



TÜRKİYE İŞ BANKASI A.Ş.

US\$7,000,000,000

Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the “*Programme*”), Türkiye İş Bankası A.Ş., a Turkish banking institution organised as a public joint stock company registered with the İstanbul Trade Registry under number 431112 (the “*Bank*” or the “*Issuer*”), may from time to time issue notes (the “*Notes*”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or investor(s).

Notes may be issued in either bearer or registered form (respectively, “*Bearer Notes*” and “*Registered Notes*”); provided that the Notes may be offered and sold in the United States only in registered form. As of the time of each issuance of Notes, the maximum aggregate nominal amount of all Notes outstanding under the Programme will not exceed US\$7,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued from time to time to: (a) one or more of the Dealers specified under “Overview of the Group and 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 Notes (or beneficial interests therein) directly from the Issuer.

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

The Notes 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 Notes” for a description of the manner in which Notes will be issued. For a description of certain restrictions on the sale and transfer of investments in the Notes, see “Subscription and Sale and 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 Directive 2003/71/EC (as amended or superseded, the “*Prospectus Directive*”). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (the “*EU*”) law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 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*”). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (“*Euronext Dublin*”) for Notes 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.

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

Application has been made to the Capital Markets Board (the “*CMB*”) of the Republic of Turkey (“*Turkey*”), in its capacity as competent authority under Law No. 6362 (the “*Capital Markets Law*”) of Turkey relating to capital markets, for its approval of the issuance and sale of Notes by the Bank outside of Turkey. No Notes may be sold before the necessary approvals are obtained from the CMB. The CMB approval relating to the issuance of Notes based upon which any offering of the Notes may be conducted was obtained on 28 January 2019 and, to the extent (and in the form) required by applicable law, a written approval of the CMB in relation to each Tranche (as defined herein) of Notes will be required to be obtained on or before the issue date (the “*Issue Date*”) of such Tranche of Notes. Unless the Bank obtains the necessary new approvals from the CMB, the aggregate debt instrument amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed US\$5,000,000,000 (or its equivalent in other currencies).

Under current Turkish tax law, withholding tax might apply to payments of interest on the Notes. See “Taxation – Certain Turkish Tax Considerations.”

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

The Programme provides that Notes 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 Notes 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 Notes and/or Notes not admitted to trading on any market.

The Programme has been rated “B+” (for long-term issuances) and “B” (for short-term issuances) by Fitch Ratings Limited. (“*Fitch*”) and Notes issued under the Programme are expected to be rated upon issuance “B2” (for long-term issuances) and “Not - Prime” (for short-term issuances) by Moody’s Investors Service Ltd. (“*Moody’s*”) and, together with Fitch and S&P Global Ratings Europe Limited (“*S&P*”), the “*Rating Agencies*”). The Bank has also been rated by the Rating Agencies, as set out on page 145 of this Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the “*CRA Regulation*”). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (“*ESMA*”) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Notes may either be rated (including by any one or more of the rating agencies referred to above) or unrated. Where a Tranche of Notes is rated (other than an unsolicited rating), the initial rating(s) will be disclosed in the applicable Final Terms and (if rated by Fitch and/or Moody’s) will not necessarily be the same as the rating described above. 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.

Arrangers

J.P. Morgan

Dealers

Standard Chartered Bank

Bank ABC

BofA Merrill Lynch

BNP PARIBAS

Citigroup

Commerzbank

Deutsche Bank

Emirates NBD PJSC

First Abu Dhabi Bank PJSC

Goldman Sachs International

HSBC

ING

J.P. Morgan

ICBC Standard Bank

Mizuho Securities

MUFG

Société Générale

Standard Chartered Bank

Corporate & Investment Banking

The date of this Base Prospectus is 30 April 2019.

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

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus and, for each Tranche of Notes, the applicable Final Terms. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus (including the information incorporated herein by reference) is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 fullest extent permitted by law, none of the Dealers, the Arrangers or the Agents accept any responsibility for 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 for 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 and none of the Arrangers, the Dealers or the Agents accepts any responsibility for any acts or omissions of the Issuer or any other Person (as defined in Condition 5.4) in connection with the issue and offering of the Notes. Each Dealer and Arranger 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 Notes of any information coming to their attention.

No Person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied by (or with the consent of) the Issuer in connection with the Programme or any Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the 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 Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Arrangers or Dealers that any recipient of this Base Prospectus or any such other information should invest in the Notes. Each investor contemplating investing in any Note 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.

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 Notes 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 Notes (or beneficial interests therein).

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

GENERAL INFORMATION

The distribution of this Base Prospectus and/or the offer or sale of Notes (or beneficial interests therein) might be restricted by 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 Notes (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 Notes (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 Notes (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 Notes (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 Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Base Prospectus and the offer and/or sale of Notes (or beneficial interests therein) in (*inter alia*) Turkey, the United States, the EEA (including the United Kingdom and Belgium), the People's Republic of China (the "PRC"), the Hong Kong Special Administrative Region of the PRC ("*Hong Kong*"), Singapore, Japan, Switzerland and Thailand. See "Subscription and Sale and Transfer and Selling Restrictions."

This Base Prospectus has been prepared on a basis that would permit an offer of Notes (or beneficial interests therein) with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances in which there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes (or beneficial interests therein) in any Member State that has implemented the Prospectus Directive (each, a "*Relevant Member State*") must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes (or beneficial interests therein). Accordingly, any Person making or intending to make an offer of Notes (or beneficial interests therein) in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, any Arranger or any Dealer to publish or supplement a prospectus pursuant to the Prospectus Directive, in each case, in relation to such offer. None of the Issuer or any Arranger or Dealer has authorised, nor do they authorise, the making of any offer of Notes (or beneficial interests therein) in circumstances in which an obligation arises for the Issuer, any Arranger or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely upon their own examination of the Issuer and the terms of the Notes (or beneficial interests therein) being offered, including the merits and risks involved. The Notes 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 Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) (the "*BRSA*") of Turkey, 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 have the foregoing authorities (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 Notes regarding the legality under any applicable law of its investment in the Notes. Any investor in the Notes should ensure that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes might not be a suitable investment for all investors. Each potential investor contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of that 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 particular, each potential investor in the Notes 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 Notes, the merits and risks of investing in such Notes 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 Notes and the impact such investment will have on its overall investment portfolio,

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the applicable Notes, including Notes 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 Notes and is familiar with the behaviour of financial markets, and

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

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

The Issuer has obtained the CMB approval letter (dated 28 January 2019 No. 29833736-105.02.02.02-E.1230) and the final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*) (dated 25 January 2019 and numbered 23/BA-109) (together, the “CMB Approval”) and the BRSA approval letter (dated 4 January 2019 No. 20008792-101.02.01-E.148) (the “BRSA Approval” and, together with the CMB Approval, the “Programme Approvals”) required for the issuance of Notes under the Programme. Unless the Issuer obtains the necessary new approvals from the CMB, the aggregate debt instrument amount issued under the Programme Approvals (whether issued under the Programme or otherwise) cannot exceed US\$5,000,000,000 (or its equivalent in other currencies). In addition to the Programme Approvals, to the extent (and in the form) required by applicable law, an approval of the CMB in respect of each Tranche of Notes 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.

