects to do so, then it would likely enter into a Currency Hedging Agreement. Each such Currency Hedging Agreement would likely provide that: (a) on or about the Issue Date of the applicable Tranche of Covered Bonds, the Issuer would pay to the applicable Hedging Counterparty an amount equal to the relevant portion of the amount received by the Issuer in respect of the aggregate Principal Amount Outstanding of such Tranche and in return the Hedging Counterparty would pay to the Issuer the Turkish Lira Equivalent of such amount, and (b) thereafter: (i) the Hedging Counterparty would pay to the applicable Non-TL Hedge Collection Account on each Interest Payment Date an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable under such Tranche and (ii) the Issuer would periodically pay to the applicable Hedging Counterparty an amount in Turkish Lira calculated by reference to the applicable floating rate or fixed rate, as applicable, specified in the relevant Hedging Agreement plus a spread and, where relevant, the Turkish Lira Equivalent of the relevant portion of any principal due to be repaid in respect of such Tranche.

A Hedging Agreement might, in the event that the Issuer does not pay the principal amount payable to the Covered Bondholders in respect of a Tranche on the applicable Final Maturity Date (or, with respect to Instalment Covered Bonds, on an applicable Interest Payment Date) of such Tranche and, where an Extended Final Maturity Date is applicable to such Tranche, on such Extended Final Maturity Date, provide for payments to be made to and by the Hedging Counterparty on a different basis and timing.

The terms of a Hedging Agreement might provide that, in the event that the relevant rating of the relevant Hedging Counterparty or any guarantor of such Hedging Counterparty’s obligations is downgraded below a rating specified in such Hedging Agreement, such Hedging Counterparty will be required to take certain remedial measures, which might include (without limitation) providing Hedge Collateral for its obligations under such Hedging Agreement, arranging for its obligations under such Hedging Agreement to be transferred to an entity with sufficient ratings or procuring another entity with sufficient ratings to become co-obligor or guarantor in respect of its obligations under such Hedging Agreement. A failure to take such steps within the time periods set out in a Hedging Agreement would likely, subject to certain conditions, allow the Issuer to terminate such Hedging Agreement.

A Hedging Agreement might also provide that the applicable Hedging Counterparty might transfer all of its interest and obligations in and under such Hedging Agreement to a transferee that satisfies minimum ratings without any prior written consent of the Issuer or the Security Agent.

It is important to note that while a Hedging Agreement might be entered into in connection with the issuance of a new Tranche of Covered Bonds, payments by the corresponding Hedging Counterparty under such Hedging Agreement are not allocated solely to the Covered Bondholders of such Tranche but rather become part of the overall Cover Pool that is applied to make payments generally, including to pay the Issuer's obligations to the Covered Bondholders of all Tranches and the Hedging Counterparties.

Cover Monitor Agreement

The Cover Monitor has agreed to be appointed by the Issuer in accordance with the Covered Bonds Communiqué to carry out any and all assessments, checks and notification duties specified in the Cover Monitor Agreement (including those referenced in the form of the Cover Monitor Report set out in the appendices to the Cover Monitor Agreement), including in relation to the checks and calculations performed by the Issuer on the Cover Pool in relation to the Individual Asset Eligibility Criteria and the Statutory Tests subject to and in accordance with the Covered Bonds Communiqué and the terms of the Cover Monitor Agreement.

The Issuer shall, amongst other things:

(a) keep the Cover Register pursuant to the Covered Bonds Communiqué, keep such Cover Register up to date and make such Cover Register available to the Cover Monitor on demand during normal business hours,

(b) monitor compliance with the Statutory Tests at every change to the Cover Register (meaning removal of a Cover Pool Asset or addition to the Cover Pool Assets) and, in any case, at least once per calendar month,

(c) to the extent not contrary to Applicable Law (including with respect to customer data protection), submit the information and documents that are required by the Cover Monitor in accordance with the Covered Bonds Communiqué and provide such information as is in the Issuer's knowledge and/or possession that the Cover Monitor reasonably requests in respect of the Cover Pool,

(d) demonstrate to the Cover Monitor within two Istanbul Business Days of the Issuer's detection of a Potential Breach of Statutory Test or an Issuer Event that all collections of interest and principal on the Cover Pool Assets on deposit in the Collection Account have been transferred to the TL Designated Account, and

(e) demonstrate to the Cover Monitor within one month after the Issuer's detection of a Potential Breach of Statutory Test or an Issuer Event of the type described in clauses (a) through (f) of the definition thereof that (until the Issuer has cured all Potential Breach of Statutory Tests and Issuer Events): (i) any and all present and future payments due under the Cover Pool Assets are being accumulated in the applicable Designated Account (whether by an obligor thereof paying the sums due directly to the applicable Designated Account, by the Issuer's redirecting amounts that it receives from an obligor (including by way of set-off from an account such obligor maintains with the Issuer) or otherwise) and (ii) all such amounts will be dedicated exclusively to the payment of the Total Liabilities that have become due and payable unless otherwise agreed with the CMB.

The Cover Monitor Agreement confirms that the Issuer shall be entitled, in accordance with the Covered Bonds Communiqué and subject to making any Security Update Registrations, to reduce the Cover Pool by removing one or more Cover Pool Asset(s); *provided* that: (a) any asset removals must not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, (b) neither any Potential Breach of Statutory Test nor any Issuer Event of the type described in clauses (a) through (f) of the definition thereof would occur as a result of such removal, and (c) any collections in respect of any such removed Cover Pool Assets will no longer be transferred to the Collection Account.

At the discretion of the CMB, all removals of Cover Pool Assets from the Cover Pool and all deletions of entries from the Cover Register may require the consent of the Cover Monitor.

The Issuer shall notify the Cover Monitor of the occurrence of any Potential Breach of Statutory Test or Issuer Event of the type described in clauses (a) through (f) of the definition thereof promptly after the Issuer's detection of such occurrence indicating whether any such event(s) included a failure to fulfil the Issuer's payment obligations under the Total Liabilities either partially or fully.

Subject to the terms of the Cover Monitor Agreement, the Cover Monitor shall, amongst other things: (a) verify that the Cover Register has been created and is maintained and preserved in accordance with the provisions of the Covered Bonds Communiqué, (b) check whether the Cover Pool Assets meet the eligibility criteria of the Cover Pool Assets indicated in the Covered Bonds Communiqué and the Individual Asset Eligibility Criteria based upon a sampling basis, (c) in the event that the Cover Register is kept in electronic form, inspect that the necessary cross checks, automations and authorisations have been set up, (d) review the Cover Pool Asset Substitution(s) by the Issuer from the Cover Pool since the previous Cover Monitor Calculation Date (or, for the initial such review, since the initial constitution of the Cover Register), and the removal(s) of the related entries from the Cover Register, in accordance with the provisions of the Covered Bonds Communiqué and the Cover Monitor Agreement (*it being understood* that, at the discretion of the CMB, all removals from the Cover Pool and all deletions of entries from the Cover Register may require the consent of the Cover Monitor) and reconcile the entries in the Cover Register with any additions and removals of Cover Pool Assets made by the Issuer to the Cover Pool and review the related credit documents and other information and documents that the Cover Monitor deems necessary and (e) analyse and verify whether the Statutory Tests are satisfied as of the relevant Cover Monitor Calculation Date.

Other than in relation to the checking by the Cover Monitor of the arithmetic or other accuracy of the checks and calculations performed by the Issuer in accordance with the provisions of the Cover Monitor Agreement, the Cover Monitor is entitled to assume that all information provided to it by the Issuer pursuant to the Cover Monitor Agreement is true and correct and is not misleading, and the Cover Monitor is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or non-misleading nature of such information. On completion of its calculations and procedures in respect of a Cover Monitor Calculation Date, the Cover Monitor will deliver a cover monitor report, in the form set out in the Cover Monitor Agreement (the “*Cover Monitor Report*”), to the CMB (if required), the Issuer, the Security Agent, the Dealers, the Arrangers and the Relevant Rating Agencies (in their respective capacities, collectively referred to as the “*Recipients*”).