Pursuant to the Programme Approvals, the offer, sale and issue of Notes 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 Banking Law No. 5411 of 2005, as amended (the “Banking Law”), and its related law, the Capital Markets Law and the Communiqué on Debt Instruments No. VII-128.8 of the CMB (the “Debt Instruments Communiqué”) and its related law. The Notes 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 Programme Approvals, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey. Under the Programme Approvals, the BRSA and CMB have authorised the offering, sale and issue of the Notes on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA 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 Notes (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 Notes (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 BRSA or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and should transfer the purchase price through such licensed banks.

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

Pursuant to the Debt Instruments Communiqué, the Issuer is required to notify the Central 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 Notes of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes 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 Notes may include a legend titled “MiFID II Product Governance” that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes (or beneficial interests therein) are appropriate. In those cases, any Person subsequently offering, selling or recommending such Notes (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 Notes (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 Notes (or beneficial interests therein) is a manufacturer in respect of such Notes (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 Notes 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	Intercontinental Exchange Benchmark Administration Limited
EURIBOR	European Money Markets Institute (EMMI)
TRLIBOR	Banks Association of Turkey
HIBOR	The Hong Kong Treasury Markets Association
ROBOR	National Bank of Romania
PRIBOR	Czech Financial Benchmark Facility (CFBF)
SIBOR	ABS Benchmarks Administration Co Pte Ltd
NIBOR	Norwegian Financial References AS
WIBOR	The Warsaw Stock Exchange
CNH HIBOR	The Hong Kong Treasury Markets Association

The applicable Final Terms in respect of any Tranche of Floating Rate Notes 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 (the “*Benchmarks Regulation*”). As of the date of this Base Prospectus, Intercontinental Exchange Benchmark Administration Limited appears on the Register of Administrators, but none of the other Benchmark Administrators appear on the Register of Administrators. 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, 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,
- loan loss reserves,
- 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 Notes 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 Notes.

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 may 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 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 Notes. Its use for any other purpose in the United States or by any U.S. person is not authorised. 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 Notes 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 Notes (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 Notes that is a U.S. person or is in the United States is hereby notified that the offer and sale of any Notes (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 Notes (or beneficial interests therein) will be required to execute and deliver an IAI Investment Letter. Each investor in an IAI Note, a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together “*Legended Notes*”) will be deemed, by its acceptance or purchase of any such Legended Notes (or beneficial interests therein), to have made certain representations and agreements as set out in “Subscription and Sale and Transfer and Selling Restrictions.” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes.”

Potential investors that are U.S. persons should note that the Issue Date for a Tranche of Notes may be more than two business days (this settlement cycle being referred to as “*T+2*”) following the trade date of such Notes. Under Rule 15c6-1 of the Exchange Act, trades in the United States in the secondary market generally are 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 in the United States interests in Notes on the trade date relating to such Notes or the next business day will likely be required, by virtue of the fact that the Notes 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 Notes (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 modified and/or supplemented and/or restated from time to time from time to time, the “*Deed Poll*”) to furnish, upon the request of a holder of such Notes (or any beneficial interest therein), to such holder or to a prospective purchaser designated by 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 Notes (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 RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend titled “Prohibition of Sales to EEA Retail Investors,” then such Notes (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. For these purposes: (a) “*EEA 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 or superseded), 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 Directive, 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 Notes (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe such Notes (or beneficial interests therein). See “Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – Public Offer Selling Restriction under the Prospectus Directive and, where applicable, Prohibition of Sales to EEA Retail Investors” below. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “*PRIIPs Regulation*”) for offering or selling such Notes (or beneficial interests therein) or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling such Notes (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor might be unlawful under the PRIIPs 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 Notes, the Issuer may make a determination about the classification of such Notes (or beneficial interests therein) for purposes of Section 309B(1)(a) of the Securities and Futures Act (Chapter 289) of Singapore (as amended, the “*SFA*”). The Final Terms in respect of any Notes 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 Notes (and, if applicable, beneficial interests therein) pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Notes (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 Notes, 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 over-allot such Notes or effect transactions with a view to supporting the market price of an investment in such Notes at a level higher than that which might otherwise prevail; *however*, stabilisation might not necessarily occur. Any stabilisation action or over-allotment might begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes 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 Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment 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 over-allotment or otherwise) issue more Notes than have been authorised by the CMB or are permitted under the Programme.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the BRSA's accounting and reporting regulations, which include the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, other regulations on the accounting records of banks published by the board of the BRSA (the "*BRSB*"), circulars and interpretations published by the BRSA relating to the accounting and financial reporting of banks in Turkey and the requirements of Turkish Accounting Standards for the matters that are not regulated by such laws (together, the "*BRSA Accounting and Reporting Principles*;" and financial statements, including any notes thereto and the independent auditors reports thereon, prepared in accordance therewith are referred to herein as "*BRSA Financial Statements*"). The Bank's BRSA Financial Statements are filed with the Borsa İstanbul A.Ş. ("*Borsa İstanbul*") and 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.

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 BRSA Financial Statements as of and for the years ended 31 December 2016 and 2017 were prepared in line with the then-current Turkish banking regulations (see "Turkish Regulatory Environment"). The Group's BRSA Financial Statements as of and for the year ended 31 December 2018 were prepared in line with TFRS 9 and TFRS 15 standards. While information for 2016 and 2017 is not comparable to the information presented for 2018 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. TFRS 16 (*Leases*) is also effective as of 1 January 2019.

"*Turkish Accounting Standards*" means "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Public Oversight, Accounting and Auditing Standards Authority (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) (the "*POA*").

The Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2016, 2017 and 2018 (including any notes thereto and the independent auditor's report thereon, the "*BRSA Financial Statements*") have been prepared and presented in accordance with the BRSA Accounting and Reporting Principles. The Bank's foreign affiliates 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 Accounting and Reporting 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 2018), whereas non-financial equity participations are recorded according to the equity method. The BRSA Financial Statements as of and for the years ended 31 December 2016 and 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 Financial Statements as of and for the year ended 31 December 2016 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (formerly Akis Bağımsız Denetim ve Serbest

Muhasebeci Mali Müşavirlik A.Ş.) (the Turkish member firm of KPMG International Cooperative, a Swiss entity) (“KPMG”) and the BRSA Financial Statements as of and for the years ended 31 December 2017 and 31 December 2018 have been 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 POA, as stated in each of KPMG and EY’s respective independent auditor’s reports incorporated by reference herein.

According to Turkish laws, the Bank is required to rotate its external auditors every seven years. KPMG was appointed as the Bank’s external auditors as of 17 December 2009 for three years starting with fiscal year 2010 and then, as of 29 March 2013, it was appointed for three additional years (*i.e.*, for the financial years of 2013, 2014 and 2015) and, as of 28 March 2016, for one further year. On 18 October 2016, 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 a period of three years (including the years 2017, 2018 and 2019). In the Bank’s General Assembly meeting held on 31 March 2017, the Bank’s shareholders approved the appointment of EY, which appointment was reaffirmed at the Bank’s General Assembly meeting held on 29 March 2019. See “Risk Factors – Risks Relating to the Group and its Business – Audit Qualification.”

Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements incorporated by reference herein and has been extracted from such BRSA Financial Statements without material adjustment. 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 law to prepare its accounts under any accounting standards other than according to the BRSA Accounting and Reporting Principles, including under International Financial Reporting Standards (“IFRS”), the Bank’s management has for the time being elected to publish audited annual (consolidated and unconsolidated) and unaudited semi-annual (consolidated only) financial statements that have been prepared in accordance with IFRS (such financial statements, with any notes thereto and the independent auditors 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 Accounting and Reporting 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.

Please note that the BRSA Financial Statements incorporated by reference herein have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002 and that there might be material differences in the financial information had Regulation (EC) No. 1606/2002 applied to the historical financial information presented herein. A narrative description of such differences as they apply to the Group has been included in Appendix I (“Overview of Significant Differences Between IFRS and the BRSA Accounting and Reporting 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 annual turnover, total assets or 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*”).

Certain figures included in, or incorporated by reference into, this Base Prospectus have been subject to rounding adjustments (*e.g.*, certain U.S. dollar amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables might vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated, the sources for statements and data concerning the Bank and its business are based upon best estimates and assumptions of the Bank's management. The Bank's management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Bank or the Group included herein, whether based upon external sources or based upon the Group's internal research, constitute the Bank's management's best current estimates of the information described.

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

Accounting Policy Changes in Insurance Companies

According to a circular issued by the Turkish Treasury dated 15 September 2017 (No. 2017/07), it became mandatory for insurance companies to make a discount from their provisions that are set aside for any outstanding claims covered under its general liability and land vehicle liability insurances. Accordingly, in line with the Turkish Accounting Standards (TAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*)), financial statements of the subsidiaries of the Group that operate in the insurance sector were restated as of 31 December 2016. As such, financial information as of and for the year ended 31 December 2016 included in this Base Prospectus has been derived from the restated amounts as of and for the year ended 31 December 2016 included in the comparative period presented in the BRSA Financial Statements as of and for the year ended 31 December 2017. See Section III of the Group's BRSA Financial Statements as of and for the year ended 31 December 2017.

Accounting Policy Changes in relation to the Bank's Subsidiaries and Associates

As of 31 March 2018, the Bank started to use the equity method (as defined in TAS 28 (Standards on Investment in Associates and Joint Ventures)) while accounting for: (a) in its consolidated BRSA financial statements, its subsidiaries and associates that are not credit or financial institutions, and (b) in its unconsolidated BRSA financial statements, all of its subsidiaries and associates as per the application of TAS 27 (Standards on Stand-Alone Financial Statements). Before the related accounting policy change: (i) investments in subsidiaries and associates whose shares were traded in an active market (*e.g.*, a stock market) were shown in the financial statements at their fair values by taking into account their prices recorded in the related market and (ii) investments in other subsidiaries and associates were reflected at their cost of acquisition less, if any, impairment losses. Under the equity method, the Bank's share of the net assets of its subsidiaries and associates is recognised in the Bank's financial statements, the profit or loss of the Bank includes the Bank's share of the profit or loss of its subsidiaries and associates and the Bank's other comprehensive income or expenses include the Bank's share of other comprehensive income or expenses of its subsidiaries and associates.

Due to such accounting policy changes: (a) certain information in the Bank's consolidated and unconsolidated BRSA financial statements as of and for the year ended 31 December 2017 were restated and (b) certain corrections to the information in the Bank's consolidated and unconsolidated BRSA financial statements as of and for the year ended 31 December 2016 were included in the Bank's consolidated and unconsolidated (as applicable) BRSA financial statements as of and for the year ended 31 December 2018.

See Section III of the Group's BRSA financial statements as of and for the year ended 31 December 2018 for details regarding such accounting changes and its effects.

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 Accounting and Reporting 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 Accounting and Reporting 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 Accounting and Reporting 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 Accounting and Reporting 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 Accounting and Reporting Principles.

For the Group, measures that might be considered to be APMs in this Base Prospectus (and that are not defined or specified by the BRSA Accounting and Reporting Principles or any other legislation applicable to the Bank) 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 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 as of 1 January 2018, 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.

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

For any annualised figures calculated for the current year in any supplement to this Base Prospectus, 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 defined below):

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 (*i.e.*, 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, unless stated otherwise, 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, unless stated otherwise, this is calculated by averaging the amount of total assets as of the balance sheet date immediately prior to the commencement of such period (*e.g.*, for any 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 the sum of: (a) prior to the implementation of TFRS 9 as of 1 January 2018: (i) the available-for-sale portfolio as of such date and (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 and (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,

(d) “Renminbi” and “RMB” refer to the lawful currency of the PRC, which (for the purposes of this Base Prospectus) excludes Hong Kong, the Macao Special Administration Region of the PRC and Taiwan, and

(e) “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 - 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 Notes” 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 (and, with respect to consolidated accounting information, entities that are consolidated into the Bank).

In this Base Prospectus, any reference to Euroclear Bank SA/NV (“Euroclear”), Clearstream Banking S.A. (“Clearstream, Luxembourg”) and/or the Depository Trust Company (“DTC”) and, with Euroclear and Clearstream, Luxembourg, the “Clearing Systems”) shall, whenever the context so permits, be deemed to include a 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.

In this Base Prospectus, the term “law” shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

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 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.hazine.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 should not be deemed to, constitute a part of or be incorporated into this Base Prospectus.

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 Financial Statements as of and for the year ended 31 December 2018 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 Financial Statements for previous periods. The total difference arising from the adoption of TFRS 9 has, as of 1 January 2018, been recognised directly in the current period’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 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 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 provide cash flows to be collected from 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 contractual terms of these financial assets provide cash flows to be collected from payments of 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.”

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost. These financial assets are initially recognised at their acquisition cost (including the related transaction costs) and are subsequently recognised at amortised cost by using an effective interest rate method. Interest income obtained from these financial assets is accounted for in the income statement.

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

IFRS 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 no difference between BRSA Accounting and Reporting Principles and IFRS regarding impairment principles.

Hedge Accounting

TFRS 9 also introduced hedge accounting rules aiming for alignment with risk management activities; however, TFRS 9 allow companies to defer application of TFRS 9 hedge accounting rules and instead choose to continue applying hedge accounting provisions of TAS 39 as a policy choice. As of the date of this Base Prospectus, the Bank and its financial subsidiaries continue to apply hedge accounting in accordance with TAS 39.

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 31 December 2017	Reclassifications⁽²⁾	Remeasurements	As of 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 31 December 2017	Remeasurements	As of 1 January 2018
Loans⁽¹⁾	7,832,991	77,975	7,910,966
Stage 1	2,308,342	(39,838)	2,268,504
Stage 2	465,705	914,061	1,379,766
Stage 3	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
Stages 1 and 2	262,345	(73,375)	188,970
Stage 3	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) Prior to 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 loss provisions for Stages 1, 2 and 3 non-cash loans are classified in "other provisions."

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RISK FACTORS

An investment in the Notes involves risk. Investors in the Notes assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together might result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur as the Issuer might not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of 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 Notes.

In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described below.

Prospective investors in the Notes 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 Notes; 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 Notes should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risks of investing in the Notes.