The Issuer shall pay to the Cover Monitor a fee for its services in the amount and at the times set out in a separate fee letter between the Issuer and the Cover Monitor.

The Cover Monitor may, at any time, subject to the reasons of such resignation being submitted to the CMB in writing and the CMB’s approval being obtained, resign from its appointment under the Cover Monitor Agreement upon providing the Issuer with at least 60 days’ prior written notice (or a shorter period that may be agreed between the Issuer and the Cover Monitor) (the Issuer shall provide a copy of such notice to the Relevant Rating Agencies and to the Security Agent); *provided* that such termination may not be effected unless and until a replacement has been found for the Cover Monitor by the Issuer, which replacement agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in the cover Monitor Agreement, and the agreement appointing such replacement (“*Replacement Cover Monitor Agreement*”) is approved by the CMB.

In addition to the preceding paragraph, the Cover Monitor may resign, subject to the reasons of such resignation being submitted to the CMB in writing and the CMB’s approval being obtained, from its appointment under the Cover Monitor Agreement upon giving at least 30 days’ prior written notice if any action taken by any one or more of the Recipients, Covered Bondholders or Hedging Parties causes a professional conflict of interest for the Cover Monitor under the rules of the professional and/or regulatory bodies regulating the activities of the Cover Monitor; *provided* that such termination may not be effected unless and until a replacement has been found for the Cover Monitor by the Issuer, which replacement agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in the Cover Monitor Agreement and a Replacement Cover Monitor Agreement, and such Replacement Cover Monitor Agreement is approved by the CMB. The Cover Monitor will inform the Recipients as soon as reasonably practicable of any action of which the Cover Monitor is aware that may cause a professional conflict of interest for the Cover Monitor that could result in termination under this paragraph.

The Issuer may, at any time, terminate the appointment of the Cover Monitor under the Cover Monitor Agreement upon providing the Cover Monitor with at least 60 days' prior written notice (or a shorter period that may be agreed between the Issuer and the Cover Monitor); *provided* that such termination may not be effected: (a) unless the reasons of such termination are submitted to the CMB in writing and the CMB's approval is obtained and (b) until a replacement has been found by the Issuer, which replacement (in a Replacement Cover Monitor Agreement that is approved by the CMB) agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in the Cover Monitor Agreement.

The Cover Monitor Agreement is governed by Turkish law.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank's management believes to be reliable, but neither the Bank nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

As of the date of this Base Prospectus, the Issuer is required to notify Central Registry İstanbul within three İstanbul business days from the applicable Issue Date of a Tranche of Covered Bonds of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Covered Bonds and the country of issuance.

Book-entry Systems

DTC

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

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

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC’s records. The ownership interest of each DTC Beneficial Owner is in turn to be recorded on the relevant Direct Participant’s and Indirect Participant’s records. DTC Beneficial Owners will not receive written confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the DTC Beneficial Owner holds its interest in the DTC Covered Bonds. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC

Beneficial Owners; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the DTC Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices will be sent to Cede & Co. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal and interest payments on the DTC Covered Bonds will be made to DTC or its nominee. DTC's practice is to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, subject to the receipt of funds and corresponding detail information from the Issuer or the relevant Paying Agent. Payments by Participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the DTC Beneficial Owners is the responsibility of Participants.

Under certain circumstances, including if there is an Event of Default under the Covered Bonds, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and that will be legended as described in "*Transfer and Selling Restrictions*."

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

The Applicable Laws in some jurisdictions might require that certain Persons take physical delivery of securities in definitive form. Consequently, the ability to transfer an interest in Covered Bonds represented by a Registered Global Covered Bond to such Persons might depend upon the ability to exchange such interest for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a Person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such interest to Persons that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such interest for Covered Bonds in definitive form. The ability of any holder of an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such interests might be impaired if the proposed transferee of such interests is not eligible to hold such interests through a Participant.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the Applicable Laws of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of a number of currencies, including U.S. dollars and Turkish Lira.

Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in several countries through established depository and custodial relationships.

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

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

Euroclear

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

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

Book-entry Ownership of and Payments in respect of Global Covered Bonds

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Covered Bond(s) accepted in its book-entry settlement system. Upon the issue of any such Global Covered Bond, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by such Global Covered Bond to the accounts of Persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Interests in such a Global Covered Bond through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Covered Bond will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg participants) and the records of direct or indirect Euroclear and/or Clearstream, Luxembourg participants (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg participants).

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of Persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants and Indirect Participants, including, in the case of any Regulation S Registered Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants and Indirect Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial owners of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

Subject to the preceding paragraph, payments of principal and interest in respect of a Global Covered Bond will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Covered Bond. The Issuer expects DTC, Clearstream, Luxembourg and Euroclear to credit accounts of their respective direct accountholders on the applicable payment date. The Issuer also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such Clearing Systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such Clearing System, and will be the responsibility of such direct participant and not the responsibility of such Clearing System, the Fiscal Agent, any Paying Agent, the Registrar or the Bank. Payments of principal and interest on the Covered Bonds to a Clearing System (or its nominee) are the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

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

On or after the Issue Date for any Tranche, transfers of Covered Bonds of such Tranche between participants in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Tranche between Participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

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

Each Clearing System has published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants of the Clearing Systems; *however*, they are under no obligation to perform or continue to perform such procedures, and such procedures might be discontinued or changed at any time. None of the Issuer, the Agents or any Arranger or Dealer will be responsible for any performance by the Clearing Systems or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

This is a general summary of certain Turkish tax laws and other tax considerations in connection with an investment in the Covered Bonds. This summary does not address all aspects of Turkish tax law or any other tax-related Applicable Laws or the Applicable Laws of other jurisdictions (such as tax-related Applicable Laws in the United Kingdom or the United States). While this summary is considered to be a correct interpretation of existing Applicable Laws in force on the date of this Base Prospectus, there can be no assurance that those Applicable Laws or the interpretation of those Applicable 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 in the Covered Bonds are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Covered Bonds (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 of their respective citizenship, residence or domicile, including (but not limited to) the consequences of receipt of payments on the Covered Bonds and the disposal of investments in the Covered Bonds.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Covered Bonds by a Person who is a non-resident of Turkey. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to Persons who are not tax resident in Turkey.

The discussion is based upon current Applicable Law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Covered Bonds that may be relevant to a decision to make an investment in the Covered Bonds. Furthermore, the discussion only relates to the beneficial interest of a Person in the Covered Bonds where the Covered Bonds will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon Applicable Laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the Applicable Laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law might not be treated as a resident of Turkey depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the Person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident is the final tax for such non-resident and no further declaration is required. Any other income of a non-resident sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on debt instruments (such as the Covered Bonds) issued abroad by a Turkish corporation is subject to withholding tax, which tax would be paid by the Bank in Turkey. Pursuant to the Tax Decrees, the withholding tax rates are set according to the original maturity of debt instruments issued abroad as follows:

- (a) 7% withholding tax for debt instruments with an original maturity of less than one year,
- (b) 3% withholding tax for debt instruments with an original maturity of at least one year and less than three years, and
- (c) 0% withholding tax for debt instruments with an original maturity of three years and more.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 49,000 for 2020 together with the gains from other marketable securities and income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Covered Bonds may be subject to declaration; *however*, pursuant to Provisional Article 67 (which is effective until 31 December 2020) of the Turkish Income Tax Law, as amended by the law numbered 6111, special or separate tax returns will not be submitted for capital gains from the covered bonds of a Turkish corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-residents in respect of capital gains from the Covered Bonds and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Covered Bonds, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Covered Bonds (or beneficial interests therein) are subject to income tax or corporate tax declaration. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting period of 2020. As of the date of this Base Prospectus, the rate for individuals ranges from 15% to 40% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Applicable Laws in Turkey, interest payments on covered bonds issued abroad by a Turkish corporation to a non-resident holder will be subject to a withholding tax at a rate between 7% and 0% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the covered bonds is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country in which the investor is an income tax resident, an original copy of the certificate of residence signed by the competent authority is required, with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of

residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Bond issuances and interest payments on bonds are exempt from Turkey's value added tax pursuant to Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended pursuant to the Turkish Tax Bill Regarding Improvement of the Investment Environment (Law No. 6728) published in the Official Gazette dated 9 August 2016 and numbered 29796.