Risks Relating to Turkey

Most of the Group's operations are conducted, and substantially all of its customers are located, in Turkey. As of 31 December 2018, 93.6% (95.4% as of 31 December 2017 and 95.5% as of 31 December 2016) of the Group's total assets were in Turkey and the majority of the Group's operations are in Turkey. Accordingly, the Group is subject to risks relating to the conditions prevailing in Turkey.

Political Developments – The Group's business, financial condition and/or results of operations are subject to changes in the government and political environment

Negative changes in the government and/or political environment, 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.

On 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. On 20 July 2016, the government declared a three month state of emergency in the country, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding six months; *however*, this period may be extended. While the state of emergency was extended seven times for additional three month periods pursuant to Article 121 of the Turkish Constitution, it was lifted as of July 2018.

Following the coup attempt, 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, 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. As of the date of this Base Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws. Further investigations and arrests might impact the ability of the Group's customers to meet their obligations to the Group. Although, through the date of this Base Prospectus, the Group's operations have not been materially affected by the attempted coup, the political and social 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, Turkey's institutions (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 and/or financial condition and/or the value and/or market price of an investment in the Notes.

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. On 18 April 2018, Turkey's President Recep Tayyip Erdoğan announced that parliamentary and presidential elections were to be held early on 24 June 2018 instead of November 2019. In the presidential elections, President Erdoğan received approximately 53% of the votes and was re-elected as the President. In parliamentary elections held on the same day, the Justice and Development Party (*Adalet ve Kalkınma Partisi* ("AKP")), the President's party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (MHP), which has 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 now holds the additional powers granted to the President pursuant to the referendum held on 16 April 2017. The events surrounding future elections and/or the results of such elections might contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of Turkey's financial institutions, and Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Perceptions of political risk have also increased following the creation of an executive presidency and media reporting.

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, while 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 requisite condition 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). As such, uncertainty in relation to the independence of the Central Bank continues. See "Risks Relating to the Group and its Business - Foreign Exchange and Currency Risk." Uncertainty regarding the independence of the Central Bank or any failure of the Central Bank to implement effective policies might adversely affect the Turkish economy in general.

There has been recent political tension between Turkey and certain members of the EU and the United States. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted 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. This decision might result in (or contribute to) a deterioration of the relationship between Turkey and the EU.

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 the conviction of an executive of state-controlled bank Türkiye Halk Bankası A.Ş. ("*Halkbank*") who in early January 2018 was found guilty and (in early May 2018) was sentenced in a United States federal court of bank fraud and conspiracy to violate U.S. sanctions laws in relation to an alleged conspiracy to assist Iran to evade U.S. sanctions. As of the date of this Base Prospectus, the final outcome in relation to the matters giving rise to the conviction, including whether any sanction, fine or penalty will be imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury ("*OFAC*") on Halkbank or any other Turkish bank or other Person in connection with those matters, as well as the possible reaction of the Turkish government to any such events or speculation regarding such events, is unknown.

These events and/or other political circumstances might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have an adverse impact on the Turkish economy, 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 Notes.

On 1 August 2018, 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, and blocked any property, or interest in property, of these Ministers within the United States and generally prohibited U.S. persons from engaging in transactions with them. 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 per U.S. dollar as of 31 December 2018, including due to the higher than expected interest rate hike (625 basis points) by the Central Bank on 13 September 2018, the fiscal consolidation announced in the New Economic Programme (defined below) of the government, certain measures taken by the BRSA and 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 Turkish ministers and the reciprocal sanctions imposed by Turkey. The events prior to the release of Mr. Brunson contributed to the deterioration of the relationship between Turkey and the United States and any future similar events might have an adverse effect on the Turkish economy and/or might impact investors' perception of the risks relating to investments in Turkish issuers, including the Bank.

On 2 October 2018, Saudi journalist Jamal Khashoggi disappeared after entering the Saudi consulate in İstanbul and it was later announced that Mr. Khashoggi had been killed inside the consulate by Saudi operatives. The impact that this event will have on the relationship between Turkey and Saudi Arabia is unknown and this event and/or other political circumstances might result in a deterioration of the relationship between Turkey and Saudi Arabia, which might have a negative impact on the Turkish economy.

On 5 November 2018, the United States reinstated all U.S. sanctions on Iran that had been removed in 2015 in an effort to constrain Iran's nuclear programme, including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran. Nevertheless, on 2 November 2018, the United States Secretary of State Michael Pompeo noted that a partial exemption has been granted to eight governments, including the Turkish government, allowing these countries to import limited amounts of oil from Iran for six months (*i.e.*, until 2 May 2019); *however*, on 22 April 2019, the U.S. government announced that it does not intend to renew this exemption after the end of such six month period. The impact of these circumstances, 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, might have a negative impact on the Turkish economy.

Municipal elections were held on 31 March 2019 and the AKP lost control of several major cities, including İstanbul, Ankara and Antalya, to the opposition parties. Nonetheless, the AKP and MHP alliance received more than 50% of the votes cast nationwide, which might reduce the possibility of an early general election before the scheduled date in 2023. It should be noted that the AKP has claimed election fraud in İstanbul, and requested to repeat the elections in İstanbul and, if the Supreme Election Board (the highest authority in Turkey regulating elections) accepts the AKP's request, then a new election would be held.

In addition, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions might increase perceptions of political conflict or instability. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumours and/or uncertainties) 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 Notes.

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 and high levels of unemployment. While the Turkish economy has been significantly stabilised due, in part, to support from the International Monetary Fund obtained in the past, Turkey might experience a further significant economic crisis in the future, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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 according to Turkstat; *however*, the Turkish economy recorded a robust growth of 7.4% in 2017, fuelled by a combination of government support and improving macroeconomic conditions. Although EU-defined

Turkish government debt level decreased considerably since 2001 and reached its lowest level with 27.6% of GDP in 2015, it then increased to 30.4% in 2018, and (although this remains well below the Maastricht criteria), Turkey remains an emerging market and is susceptible to a higher degree of volatility than more developed markets, and further government actions to stimulate the Turkish economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the economic stability. Additionally, as economic growth in 2017 was largely supported by government-induced measures, there can be no assurance that Turkey's future economic growth will continue at a similar pace. In fact, there was a marked slowdown in growth in the second half of 2018 due to the significant volatility in foreign exchange rates and the increases in interest rates in Turkey, particularly in the third quarter. With negative growth of 3.0% in the final quarter of 2018, the Turkish economy only grew by 2.6% in 2018. In 2019, the Bank's management expects that the growth in GDP will remain low.

In particular, factors such as domestic political conditions, especially following the attempted coup in Turkey in July 2016 (see “-Political Developments”) as well as economic factors, including the current account deficit, inflation and interest rate and currency volatility remain of concern, particularly in light of the recent depreciation of the Turkish Lira. Continuing high levels of unemployment (14.7% as of January 2019) might affect the Group's customers, which might impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations. The Turkish government has sought to improve economic growth and, in November 2017, the Turkish Ministry of Development announced a three-year medium-term economic programme for 2018 to 2020. Under this programme, the Ministry announced a GDP growth target of 5.5% for 2017, 2018 and 2019. This medium-term economic programme was replaced in September 2018 by a new medium-term economic programme (the “*New Economic Programme*”) announced by the Turkish Treasury, which includes projections for 2018 to 2021. According to the New Economic Programme, GDP growth was estimated to be 3.8%, 2.3%, 3.5% and 5.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as only 2.6%).

More recently, 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 are focused on increased capitalisation and strengthening the asset quality of the banking sector. For example, the Turkish Treasury has announced that it will issue special domestic bonds (a total of TL 28 billion) to finance additional capital infusions into the public banks and private banks will be guided to increase capital if needed (including a temporary prohibition on the distribution of dividends). As for strengthening asset quality, the government has announced that it will: (i) publish a new regulation to facilitate restructurings and bankruptcies and (ii) develop a structure for the transfer of some non-performing loans to a special purpose vehicle (and thus off balance sheet), which vehicle would be owned by banks and both domestic and non-Turkish investors. A new “Energy Venture Capital Fund” and “Real Estate Fund” are intended to support the sectors (energy and construction) with the highest levels of foreign currency indebtedness. The targets for sustainable growth and an improving employment environment concentrate on certain strategically defined sectors, including energy, mining, petrochemical, pharmacy, tourism, auto and information. Turkey's sovereign 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, that the Turkish government will implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy, the current account deficit and macroeconomic and political factors, such as changes in oil prices, the 5 December 2017 amendment to tax laws increasing the corporate tax rate for all corporations (including the Issuer) to 22% from 20% for three years starting from 2018, uncertainty related with the conflicts in Iraq and Syria (see “-Terrorism and Conflicts”) and uncertainty related to political developments in Turkey, including the failed coup attempt on 15 July 2016 and its aftermath and the referendum held on 16 April 2017 according to which the majority of the votes cast approved the extension of the powers of the president (see “-Political Developments”). Any of these developments might cause Turkey's economy to experience macroeconomic imbalances, which might impair the Group's business strategies and/or have a material adverse effect on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see “-Global Financial Crisis and Eurozone Uncertainty” below and the discussion of certain of the Central Bank's policies in “-High Current Account Deficit” below.

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, among other factors, a reduction in the level of economic activity, further depreciation of the Turkish Lira, inflation or an increase in domestic interest rates, then this might increase the number of the Group's customers who might not be able to repay

loans when due or meet their other obligations to the Group or who might otherwise seek to restructure their loans, which 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. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in the demand for the Group's services and products. 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.

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. While not a significant factor in Turkey's exports, including to the United States, regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey's economy or the financial condition or one or more industries within Turkey.

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

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, especially in recent years. Political uncertainty within Turkey and in certain neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has historically been one of the potential risks associated with an investment in Turkish securities. Regional instability has also resulted in an influx of displaced persons in Turkey, which has created certain conflicts and humanitarian challenges. In recent years, political instability has at times increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Iraq, Jordan, Bahrain and Yemen. Unrest in those countries might have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts might occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets. In addition, certain sectors of the Turkish economy (such as construction, iron and steel) have operations in (or are otherwise active in) the Middle East, North Africa and Eastern Europe and might experience material negative effects. Any of such circumstances might adversely affect the Group's business, financial condition and/or results of operations.

The ongoing conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, which authorisation has been periodically extended. Elevated levels of conflict have arisen in Iraq and Syria as militants of the Islamic State of Iraq and Syria ("ISIS") seized control of areas in Iraq and Syria, which has caused a significant displacement of people. Turkey has been one of the countries that have taken a significant number of Syrian refugees, which has had, and might continue to have, a negative economic, political and social impact on Turkey. In March 2016, Turkey signed an agreement with the EU in an effort to control the irregular flow of refugees from Turkey to the EU; *however*, such agreement might not be implemented in accordance with its terms, if at all. In August and September 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria. The volatile situation in Iraq also raises concerns as Iraq is one of Turkey's largest export markets. At the end of July 2015, Turkey joined the U.S.-led coalition and initiated air strikes against ISIS in Syria and against the People's Congress of Kurdistan (the "PKK") (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States) in northern Iraq. While less so in recent years, Turkey has been subject to a number of bombings, including in tourist-focused centres in Istanbul and in the city centre in Ankara, which have resulted in a number of fatalities and casualties, and such might occur in the future.

On 24 August 2016, Turkey began military operations in Syria in an effort to clear ISIS from the Turkish-Syrian border. On 7 October 2017, Turkey launched an operation against extremists groups in Syria's northwestern Idlib province

with Turkey-backed Syrian opposition forces. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey believes to be terrorist organisations such as the YPG (the People's Protection Units), which has been aligned with the United States in the fight against ISIS. As of the date of this Base Prospectus, the Turkish military maintains a position in northwestern Syria. These operations might lead to potential retaliation attacks by terrorist groups and additional security risks in Turkey. On 19 December 2018, the United States announced its intention to withdraw its 2,000 troops currently stationed in Syria, though (as of the date of this Base Prospectus) no concrete timeline for the withdrawal has been issued. The United States more recently announced its intention to maintain approximately 400 troops in Syria, approximately 200 of whom would be located in a safe zone near the Turkish border. On the other hand, Turkish officials declared that if there is to be a safe zone, then it should be under Turkey's control.

In December 2017, Turkey entered into a contract with Russia for the purchase of S-400 missile defence systems. As of the date of this Base Prospectus, it is uncertain how Turkey's purchase of S-400 missile defence systems under such contract would impact the relationship between Turkey and the United States and/or any other NATO member. Any disagreements that arise in relation to the contract described above, the intended safe zone near the Turkish border or otherwise in the future might result in (or contribute to) a deterioration of the relationship between Turkey and the United States or Russia and might have a negative impact on the Turkish economy.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which resulted in a deterioration in the relationship between Turkey and Russia and led to Russia implementing economic sanctions against Turkey; *however*, at the end of June 2016, the relationship between Turkey and Russia started to improve. On 19 December 2016, a Turkish policeman murdered the Russian ambassador to Turkey. While both Turkish and Russian leaders condemned the attack as a provocation aimed to undermine relations between the two countries, any deterioration of Turkey-Russia relations might have a material adverse effect on the Group's business, financial condition and/or results of operations and on the market price of an investment in the Notes.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognised the new government, Russia claimed that the new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and Russia's annexing of the Crimea combined with Ukraine's very weak economic conditions to create significant uncertainty in Ukraine and the global markets. In addition, the United States and the EU have implemented increasingly impactful sanctions against certain Russian entities, natural persons and sectors, including Russian financial, oil and defense companies, as a result of the conflict. While not directly impacting Turkey's territory, these disputes might materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies.

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups as well as other political unrest within its territory. In particular, Turkey has been in conflict for many years with the PKK. Turkey has from time to time been the subject of terrorist attacks, including bombings in its tourist and commercial centres in İstanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces. The conflict with the PKK might negatively impact political and social stability in Turkey.

The above circumstances have had and might continue to have a material adverse effect on the Turkish economy and/or the Group's business, financial condition and/or results of operations.