FATCA

Pursuant to FATCA, a "foreign financial institution" (as defined in FATCA) (a "*Foreign Financial Institution*") may be required to withhold on certain payments it makes ("*Foreign Passthru Payments*") to payees who fail to meet certain certification, reporting or related requirements. The Issuer is a Foreign Financial Institution for these purposes. A number of jurisdictions (including Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("*IGAs*"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as in effect as of the date of this Base Prospectus, a Foreign Financial Institution in an IGA jurisdiction would generally not be required to withhold under FATCA or such IGA from payments that it makes; *however*, there can be no assurance that it will not be required to do so in the future. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining Foreign Passthru Payments are published in the U.S. Federal Register, and Covered Bonds characterised as debt (or that are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining Foreign Passthru Payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date; *however*, if additional Covered Bonds (see Condition 16) that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents might treat all Covered Bonds, including Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules might apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no Person will be required to pay additional amounts as a result of such withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a Directive for a common financial transaction tax ("*FTT*") that might apply in certain Member States of the EU (the "*Participating Member States*"); *however*, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and might, if introduced, apply to certain dealings in the Covered Bonds (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 Covered Bonds 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. Participating Member States might decide to withdraw and additional Member States of the EU might decide to participate. Prospective investors in the Covered Bonds are advised to seek their own professional advice in relation to the FTT and its potential impact on the Covered Bonds.

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

Subject to the following discussion, the Covered Bonds (or beneficial interests therein) may be acquired with assets of an “employee benefit plan” (as defined in Section 3(3) of ERISA), that is subject to Title I of ERISA, a “plan” as defined in and subject to Section 4975 of the Code and any entity deemed to hold “plan assets” of any of the foregoing (each a “Benefit Plan Investor”), as well as by governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (collectively, with Benefit Plan Investors, referred to as “Plans”). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with Persons who are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to such Benefit Plan Investor. A violation of these “prohibited transaction” rules might result in an excise tax or other penalties and liabilities under ERISA and the Code for such Persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Governmental plans, certain church plans and non-U.S. plans are not subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code; *however*, such Plans might be subject to any applicable state, local, other federal or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (“*Similar Law*”).

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

By acquiring a Covered Bond (or a beneficial interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Covered Bond (or a beneficial interest therein) will not be, acquiring or holding a Covered Bond (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Covered Bond (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors in the Covered Bonds are advised to consult their advisers with respect to the matters discussed above and other applicable legal requirements.

SUBSCRIPTION AND SALE

The Dealers have, in the Programme Agreement, agreed (or, when acceding thereto, will agree) with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds (or beneficial interests therein). Any such agreement will extend to those matters stated under “Form of the Covered Bonds” and “Terms and Conditions of the Covered Bonds.” In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment, this update and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify each Dealer, their respective affiliates and each person who controls any Dealer (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and each of their respective directors, officers, employees and agents (the “*Relevant Parties*”) against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Relevant Parties may be required to make because of those liabilities. The Programme Agreement provides that the obligation of any Dealer to purchase Covered Bonds (or beneficial interests therein) under any agreement for the issue and purchase of such Covered Bonds (or beneficial interests therein) is subject to certain conditions. Unless otherwise specified in the relevant Final Terms, any Covered Bonds (or beneficial interests therein) sold to one or more Dealers as principal will be purchased by such Dealer(s) at a price as may be set forth in the relevant Final Terms less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and such Dealer(s). After the initial offering of a Tranche of Covered Bonds, the offering price may be changed.

In connection with any offering of Covered Bonds, one or more Dealer(s) might purchase and sell Covered Bonds (or beneficial interests therein) in the secondary market. Offers and sales of the Covered Bonds (or beneficial interests therein) in the United States may only be made by those Dealers or their affiliates that are registered broker-dealers under the Exchange Act or in accordance with Rule 15a-6 thereunder.

These transactions might include overallotment, syndicate covering transactions and stabilisation transactions. Overallotment involves the sale of Covered Bonds (or beneficial interests therein) in excess of the principal amount of Covered Bonds to be purchased by the Dealer(s) in an offering, which creates a short position for the applicable Dealer(s). Covering transactions involve the purchase of the Covered Bonds (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilisation transactions consist of certain bids or purchases of Covered Bonds (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of an investment in the Covered Bonds (or beneficial interests therein) while the offering is in progress. Any of these activities might have the effect of preventing or retarding a decline in the market price of an investment in the Covered Bonds. They might also cause the price of the Covered Bonds (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 applicable Dealer(s) might conduct these transactions in the over-the-counter market or otherwise. If a Dealer commences any of these transactions, it might discontinue them at any time. Under Applicable Laws in England, stabilisation activities may only be carried on by the Stabilisation Manager(s) (or Persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Covered Bonds.

Investors in the Covered Bonds who wish to trade interests in Covered Bonds on their trade date or otherwise before the applicable Issue Date should consult their own adviser.

All or certain of the Dealers, the Arrangers 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 Dealers, the Arrangers or their respective affiliates might have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they might have received fees, expenses, reimbursements and/or other compensation. The Dealers, the Arrangers or their respective affiliates might, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Dealers, the Arrangers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Dealers, the Arrangers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers

and might at any time hold long and short positions in such securities and instruments. Such investment and securities activities might involve securities and instruments of the Issuer and/or other members of the Group. In addition, certain of the Dealers, the Arrangers and/or their respective affiliates hedge their credit exposure to the Issuer and/or other members of the Group pursuant to their customary risk management policies. These hedging activities might have an adverse effect on the future trading prices of an investment in the Covered Bonds.

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

TRANSFER AND SELLING RESTRICTIONS

As a result of the following restrictions, investors in the Covered Bonds are advised to consult legal counsel prior to making any purchase, offer, sale, resale, pledge or other transfer of such Covered Bonds (or beneficial interests therein).