Global Financial Crisis and Eurozone Uncertainty – Turkey and the Group have been, and might continue to be, subject to risks arising from the global financial crisis and continuing uncertainty in the eurozone

The global financial crisis and related economic slowdown significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. While unemployment levels have improved since the depth of the financial crisis, they remain elevated. There can be no assurance that the unemployment rate will not increase in the future. Continuing high levels of unemployment (14.7% as of January 2019) might affect the Group's retail customers and business confidence, which might impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Although there have been indications of economic recovery in the eurozone, recent economic performance in Europe has been weak. Since the implementation of negative interest rates by the ECB in June 2014, an increasing number of central banks in Europe have taken their policy rates below zero. In January 2016, the Bank of Japan also adopted negative interest rates. There is uncertainty in the markets as to the possible impact of these policies.

Furthermore, in July 2016, the United Kingdom (the “UK”) voted to withdraw from the EU. The UK government invoked Article 50 of the Lisbon Treaty on 29 March 2017 marking the beginning of negotiations with the EU relating to the UK’s exit. This means that the UK is expected to cease to be a member of the EU at 11:00 p.m. (London time) on 31 October 2019 unless a withdrawal agreement is entered into or an extension to negotiations is agreed upon between the UK and the EU. The economic and political consequences for the UK, the EU and other countries like Turkey as a result of this process, including any impact on the European and global economic and market conditions and its possible impact on Sterling, Euro and other European exchange rates, and the related uncertainty, during both the negotiations period and following the exit of the UK from the EU, are difficult to predict.

Any deterioration in the condition of the global, European or Turkish economies, or continued uncertainty around the potential for such deterioration, might have a material adverse effect on the Group’s business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects and/or financial condition of the Group’s customers, which, in turn, might reduce the Group’s asset quality and/or demand for the Group’s products and services and negatively impact the Group’s growth plans. The Group’s business, financial condition and/or results of operations might also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

Although the global economy has begun to recover from the economic deterioration of recent years, the recovery might be weak. A relapse in the global economy or continued uncertainty around the potential for such a relapse might have an adverse effect on the Turkish economy, which in turn might have a material adverse effect on the Group’s business, financial condition and/or results of operations. In addition, any withdrawal by a member state from the EU and/or European Monetary Union, any uncertainty as to whether such a withdrawal or change might occur and/or any significant changes to the structure of the EU and/or the European Monetary Union might have an adverse effect on the Turkish economy, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the euro and/or the potential deterioration of European institutions.

There has also been recent political tension between Turkey and certain members of the EU. Such circumstances might impact Turkey’s relationship with the EU, including a potential suspension or termination of its EU accession process, disruption to the agreement concluded to control the irregular flow of refugees from Turkey to the EU and/or a disruption of trade. See “-Terrorism and Conflicts.” As the EU remains Turkey’s largest export market, a decline in demand for imports from the EU might adversely impact Turkish exports and Turkey’s economic growth. See “-Current Account Deficit.” Any effect of such events might adversely affect the economic stability in Turkey and the Group’s business, financial condition and/or results of operations.

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

A decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to US\$63.6 billion in 2013 (the source for the data in this risk factor is the Central Bank) due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank’s tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US\$43.6 billion and US\$32.1 billion in 2014 and 2015, respectively. In 2016, Turkey’s current account deficit remained almost flat at US\$33.1 billion due to a decline in the cost of energy imports, which offset the deterioration in tourism revenues. In 2017, Turkey’s current account deficit increased to US\$47.2 billion (5.5% of GDP) due to the rise in both energy and gold imports and strong domestic demand. In 2018, Turkey’s current account deficit decreased to US\$27.6 billion (3.5% of GDP) due to an increase in exports, a slowdown in domestic demand and an increase in tourism revenues. Various events, including a possible adverse impact on Turkey’s foreign trade and tourism revenues, geopolitical risks (see “-Terrorism and Conflicts”), political risks (see “-Political Developments”) and an increase in the price of oil, might result in an increase in

the current account deficit, including due to the possible adverse impact on Turkey's foreign trade and tourism revenues. See “-Emerging Market Risks.”

If the value of the Turkish Lira changes relative to the U.S. dollar and other relevant trading currencies, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank closely monitors the U.S. Federal Reserve's actions and takes (and has taken) certain actions to maintain price and financial stability. The Turkish Lira depreciated against the U.S. dollar by 21.5% in 2016, reaching its then-lowest level against the U.S. dollar mainly due to the uncertainty resulting from the domestic political developments (see “-Political Developments”), the result of the presidential election in the United States and the then-existing expectation of a rate hike (and the actual rate hike on 14 December 2016) by the U.S. Federal Reserve.

The depreciation continued in 2017, with the Turkish Lira depreciating against the U.S. dollar by 7.9%. In August, October and November 2016, the Central Bank revised coefficients for certain tranches within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. In 2017, the Central Bank implemented several policy measures (including increasing average funding cost by 450 basis points, offering foreign exchange deposit against Turkish Lira deposit auctions and providing non-deliverable forwards that provided hedging with forward payments settled in Turkish Lira to mitigate the exchange rate volatility) to support price and financial stability. In May and August 2018, as a response to the depreciation of the Turkish Lira, the Central Bank further reduced the upper limit of the foreign exchange maintenance facility within the Reserve Options Mechanism from 55% to 45% and then to 40% (*i.e.*, Turkish banks have the option to hold 40% of the Turkish Lira reserve requirements in foreign exchange, resulting in the possibility that the foreign exchange that was used for reserve purposes previously might be applied by Turkish banks to the purchase of Turkish Lira).

In August 2018: (a) the Central Bank: (i) reduced its reserve requirement ratios for non-core foreign exchange liabilities by 400 basis points for up to (and including) three year maturities and (ii) suspended its weekly repo auction, thereby requiring banks to borrow at the 150 basis points-higher overnight rate, (b) the BRSA: (i) limited the swap and swap-like transactions (where the banks in Turkey pay Turkish Lira and receive foreign currency from their foreign counterparts on initial exchange) entered into between banks in Turkey and their foreign counterparts to 25% of the relevant Turkish bank's regulatory capital, aiming to limit short selling of Turkish Lira in favour of foreign exchange, reducing foreign counterparties' access to Turkish Lira and restricting a bank in Turkey from entering into a new transaction if such bank is already over the limit imposed by the BRSA; *provided* that the restriction does not apply to the swap and other derivative transactions that are executed between the banks located in Turkey and their consolidated credit and financial institution subsidiaries established abroad, (ii) started to apply additional weightings to the calculation of the limitations of such swap and swap-like transactions, with Turkish Lira-denominated derivative transactions with a maturity of: (A) from and including 90 days to but excluding 360 days being subject to a 75% weighting and (B) 360 days or more being subject to a 50% weighting, (iii) suspended mark-to-market calculations of securities when determining a Turkish bank's capital adequacy ratios, which new rule effectively results in the securities portfolios to reflect the book values of the assets rather than their current market values, and (iv) decided that banks should not include the collateral provided for credit derivatives and derivative transactions in the calculations of their liquidity coverage ratios starting from 31 July 2018 until 31 December 2018 and (c) the Turkish government raised taxes on U.S. dollar deposits while waiving taxes on Turkish Lira deposits. Notwithstanding these changes, the Turkish Lira depreciated by 38.1% against the U.S. dollar in 2018.

The Central Bank also has taken a series of actions to support the liquidity management of banks in Turkey and the Turkish government has emphasised that the Central Bank will take all necessary measures to maintain financial stability. According to the 2015 Capital Adequacy Regulation, as of 13 August 2018, banks will use the higher of the following foreign exchange rates while calculating their capital adequacy ratios instead of the then-current exchange rates: (a) the simple average of the Central Bank's foreign exchange buying rates for the last 252-working days or (b) the foreign exchange rate that the relevant bank used in its financial statements as of and for the six month period ended 30 June 2018. Also, “financial assets at fair value through other comprehensive income” were allowed to be not included in the regulatory capital for capital adequacy ratio calculation purposes. These two temporary regulatory easing measures with respect to the calculation of capital adequacy ratios expired on 27 December 2018 and thus are not reflected in the Bank's Financial Statements as of and for the year ended 31 December 2018. On 13 September 2018, the Central Bank increased its benchmark lending rate by 6.25%, which increased the one-week repo rate from 17.75% to 24.00%. In 2019, through the date of this Base Prospectus, the Central Bank has continued to implement a tight stance by changing forward guidance via more hawkish statements in its statements (*e.g.*, after the volatility seen in March 2019, the Central Bank paused one week

repo auctions and provided funding through overnight lending, which had a cost of 150 basis points higher than the policy rate, until 8 April 2019). See “-Risks Relating to the Group and its Business - Foreign Exchange and Currency Risk.”

Although Turkey’s economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon foreign trade, in particular with Europe. See “-Turkish Economy.” 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. Turkey has diversified its export markets in recent years, but the EU remains Turkey’s largest export market. There has been recent political tension between Turkey and certain members of the EU as described in “-Political Developments” and “-Global Financial Crisis and Eurozone Uncertainty” above. A decline in demand for imports from the EU might have a material adverse effect on Turkish exports and Turkey’s economic growth and 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 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.

Turkey is an energy import-dependent country and recorded US\$38.6 billion of net energy imports in 2018, which increased from US\$32.9 billion in 2017, which itself had increased from US\$24.0 billion in 2016. 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. Even though the relatively low levels of oil prices were positive from the perspective of the current account balance in 2016, more recent price increases have contributed to the worsening of Turkey’s current account balance. Agreements among the members of the Organisation of the Petroleum Exporting Countries (*OPEC*) 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 (*i.e.*, the Iran nuclear deal) and re-imposing oil-related sanctions on Iran or the decision of the United States to impose new sanctions on Venezuela dated 22 May 2018, which decisions are expected to reduce global supply and increase crude oil prices) might have a material impact on Turkey’s current account balance.

If the current account deficit widens more than anticipated, then financial stability in Turkey might deteriorate. Financing the high 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 or to seek to stabilise the Turkish financial system, and any such measures might adversely affect the Group’s business, financial condition and/or results of operations.

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

Emerging markets such as Turkey are subject to greater risk than are more-developed markets of being perceived negatively by investors based upon external events, and financial turmoil in any emerging market (or global markets generally) might disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in 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 adversely affect the Turkish economy. As a result, investors’ interest in the Notes (and thus their market price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

Investors’ interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price index (“*CPI*”) inflation rates as high as 73.2% in the early 2000s. CPI inflation rate was 7.4%, 8.2%, 8.8% and 8.5% in 2013, 2014, 2015 and 2016, respectively, with producer price inflation of 7.0%, 6.4%, 5.7% and 9.9%, respectively, in such years. In 2017, annual 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 to the depreciation of the Turkish Lira. On 30 January 2019, the Central Bank published its first inflation report of 2019 and reduced its inflation forecasts, predicting CPI inflation rates of 14.6% for 2019 (previously expecting a rate of 15.2% in the fourth inflation report of 2018), 8.2% for 2020 (previously expecting a rate of 9.3% in the fourth inflation report of 2018) and 5.4% for 2021. The CPI increased by 19.7% and the domestic producer price index increased by 29.6% as of March 2019 compared to March 2018. (Source of the above data in this paragraph: Turkstat).

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 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 Turkish government and the Central Bank might have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish Banking Sector – The Turkish banking sector has experienced significant volatility in the past and might experience significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility. If the general macroeconomic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, then this might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the above-described conviction of an executive of Halkbank) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. Actual or perceived financial market instability in Turkey (and related actions, rumours and/or uncertainties) 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 Notes.

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

The Group has significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2018, 95.3% of the Group's total securities portfolio (14.9% of its total assets and equal to 133.6% of its shareholders' equity) (94.8%, 14.3% and 130.4%, respectively, as of 31 December 2017 and 94.2%, 15.0% and 134.6%, respectively, as of 31 December 2016) was invested in government securities, primarily in securities issued by the Turkish Treasury. Also, the Group has exposure to the Turkish government through the Group's participation in financing state-sponsored infrastructure projects, 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. 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.

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 S&P on 20 July 2016 followed by a downgrade by Moody's on 23 September 2016 to below investment-grade status. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and 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 May 2018, S&P lowered its unsolicited foreign currency long-term sovereign credit rating on Turkey to "BB-" from "BB" and its unsolicited local currency long-term sovereign credit rating to "BB" from "BB+," with a stable outlook. 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."

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, hotels and other real estate-related projects and various renewable 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 starting from the second quarter of 2017, the industry remains below full capacity). 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.

Earthquakes – Turkey is located in a high-risk earthquake zone

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the Group's properties and business operations in Turkey are located in earthquake risk zones. Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The Group maintains earthquake insurance but does not have the wider business interruption insurance or insurance for loss of profits, as such insurance is not generally available in Turkey. The occurrence of a severe earthquake might adversely affect one or more of the Group's facilities, therefore causing an interruption in, and an adverse effect on, the Group's business. In addition, a severe earthquake might harm the Turkish economy in general or might lead the government to take measures (such as imposition of taxes), which might adversely affect the Group's business, financial condition and/or results of operations.

Risks Relating to the Group and its Business

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

The Group is subject to inherent risks concerning the credit quality of borrowers and other counterparties, which has affected and is expected to continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate. These parties include borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties, customers of letters of credit provided by the Group and other financial counterparties of the Group, any of which might default in their obligations to the Group due to bankruptcy, *concordat* proceedings, lack of liquidity, economic downturns, operational failures or other reasons, as a result of which the Group might suffer material credit losses. In addition, some large corporate borrowers have entered into discussions with Turkish banks in connection with restructuring their loans, which are significant in principal amount. If a material volume of such loans and/or other loans becomes non-performing or there is a slowdown in economic conditions related thereto, then this might have a material adverse effect on the asset quality of Turkish banks, including the Group. Credit risk is the most significant risk to which the Group is exposed.

The Group's financial results can be significantly affected by the amount of provisions for probable loan losses. The provision expense for losses on loans and other receivables increased from TL 2.8 billion in 2016 to TL 3.0 billion (a 7.1% increase) in 2017. The Group's NPL ratio decreased from 2.3% as of 31 December 2016 to 2.1% as of 31 December 2017, which decline was due to a strong collection performance supported by NPL sales. As a result of the adoption of TFRS 9 as of 1 January 2018, the Group changed the provision calculation principles for loans and other receivables from the BRSA's rule-based provisioning approach to a forward-looking expected credit loss (ECL) approach. Based upon the new impairment principles of TFRS 9, the provision expense for losses on loans and other receivables in 2018 was TL 7.0 billion; *however*, this is not comparable to the figures for the previous periods due to changes in the accounting policy and the implementation of TFRS 9 as of 1 January 2018. In 2018, the NPL ratio increased to 4.1%, which was primarily due to an increase in NPLs in line with the trends in the Turkish banking sector as a consequence of the contraction in the growth of the Turkish economy, particularly in the fourth quarter of 2018.