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of Registered Covered Bonds (or a beneficial interest therein) (other than a Person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or a Person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form (or *vice versa*) will be required to acknowledge, represent, warrant and agree, and each Person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that it is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Bank and is not acting on the Bank’s behalf and it is either: (i) a QIB, purchasing (or holding) the Covered Bonds (or beneficial interests therein) for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance upon Rule 144A, (ii) an Institutional Accredited Investor that has delivered a duly executed IAI Investment Letter or (iii) not a U.S. person and is purchasing or acquiring the Covered Bonds (or a beneficial interest therein) in a transaction pursuant to an exemption from registration under the Securities Act,

(b) that the Covered Bonds (or a beneficial interest therein) are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Covered Bonds (or a beneficial interest therein) have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below,

(c) that, unless it holds an interest in a Regulation S Registered Global Covered Bond and is not a U.S. person, if in the future it decides to offer, resell, assign, transfer, pledge, encumber or otherwise dispose of the Covered Bonds (or beneficial interests therein), it will do so, prior to the date that is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the last Issue Date for such Covered Bonds and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds or beneficial interests, only: (i) to the Issuer or any affiliate thereof, (ii) to a Person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the United States and all other jurisdictions; such investor acknowledges that the Bank reserves the right prior to any offer, sale or other transfer of a Rule 144A Global Covered Bond (or a beneficial interest therein) pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank,

(d) that it will give to each Person to whom it transfers a Covered Bond (or a beneficial interest therein) notice of any restrictions on the transfer of such Covered Bond (or a beneficial interest therein) in this section,

(e) that Covered Bonds (or beneficial interests therein) initially offered to QIBs pursuant to Rule 144A will be represented by one or more Rule 144A Global Covered Bond(s), that Covered Bonds (or beneficial interests therein) offered to Institutional Accredited Investors pursuant to Section 4(a)(2) under the Securities Act will be in the form of IAI Definitive Covered Bonds or one or more IAI Global Covered Bond(s) and that Covered Bonds (or beneficial interests therein) offered in offshore transactions to non-U.S. persons in reliance upon Regulation S will be represented by one or more Regulation S Covered Bond(s),

(f) that each Covered Bond issued pursuant to Rule 144A will bear a legend substantially in the following form (with, if in definitive form, appropriate revisions) unless otherwise agreed by the Issuer:

“THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OF THE UNITED STATES OF AMERICA OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN), EACH HOLDER OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYER(S), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, ASSIGN, TRANSFER, PLEDGE, ENCUMBER OR OTHERWISE DISPOSE OF SUCH SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES OF WHICH THIS COVERED BOND IS A PART AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (iii) FOR SO LONG AS THIS COVERED BOND IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iv) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 UNDER THE SECURITIES ACT OR (v) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (iv) OR (v) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY INTEREST IN THIS COVERED BOND IS OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN).

[FOR GLOBAL COVERED BONDS CLEARING THROUGH DTC: UNLESS THIS GLOBAL COVERED BOND IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (“*DTC*”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED COVERED BOND ISSUED IN EXCHANGE FOR THIS GLOBAL COVERED BOND OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE

HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL COVERED BOND MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL COVERED BOND, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL COVERED BOND MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.]

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”,

(g) that each IAI Covered Bond will bear a legend in the following form (with, if an IAI Definitive Covered Bond, appropriate revisions) unless otherwise agreed to by the Issuer:

“THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OF THE UNITED STATES OF AMERICA OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES

LAW AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN), EACH HOLDER OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT) THAT IS AN INSTITUTION, (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, ASSIGN, TRANSFER, PLEDGE, ENCUMBER OR OTHERWISE DISPOSE OF SUCH SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT, THE TERMS OF THE IAI INVESTMENT LETTER IT EXECUTED IN CONNECTION WITH ITS PURCHASE OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) AND, PRIOR TO THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES OF WHICH THIS COVERED BOND IS A PART AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (iii) FOR SO LONG AS THIS COVERED BOND IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iv) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 UNDER THE SECURITIES ACT OR (v) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (iv) OR (v) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL GIVE TO EACH PERSON TO WHOM ANY INTEREST IN THIS COVERED BOND IS OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN).

[FOR GLOBAL COVERED BONDS CLEARING THROUGH DTC: UNLESS THIS GLOBAL COVERED BOND IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED COVERED BOND ISSUED IN EXCHANGE FOR THIS GLOBAL COVERED BOND OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL COVERED BOND MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A

NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL COVERED BOND, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL COVERED BOND MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.]

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”,

(h) if it holds a Definitive Regulation S Registered Covered Bond or a beneficial interest in a Regulation S Registered Global Covered Bond, then if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Covered Bond (or beneficial interest) prior to the expiration of a 40-day period after the later of the commencement of the offering to Persons other than distributors and the applicable Issue Date (the “*Distribution Compliance Period*”), it will do so only: (i)(A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable U.S. federal and state securities laws; and it acknowledges that such Covered Bonds (with appropriate revisions) will bear a legend in the following form unless otherwise agreed to by the Issuer:

“THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OF THE UNITED STATES OF AMERICA OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES

LAW AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF: (a) WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (b) EXCEPT IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) SHALL BE MADE TO A U.S. PERSON PRIOR TO THE EXPIRATION OF A 40 DAY PERIOD AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING TO PERSONS OTHER THAN DISTRIBUTORS AND THE ISSUE DATE OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART.

[FOR GLOBAL COVERED BONDS CLEARING THROUGH DTC: UNLESS THIS GLOBAL COVERED BOND IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED COVERED BOND ISSUED IN EXCHANGE FOR THIS GLOBAL COVERED BOND OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL COVERED BOND MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL COVERED BOND, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL COVERED BOND MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.]

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

(i) if it holds a Bearer Definitive Covered Bond or a beneficial interest in a Bearer Global Covered Bond, then if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Covered Bond (or beneficial interest) prior to the expiration of the applicable Distribution Compliance Period, it will do so only: (i)(A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable U.S. federal and state securities laws; and it acknowledges that such Covered Bonds (with appropriate revisions) will bear a legend in the following form unless otherwise agreed to by the Issuer:

“THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”), OF THE UNITED STATES OF AMERICA OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF: (a) WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (b) EXCEPT IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) SHALL BE MADE TO A U.S. PERSON PRIOR TO THE EXPIRATION OF A 40 DAY PERIOD AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING TO PERSONS OTHER THAN DISTRIBUTORS AND THE ISSUE DATE OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“*ERISA*”), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S.

INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “*CODE*”), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“*SIMILAR LAW*”), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”

(j) that the Issuer, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees (or will be deemed to agree) that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it will promptly notify the Issuer and the applicable Dealer(s); and if it is acquiring any Covered Bonds (or beneficial interests therein) as a fiduciary or agent for one or more accounts it represents, that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account,

(k) that either: (i) it is not, and for so long as it holds a Covered Bond (or a beneficial interest therein) will not be, acquiring or holding such Covered Bond (or beneficial interest) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law or (ii) the acquisition, holding and disposition of such Covered Bond (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law,

(l) if such investor purchases a Registered Covered Bond (or any beneficial interest therein), then it will also be deemed to acknowledge that the Registrar will not be required to accept for registration of transfer any Covered Bonds acquired by it except upon presentation of evidence satisfactory to the Bank and the Registrar that the restrictions set forth herein have been complied with, and

(m) acknowledges that none of the Bank, the Arrangers or the Dealers, or any Person representing the Bank, the Arrangers or the Dealers, has made any representation to it with respect to the Bank or the offer or sale of any of the Covered Bonds (or a beneficial interest therein), other than the information contained in this Base Prospectus or any applicable supplements hereto, which has been delivered to the investor and upon which such investor is relying in making its investment decision with respect to the Covered Bonds (or beneficial interests therein); it acknowledges that the Arrangers and the Dealers make no representation or warranty as to the accuracy or completeness of this Base Prospectus; it has had access to such financial and other information concerning the Bank and the applicable Covered Bonds as it has deemed necessary in connection with its decision to purchase

such Covered Bonds (or a beneficial interest therein), including an opportunity to ask questions of and request information from the Bank and the applicable Dealer(s).

Institutional Accredited Investors who invest in IAI Covered Bonds offered and sold in the United States as part of their original issuance in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. An IAI Investment Letter will state, among other things, the following:

(a) that the applicable Institutional Accredited Investor has received a copy of this Base Prospectus and such other information as it deems necessary in order to make its investment decision,

(b) that such Institutional Accredited Investor understands that such Covered Bonds (or beneficial interests therein) are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Covered Bonds have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Covered Bonds (or beneficial interests therein) is subject to certain restrictions and conditions set forth in this Base Prospectus and such Covered Bonds (including those set out above) and that it agrees to be bound by, and not to reoffer, resell, pledge or otherwise transfer such Covered Bonds (or beneficial interests therein) except in compliance with, such restrictions and conditions and the Securities Act,

(c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Covered Bonds,

(d) that it is an Institutional Accredited Investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Covered Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment in the Covered Bonds for an indefinite period of time,

(e) that such Institutional Accredited Investor is acquiring such Covered Bonds (or beneficial interests therein) for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of such Covered Bonds (or beneficial interests therein), subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control, and

(f) that, in the event that such Institutional Accredited Investor purchases Covered Bonds (or beneficial interests therein), it will acquire Covered Bonds (or beneficial interests therein) having a minimum purchase price of at least US\$500,000 (or the approximate equivalent in another Specified Currency) (or such other amount set forth in the applicable Final Terms).

Unless set forth in the applicable Final Terms otherwise, no sale of Legended Covered Bonds (or a beneficial interest therein) in the United States to any one purchaser will be for less than US\$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US\$500,000 (or its foreign currency equivalent) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, then each Person for whom it is acting must purchase at least US\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US\$500,000 (or its foreign currency equivalent) principal amount of Registered Covered Bonds (in each case, or such other amount as may be set forth in the applicable Final Terms).

Pursuant to the BRSA decisions dated 6 May 2010 (No. 3665) and 30 September 2010 (No. 3875) and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that, for both clauses (a) and (b), such purchase or sale complies with the Turkish Purchase Requirements.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB required for the issuance of Covered Bonds under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Covered Bonds under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law, the Capital Markets Law, the Debt Instruments Communiqué and the Covered Bonds Communiqué or their respective related Applicable Laws. In addition, Covered Bonds (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. The Covered Bonds issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey may acquire Covered Bonds (or beneficial interests therein) so long as they comply with the Turkish Purchase Requirements. To the extent (and in the form) required by Applicable Law, an approval from the CMB in respect of each Tranche of Covered Bonds is required to be obtained by the Issuer prior to the Issue Date of such Tranche of Covered Bonds.

Monies paid for investments in the Covered Bonds are not protected by the insurance coverage provided by the SDIF.

United States

The Covered Bonds have not been and will not be registered under the Securities Act, any other federal securities law or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and in accordance with all applicable local, state or federal Applicable Laws. Terms used in this paragraph have the meanings given to them by Regulation S.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

In connection with any Regulation S Covered Bonds, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (or beneficial interests therein): (a) as part of their distribution at any time or (b) otherwise until the expiration of the applicable Distribution Compliance Period other than in an offshore transaction to, or for the account or benefit of, Persons who are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor, dealer or other Person to whom it sells any Regulation S Covered Bonds (or beneficial interests therein) during the applicable Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds other than in offshore transactions to, or for the account or benefit of, Persons who are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until the expiration of the applicable Distribution Compliance Period, an offer or sale of such Covered Bonds (or beneficial interests therein) other than in an offshore transaction to a Person who is not a U.S. person by any distributor (whether or not participating in the offering) might violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers might arrange for the resale of Registered Covered Bonds (or beneficial interests therein) to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds (or beneficial interests therein) is hereby notified that the Dealers may be relying upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Deed Poll to

furnish, upon the request of a holder of such Covered Bonds (or beneficial interests therein), to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds of the applicable Series remain outstanding as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Public Offer Selling Restriction under the Prospectus Regulation and, where applicable, Prohibition of Sales to EEA Retail Investors and UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that if the Final Terms in respect of any Covered Bonds specifies the “Prohibition of sales to EEA and UK Retail Investors” as:

1. “Applicable,” then it has not offered, sold or otherwise made available (and will not offer, sell or otherwise make available) any of such Covered Bonds (or beneficial interests therein) to any EEA Retail Investor or UK Retail Investor, and

2. “Not Applicable,” then, in relation to each Member State and the United Kingdom (each a “*Relevant State*”), it (with respect to such Covered Bonds) has not made and will not make an offer of Covered Bonds to the public in that Relevant State, except that it may make an offer of Covered Bonds to the public in that Relevant State at any time:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Regulation,

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer, or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Covered Bonds referred to in clauses (a) to (c) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of part 2, the expression “an offer of Covered Bonds to the public” in relation to any Covered Bonds (which shall also include beneficial interests therein where applicable) in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds (or beneficial interests therein).

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the “*FSMA*”) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer, and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

Belgium

Other than in respect of Covered Bonds for which “Prohibition of sales to Belgian consumers” is specified as “Not Applicable” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering by such Dealer of Covered Bonds (or beneficial interests therein) may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “*Belgian Consumer*”), and that: (a) it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds (or beneficial interests therein) to any Belgian Consumer and (b) it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Covered Bonds (or beneficial interests therein) or caused the Covered Bonds (or beneficial interests therein) to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds (or beneficial interests therein) or cause any Covered Bonds (or beneficial interest therein) to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Covered Bonds (or beneficial interests therein), whether directly or indirectly, to any Person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Covered Bonds (or beneficial interests therein) are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of such trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust, as applicable, has acquired the Covered Bonds (or beneficial interests therein) pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor (as defined in Section 4A of the SFA), to a relevant person (as defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA,

(ii) where no consideration is or will be given for the transfer,

(iii) where the transfer is by operation of law,

(iv) as specified in Section 276(7) of the SFA, or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Final Terms in respect of any Covered Bonds may include a legend entitled “Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore” that will state the product classification of the applicable Covered Bonds pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Covered Bonds shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included in the relevant Final Terms will constitute notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the “*FIEA*”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that, in Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in any Covered Bonds (or beneficial interests therein). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds (and beneficial interests therein) have not been and will not be publicly offered, sold or advertised, directly or indirectly, by such Dealer in, into or from Switzerland and have not been and will not be listed by such Dealer on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to Article 5 of the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available by it in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Covered Bonds has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority. The Covered Bonds do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Covered Bonds will not benefit from protection or supervision by any Swiss regulatory authority.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all Applicable Laws in force related to securities in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the Applicable Laws in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a joint stock company organised under the Applicable Laws of Turkey (specifically, under the Banking Law). Certain of the directors and officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might not be possible for investors to effect service of process upon such persons or the Bank outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the Applicable Laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement proceedings before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

- (a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or
- (c) there is a provision in the Applicable Laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States or the State of New York, except that the courts of New York have rendered at least one judgment in the past confirming *de facto* reciprocity between Turkey and the State of New York. Turkish courts have also rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; *however*, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the U.S. federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,
- (d) the judgment is not of a civil nature,
- (e) the judgment is clearly against public policy rules of Turkey,
- (f) the judgment is not final and binding with no further recourse for appeal or similar revision process under the Applicable Laws of the country where the judgment has been rendered, or
- (g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In any lawsuit, debt collection proceeding or action against the Bank in the Turkish courts, a foreign plaintiff might be required to deposit security for court costs (*cautio judicatum solvi*); *provided* that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be: (a) a national of one of the contracting states

of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574), except for legal entities incorporated under the laws of such contracting states, or (b) a national of a state that has signed a bilateral treaty with Turkey that is duly ratified and contains (*inter alia*) a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis (in accordance with Article 48 of Turkey's International Private and Procedure Law (Law No. 5718), a foreign plaintiff might be required to deposit security for court costs (*cautio judicatum solvi*) in order to file a lawsuit, become a party to a lawsuit or start a debt collection proceeding in Turkey). If Turkish nationals do not deposit such a security in the country of the foreign plaintiff, then the relevant Turkish court may waive such requirement for security relying upon the *de facto* reciprocity. If the foreign plaintiff deposits such security and the proceeding ends in favour of such plaintiff, then such security will be returned to such plaintiff.

Furthermore, any claim against the Bank that is denominated in a foreign currency would, in the event of bankruptcy of the Bank, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira-equivalent amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency that is effective on the date the relevant court decides on bankruptcy of the Bank in accordance with the Applicable Laws of Turkey.

In connection with the Programme, process may be served upon the Bank at any of its branches or other offices in England (including, as of the date of this Base Prospectus, its branch at 8 Princes Street, London EC2R 8HL, England) with respect to any Proceedings in England.

OTHER GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of the Board dated 27 March 2020.

Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) of the Issuer is 789000FIRX9MDN0KTM91.

Listing of Covered Bonds

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has been made to Euronext Dublin for Covered Bonds issued within one year after the date hereof to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID II. It is expected that each Tranche of Covered Bonds that is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Covered Bonds initially representing the Covered Bonds of such Tranche; *however*, no assurance can be given that any such admission will occur. If a Tranche of Covered Bonds is to be listed by the Issuer on Euronext Dublin or any other stock exchange, then any information required by such exchange to be in the applicable Final Terms will be included therein.

Listing Agent

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

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents may be inspected at the registered office of the Issuer and the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer,
- (b) the BRSA Annual Financial Statements,
- (c) when published, copies of the latest audited annual and unaudited interim reports of the Bank (in English) delivered by the Bank pursuant to the Security Agency Agreement (for the purpose of clarification, such reports are not, and shall not be deemed to be, included in (or incorporated by reference into) this Base Prospectus except to the extent so incorporated by a supplement hereto),
- (d) the Agency Agreement (including the forms of the Deed of Covenant, the Deed Poll, the Global Covered Bonds and the Definitive Covered Bonds), the Cover Monitor Agreement, the Security Assignment, the Security Agency Agreement, the Offshore Bank Account Agreement and the Calculation Agency Agreement,
- (e) a copy of this Base Prospectus, and
- (f) when published, any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (except that a Final Terms relating to a Covered Bond that is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances in which a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, for the period of 12 months following the date of this Base Prospectus, copies of the documents described in clauses (a) through (f) will also be available in electronic format on the Issuer's website (as of the date hereof, <https://www.isbank.com.tr/en/about-us/investor-relations>); *provided* that: (a) the articles of association of the Issuer can be found at <https://www.isbank.com.tr/en/about-us/corporate-information> and (b) with respect to such documents that are incorporated by reference herein, see the weblinks in "Documents Incorporated by Reference" above. Each Final Terms relating to Covered Bonds that are admitted to trading on the Regulated Market will also be available on the Issuer's website. Such website does not, and shall not be deemed to, constitute a part of, nor is incorporated into, this Base Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN (if any) for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. To the extent applicable, the ISIN, Common Code, CUSIP, CINS, CFI Code and/or FISN for each Tranche of Covered Bonds will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, then the appropriate information will be specified in the applicable Final Terms.

Scheduled payments of interest on each Registered Covered Bond will be paid only to the Person in whose name such Registered Covered Bond was registered at the close of business on the Record Date. Notwithstanding the Record Date established in the Conditions for any Series of Registered Covered Bonds, the Issuer has been advised by DTC that, through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC's Participants' holdings of the Covered Bonds on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" for these purposes is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorised or required by law or executive order to close.

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

Conditions for Determining Price

For Covered Bonds (or beneficial interests therein) to be issued to one or more Dealer(s), the price and amount of such Covered Bonds (or beneficial interests therein) will be determined by the Issuer and such Dealer(s) at the time of issue in accordance with prevailing market conditions. For Covered Bonds (or beneficial interests therein) to be issued to one or more investor(s) purchasing such Covered Bonds (or beneficial interests therein) directly from the Issuer, the price and amount of such Covered Bonds (or beneficial interests therein) will be determined by the Issuer and such investor(s).

No Material Adverse Change or Significant Change

Other than to the extent described in (including in the information incorporated by reference into) this Base Prospectus, there has been: (a) no material adverse change in the prospects of the Bank since 31 December of the last full fiscal year for which BRSA Financial Statements have been incorporated by reference into this Base Prospectus (*e.g.*, as of the date hereof, 31 December 2019), (b) no significant change in the financial performance of the Group since the last day of the most recent fiscal quarter (*i.e.*, 31 March, 30 June, 30 September or 31 December) for which BRSA Financial Statements have been incorporated by reference into this Base Prospectus (*e.g.*, as of the date hereof, 31 December 2019) to the date of this Base Prospectus and (c) no significant change in the financial position of the Group since 31 December of the last full fiscal year for which BRSA Financial Statements have been incorporated by reference into this Base Prospectus (*e.g.*, as of the date hereof, 31 December 2019).

Legal and Arbitration Proceedings

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

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Arrangers and Dealers, so far as the Bank is aware, no natural or legal person involved in the issue of the Covered Bonds has an interest, including a conflicting interest, that is material to the issue of the Covered Bonds; *provided* that one or more of such person(s) might own Covered Bonds (or beneficial interests therein), might be a Hedging Counterparty and/or might be a Secured Creditor in another capacity, whether at the time of issuance or after the applicable Issue Date.

Independent Auditors

The BRSA Annual Financial Statements have been audited by EY, each of which was audited in accordance with the Regulation on Independent Audit of Banks published by the BRSA and the Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the POA. EY is an independent auditor in Turkey and authorised by the BRSA to conduct independent audits of banks in Turkey. EY is located at Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No:27 Kat: 2-3-4 Daire: 54-57-59 34485 Sarıyer, İstanbul, Turkey.

EY's audit reports included in the BRSA Annual Financial Statements contain a qualification (see "Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks – Audit Qualification").

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Covered Bonds.

Dealers and Arrangers transacting with the Issuer

Certain of the Arrangers, the Dealers and/or their respective affiliates have engaged, and might in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or the Issuer's affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities might involve securities and/or instruments of the Issuer or its affiliates. The Arrangers, the Dealers and their respective affiliates that have a credit relationship with the Issuer might from time to time hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, the Dealers and their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds. Any such short positions might adversely affect future trading prices of an investment in the Covered Bonds. The Arrangers, the Dealers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

INDEX OF DEFINED TERMS

\$	xiii	BRSA Decisions on the Countercyclical Capital	
£	xiii	Buffer	55
€	xiii	BRSA Financial Statements	ix
2006 Equity Regulation	145	BRSA Principles.....	ix
2013 Equity Regulation.....	55	BRSA SME Definition	x
Accrual Period.....	236	Business Day	244
Additional Amounts	13	Business Day Convention.....	238
Additional Cover	15	CAGR.....	98
Additional Cover Cover Pool Asset.....	15	Calculation Agency Agreement.....	6
Adjustment Spread	242	Calculation Agent.....	6
Administrator.....	27	Capital Adequacy Regulation	55
Administrator Transfer	77	Capital Markets Law	1
Agency Account	280	Cash Flow Matching Test.....	30
Agency Agreement.....	43	CCP	90
Agents.....	15	CCT	102
AKP	47	Central Bank.....	xiv
ALCO	135	Central Bank Spot Rate	32
ALMU	136	Central Registry İstanbul	iv
Alternative Rate.....	243	Change Notice	31
AML Regulation.....	142	CHP	68
AML/CFT.....	143	Classification of Loans and Provisions	
Anadolu Hayat Emeklilik	1	Regulation	56
Anadolu Sigorta.....	108	Clearing Obligation	90
Ancillary Rights.....	24	Clearing Systems	6
APM	x	Clearstream, Luxembourg	6
Applicable Exchange Rate.....	20	CMB	Cover
Applicable Law	xiii	CMB Approval	iii
Approved Issuance Limit.....	iii	Code.....	vi
Arranger.....	4	Collection Account.....	38
Asset Ratio.....	56	Collection Period	45
Authorised Investments	38	Commission's Proposal	299
Available Funds.....	19	Communiqué Regarding Reserve	
Bank.....	Cover	Requirements.....	189
Bank Rate	232	Compounded Daily SONIA.....	233
Banking Law	35	Conditions.....	69
Banks Association of Turkey.....	xiv	Consumer Protection Law	166
Barclays	4	Corporate Definition.....	x
Base Prospectus	Cover	Corporate Governance Communiqué	155
Basel Committee.....	184	Couponholders.....	15
Bearer Covered Bonds.....	Cover	Coupons.....	37
Bearer Definitive Covered Bond	6	Cover Monitor	4
Bearer Global Covered Bond.....	203	Cover Monitor Agreement.....	42
Benchmark Administrator	v	Cover Monitor Calculation Date	30
Benchmark Amendments.....	241	Cover Monitor Report	290
Benchmark Event	243	Cover Pool.....	23
Benchmarks Regulation.....	v	Cover Pool Asset	23
Benefit Plan Investor	300	Cover Register	13
BIS.....	184	Covered Bond.....	6
Board of Directors	100	Covered Bond Calculation Agent.....	6
Borrower.....	28	Covered Bond Exchange Rate	32
Borsa İstanbul.....	ix	Covered Bondholder.....	6
Breach of Statutory Test.....	33	Covered Bondholder Representative	270
BRSA.....	iv	Covered Bonds	1
BRSA Annual Financial Statements.....	ix	Covered Bonds Communiqué.....	iii

CPI.....	54	Extension Notice.....	239
CRA Regulation	Cover	Extraordinary Resolution.....	287
Cross Currency Swaps.....	90	EY.....	ix
Currency Hedge Provider	7	FATCA	86
Currency Hedging Agreement.....	44	FATCA Withholding Tax.....	245
Custodian.....	295	FATF	126
Day Count Fraction	236	FCIB	126
Dealer	Cover	FIEA	315
Debt Instruments Communiqué.....	iii	Final Maturity Date	19
Decree 32.....	iii	Final Redemption Amount	17
Deed of Covenant	43	Final Terms.....	Cover
Deed Poll	vii	First Issue Date	25
Definitive Covered Bond.....	6	Fiscal Agent.....	6
Definitive Regulation S Registered		Fitch.....	Cover
Covered Bond.....	205	Fixed Rate Covered Bonds	10
Delegate.....	270	Floating Rate Covered Bonds	10
Delinquent	28	Foreign Financial Institution.....	299
Denizbank.....	172	Foreign Passthru Payments.....	299
Designated Account(s)	39	FSMA	313
Designated Bank.....	247	FTP	135
Determination Period.....	236	FTT.....	299
Direct Participants	292	Garanti	173
Distribution Compliance Period.....	307	GDP	51
Dodd-Frank.....	286	Global Covered Bond	86
D-SIBs	55	Greater Amount.....	280
D-SIBs Regulation.....	55	Group.....	xiii
DTC	6	Halkbank.....	48
DTC Beneficial Owners	292	Hedge Collateral	41
DTC Covered Bonds	292	Hedge Collateral Account.....	41
DTC Rules	292	Hedging Agreements	43
Early Redemption Amount.....	255	Hedging Counterparties.....	7
ECB	xiv	Hedging Counterparty	7
ECL	xvi	IAI Covered Bonds	205
EEA	Cover	IAI Definitive Covered Bond	205
EEA Retail Investor.....	vii	IAI Global Covered Bond.....	205
EMIR.....	90	IAI Investment Letter	vi
English Law Transaction Documents	268	ICAAP	192
ERISA	21	ICAAP Regulation.....	192
ES	138	ICAAP Report	192
ESMA.....	Cover	IFRS.....	x
ESMA Guidelines.....	xi	IGAs	299
EU.....	iv	Indebtedness for Borrowed Money.....	35
EURIBOR.....	245	Independent Adviser.....	243
euro.....	xiii	Indirect Participants.....	292
Euroclear.....	6	Individual Asset Eligibility Criteria.....	28
Euronext Dublin	Cover	Instalment	19
Event of Default.....	42	Instalment Amount	256
Excess Hedge Collateral	15	Instalment Covered Bonds.....	11
Exchange Act.....	vii	Institutional Accredited Investors	vi
Exchange Agent.....	5	Insurance Agreement	44
Exchange Date.....	204	Insurance Policy	44
Exchange Event	206	Insurer.....	45
Exchange Notice.....	253	Interest Accrual Period	233
Exempt Government Entity	86	Interest Commencement Date.....	244
Extended Final Maturity Date	17	Interest Payment Date.....	17
Extended Series Payment Date.....	17	Interest Period.....	11

Interest Rate Hedge Provider.....	7	New Dodd-Frank Requirements.....	286
Interest Rate Hedging Agreement	44	New Economic Programme.....	51
Investor Report.....	45	New EMIR Requirements.....	286
Investor Report Date.....	45	New Issuer.....	77
Investor's Currency.....	88	New MiFID II Requirements.....	286
İş Faktoring.....	117	New Tier 2 Conditions	187
İş Girişim.....	117	New Turkish Law Requirements.....	286
İş Leasing.....	1	NGCB.....	203
İş Portföy.....	2	Nominal Value.....	31
İş REIT.....	1	Nominal Value Test.....	30
İş Yatırım.....	112	Non-Statutory Security.....	271
İş Yatırım Ortaklığı.....	117	Non-TL Designated Account(s).....	39
İşbank Pension Fund.....	125	Non-TL Hedge Collection Account.....	41
ISDA Definitions.....	11	Notice of Default.....	42
ISIS.....	48	NPLs.....	xi
Issue Date.....	Cover	NSS.....	205
Issue Date Rating.....	32	Observation Look-Back Period	233
Issue Date Required Overcollateralisation		Observation Period	233
Percentage.....	31	OECD.....	86
Issue Price.....	17	OFAC.....	48
Issuer.....	Cover	Official List.....	Cover
Issuer Call.....	255	Offshore Account Bank.....	4
İstanbul Business Day	7	Offshore Account Bank Event.....	5
IT.....	67	Offshore Account Bank Required Rating.....	5
IVR.....	120	Offshore Bank Account Agreement.....	43
KFE.....	70	Offshore Bank Accounts	4
KGF.....	58	Optional Redemption Amount.....	254
KOSGEB.....	107	Optional Redemption Date	255
Lead Manager.....	37	Original Reference Rate	243
Legended Covered Bonds.....	vi	OTAŞ.....	59
LIBOR.....	245	OTC.....	90
Liquidation Proceeds.....	18	Other Secured Creditors	16
Listing Agent.....	7	Participants.....	292
London Banking Day.....	233	Participating Member States.....	299
London Business Day.....	277	Paying Agents.....	6
LTV.....	28	Payment Day	248
LYY.....	59	Permanent Bearer Global Covered Bond.....	203
Majority Instructing Creditor.....	270	Person.....	ii
Mandatory Excess Cover.....	15	PKK.....	49
Mandatory Excess Cover Cover Pool Asset.....	16	Plans.....	300
Margin.....	10	POA.....	x
MAS.....	vii	POAŞ.....	155
Master Definitions and Construction Schedule ..	225	Potential Breach of Statutory Test.....	33
Material Subsidiary.....	36	PRIIPs Regulation	vii
Maximum Rate of Interest.....	11	Principal Amount Outstanding	20
Member State.....	Cover	Proceedings.....	266
MFI.....	77	Programme.....	Cover
MiFID II.....	Cover	Programme Agreement.....	283
MiFID Product Governance Rules	iv	Programme Closing Date.....	16
Milli Reasürans.....	114	Programme Limit.....	7
Minimum Rate of Interest.....	11	Programme Meeting	288
Moody's.....	Cover	Programme Reserved Matter	287
Mortgage Asset Modification	25	Programme Resolution	287
Mortgage Assets	23	Property Price Change Ratio	70
Mortgage Rights	25	Prospectus Regulation	Cover
Net Present Value Test	30	Prudent Lender and Servicer of Mortgage Assets	25

PTCE	300	SEC.....	ii
QIBs.....	vi	Secured Creditors	16
Rate of Interest	254	Secured Obligations.....	279
Rating Agencies.....	Cover	Securities Act.....	Cover
Rating Agency Confirmation.....	32	Security Agency Agreement.....	6
RCAP.....	184	Security Agent	6
RCM	120	Security Assignment.....	43
Receipt.....	37	Security Assignment Security.....	14
Receiptholders	16	Security Update Registration.....	13
Receiver.....	16	Series	225
Recipients	290	Series Reserved Matter.....	286
Reconciliation.....	279	SFA.....	vii
Reconciliation Event.....	278	Similar Law	300
Reconciliation Reporting Event.....	279	Şişecam.....	1
Record Date.....	247	Şişecam Group.....	118
Redeemed Covered Bonds.....	255	SME.....	x
Redenomination Date	10	Social Regulation.....	154
Reference Banks	244	Soft Bullet Covered Bonds	17
Reference Rate.....	245	SONIA.....	83
Register.....	226	SONIA Reference Rate	234
Register of Administrators.....	v	Specified Account.....	247
Registered Covered Bonds	Cover	Specified Currency	9
Registered Definitive Covered Bond.....	6	Specified Denomination	86
Registered Global Covered Bond	205	Specified Time.....	245
Registrar	5	Spot Rate	20
Regulated Market	Cover	Stabilisation Manager	viii
Regulation on Liquidity Coverage Ratios	55	Statutory Segregation	22
Regulation on Loan Transactions of Banks.....	183	Statutory Test.....	29
Regulation on Provisions and Classification of		Statutory Test Date	29
Loans and Receivables	56	Sterling	xiii
Regulation S	Cover	Stress Test.....	30
Regulation S Covered Bonds.....	205	Subscription Agreement	44
Regulation S Registered Covered Bond	205	Subsidiary	21
Regulation S Registered Global Covered Bond.....	205	Substitute Asset Limit	29
Related Payment	24	Substitute Assets.....	25
Relevant Covered Bonds	252	Successor Rate.....	244
Relevant Date	259	Talon.....	37
Relevant Jurisdiction	259	Talonholders.....	16
Relevant Nominating Body	244	TARGET2 System.....	244
Relevant Parties	301	TAS 39	xv
Relevant Payment Date	249	Tax Decrees.....	79
Relevant Period	245	Tax Sharing Laws.....	86
Relevant Rating Agency.....	7	Taxes	13
Relevant Screen Page	245	TCO.....	73
Replacement Cover Monitor Agreement.....	290	TEFRA C.....	23
Required Overcollateralisation Percentage.....	31	TEFRA D.....	23
Reserve Fund	280	Temporary Bearer Global Covered Bond.....	203
Reserve Fund Required Amount	280	TFRS 9	ix
Reserve Fund Secured Creditors	280	TL	xiii
Rule 144A.....	vi	TL Designated Account.....	39
Rule 144A Global Covered Bond.....	205	TLREF.....	245
S&P	Cover	TMO	107
Sanction Targets	87	Total Liabilities	70
Screen Rate Determination.....	245	Tranche.....	225
SDIF	iv	Transaction Documents	44
SDNs	87	Transaction Security.....	16

Transaction Security Documents	16	Turkish Treasury.....	xiv
Transfer Agent.....	5	TurkStat	xiv
Transferability and Convertibility Event	40	U.S.....	Cover
TRLIBOR	245	U.S. dollars	xiii
Türk Telekom	59	U.S. person	Cover
Turkey	Cover	UK Retail Investor.....	vii
Turkey Wealth Fund.....	52	United States.....	Cover
Turkish Auditor Regulation.....	ix	US\$	xiii
Turkish Covered Bonds Law	22	Vakıfbank	64
Turkish Lira	xiii	VaR.....	138
Turkish Lira Equivalent.....	32	Ziraat	64
Turkish Purchase Requirements	iv		

APPENDIX A

OVERVIEW OF DIFFERENCES BETWEEN IFRS AND THE BRSA PRINCIPLES

The BRSA Financial Statements are prepared in accordance with the BRSA Principles. The BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances that might be material to the financial information herein. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (e.g., IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. The following paragraphs contain a narrative description of differences between IFRS and the BRSA Principles as adopted by the Issuer in preparing its annual financial statements.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services, which are subject to policies/requirements of the Turkish Treasury.

Presentation of Financial Statements

There are differences in presentation of financial statements other than measurement differences described above. These differences can be briefly explained by mandatory financial statement line items in accordance with IAS 1, disclosure requirements of IFRS 7 or, where applicable, the disclosure requirements of other standards. BRSA Financial Statements (including the related notes) are presented under a special format determined by the BRSA. Similarly, balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented using this specified format. The BRSA also requires a statement for off balance sheet items. These presentation differences might vary based upon the sector that the related consolidated subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the Turkish Treasury policies/requirements.

Basis for Consolidation

Consolidation principles under the BRSA Principles and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Only financial sector subsidiaries are consolidated under the BRSA Principles whereas other associates are recorded according to the equity method. The BRSA Principles provides an exemption for consolidation based upon certain materiality criteria, whereas this is not applicable in the case of IFRS. Under IFRS, all subsidiaries are consolidated.

FOR 2017

Allowance for Loan Losses

Under the BRSA Principles, specific and general reserves for impaired loans are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA (unlike impairment and measurement rules under IAS 39). Such BRSA rules for impairment only apply to loans and receivables, while other classes of financial assets (available-for-sale financial assets) are subject to IAS 39 rules. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Principles have prescribed certain minimum provisioning rates for groups comprising NPLs after taking into account collateral obtained (specific provision) and a separate rate for groups comprising performing loans (general provision – the general provision rate is minimum specified by the BRSA and applied across the Turkish banking sector).

Under IAS 39, for loans that have been identified as impaired on the basis of objective evidence of impairment, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Income Tax

In accordance with IFRS, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. On the other hand, under the BRSA Principles, it is not permitted to recognise deferred tax on a general provision allocated based upon BRSA rules described above, although it constitutes a temporary difference based upon IAS 12 Income Taxes.

FOR 2018 AND 2019

Modified financial assets

In accordance with IFRS 9, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, then an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument by comparing:

- (a) the risk of a default occurring at the reporting date (based upon the modified contractual terms), and
- (b) the risk of a default occurring at initial recognition (based upon the original, unmodified contractual terms).

In accordance with the BRSA Principles, an entity can measure the loss allowance for the financial instrument of which contractual cash flows have been renegotiated or modified at an amount equal to 12-month expected credit losses without assessing whether there has been a significant increase in the credit risk of the financial instrument.

ISSUER

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

ARRANGER AND DEALER

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

**FISCAL AGENT, EXCHANGE AGENT, PAYING AGENT
AND SECURITY AGENT**

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
2-4 rue Eugene Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

To the Issuer as to English and United States law

**Mayer Brown
International LLP**
201 Bishopsgate
London EC2M 3AF
United Kingdom

Mayer Brown LLP
71 South Wacker Drive
Chicago, Illinois 60606
USA

To the Issuer as to Turkish law

Paksoy Ortak Avukat Bürosu
Orjin Maslak
Eski Büyükdere Cad. No:27 K:11
Maslak, 34485, İstanbul
Turkey

*To the Dealers as to
English and United States law*

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

*To the Dealers as to
Turkish law*

GKC Partners
Esentepe Mah. Ferko Signature
Büyükdere Cad. No: 175, Kat: 10
34394 Şişli
İstanbul, Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

AUDITORS TO THE BANK

EY

**Güney Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No:27 Kat: 2-3-4
Daire: 54-57-59 34485
Sarıyer-İstanbul
Turkey