In addition to the changes introduced by the transition to TFRS 9 and debtor-specific credit events, changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system and economies might negatively affect the value of the Group's assets. Such risks might also result in increased unemployment, reduced corporate liquidity and profitability, increased corporate insolvencies and the inability of individuals to service their personal debt, which negatively affect the Turkish banking sector, including the Group. The NPL ratio in the Turkish banking sector was 3.2% as of 31 December 2016, 3.0% as of 31 December 2017 and 3.9% as of 31 December 2018 (2.3%, 2.1% and 4.1%, respectively, with respect to the Group), with the Turkish banking sector's statistics being as reported in the BRSA's monthly statistical bulletin. Changes in NPL ratios can occur for various reasons, including changes in the levels of new NPLs, collection performance, NPL sales and the amount and nature of the Group's cash loans. For example, the level of NPLs (as described in "Turkish Regulatory Environment - Loan Loss Reserves – Current Rules") might rise due to the challenging political and economic operating environment in Turkey, including as a result of foreign exchange volatility. See "SME/Retail Concentration Risk."

Additionally, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. If any of such loans becomes past due or non-performing, then this might have a material adverse effect on the asset quality of the Group. The Bank granted loans (amounting 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 debt was secured by OTAŞ' majority ownership 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 the shares of Türk Telekom. Accordingly, Levent Yapılandırma Yönetimi A.Ş. ("LYY") was established as a special purpose vehicle for the restructuring of OTAŞ' debt. The Bank acquired 11.5972% of LY Y's shares in proportion with its share in OTAŞ' debt. On 21 December 2018, as per the agreed structure, LY Y took over Türk Telekom shares held by OTAŞ (corresponding to 55% of Türk Telekom's shares). The lenders extended loans to LY Y to finance its acquisition of these Türk Telekom shares. In the last quarter of 2018, the Bank reclassified the loan 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 LY Y (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 Financial Statements as of and for the year ended 31 December 2018. Following the restructuring, the Bank's loan to OTAŞ was extinguished.

In addition, 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 allocates specific provisions for NPLs and general provisions for performing loans in accordance with the minimum provision rates required by law. In addition, as of 31 December 2018, the Group had a free provision of TL 1,200 million, of which TL 1,740 million was provided in prior years, TL 350 million was reversed in the current period and TL 190 million was reversed under retained earnings by the Group's management for the possible effects of the negative circumstances that might arise from the possible changes in the economy and market conditions. The Group's exposure to credit risk might lead to a material adverse effect on the Group's business, financial condition and/or results of operations. In 2018, the Bank did not sell any NPLs (in 2017, it sold TL 363 million of NPLs for an aggregate consideration of TL 26 million).

Although the Group has put in place policies and procedures to monitor and assess credit risk, taking into account the payment ability and cash generating ability of the borrower in extending credit, the Group might not correctly assess the creditworthiness of its credit applicants. In addition, as the Group's loan portfolio has grown substantially, particularly since the instability caused by the global financial crisis has decreased, the Group has extended credit both to new customers, many of whom might have more limited credit histories, and existing customers. Although such new loans are subject to the Group's credit review and monitoring practices, they might be subject to higher credit risks compared to borrowers with whom the Group has greater experience. Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. See "Risk Management – Credit Risk." The Group's exposure to credit risk might lead to a material adverse effect on the Group's business, financial condition and/or results of operations.

Competition in the Turkish Banking Sector – The Group faces intense competition in the Turkish banking sector

The Group faces significant and continuing competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. As of 30 September 2018 (according to the most recent information published by the Banks Association of Turkey before the date of this Base Prospectus), the top five banks by assets in Turkey (one of which is a state-controlled bank) held 53.4% of the banking sector's total loan portfolio (excluding participation banks) and 54.8% of total bank assets (excluding participation banks) in Turkey.

As of 31 December 2018, the Bank: (a) was the largest private bank in Turkey in terms of shareholders' equity (12.3%), total assets (11.4%), total deposits (12.1%), Turkish Lira-denominated deposits (11.1%), demand deposits (13.8%), total loans (11.3%), non-retail loans (13.0%) and the number of branches (14.0%) and (b) had the largest market shares of foreign currency-denominated loans (12.3%) and foreign currency-denominated deposits (13.4%) (source: BRSA data excluding participation banks, each as measured on a bank-only basis).

The Group also faces competition against the state-controlled financial institutions, such as T.C. Ziraat Bankası A.Ş. ("Ziraat"), Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank") and Halkbank. Such government-controlled financial institutions historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, such government-controlled institutions might have 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. Such actions by government-controlled financial institutions, in addition to ongoing competitive pressures from private financial institutions, are expected to put downward pressure on net interest margins in at least the short term.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BBVA, BNP Paribas, Sberbank, Emirates NBD, Citigroup, ING, Bank Hapoalim, Bank Audi, Burgan Bank, Rabobank, Bank of China, Intesa Sanpaolo, MUFG Bank, Ltd., Industrial and Commercial Bank of China and Qatar National Bank ("QNB") are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices; *however*, some of such institutions have (or might) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances and priorities. 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. Similarly, the expansion of foreign banks' presence in Turkey, in addition to direct investment, might lead to further competitive pressures. Foreign competitors might have greater resources and more cost-effective funding sources than the Group. If competitors can offer better lending rates to clients or higher interest rates on deposits, then the Group might lose customers or market share, be forced to reduce its margins or be forced to look for more expensive funding sources, among other impacts. This, in turn, might negatively affect the Group's profitability. The Group might not be able to offset domestic and foreign competitive pressures in certain industry sectors.

To address this competition, the Bank plans to optimise its domestic branch network in accordance with the digital evolution of the Bank, while continuing its focus on financial strength and performance. As a growing share of customers prefer digital channels rather than physical channels, the Bank, instead of opening new branches, plans to consolidate approximately 90 domestic branches in total in 2019. The Bank opened four domestic branches in 2016 (seven branches

were consolidated with other branches during 2016), 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 the first quarter of 2019 (19 domestic branches were consolidated with other branches in the first quarter of 2019). The Bank's management believes that the Bank's extensive branch network and digital channels help support the growth of its assets and liabilities. Given the size of the Group's existing network of branches, the Group's current strategy regarding its branch network is to optimise its existing branch network 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.

In addition, Turkish banks traditionally have tended to hold a significant proportion of their assets in Turkish government securities. From 2008 until early 2014, interest rates in Turkey declined substantially, which made holding government bonds a less profitable strategy, resulting in banks shifting funds towards higher-yielding assets, such as loans to customers. While the Central Bank increased its interest rates significantly in early 2014, through a series of Central Bank decisions beginning in May 2014, interest rates declined thereafter through the first two months of 2015 and then remained unchanged until the Central Bank's meeting held on 24 March 2016, in which meeting the Central Bank began to further reduce its interest rates. Following the significant depreciation of the Turkish Lira, on 24 November 2016, the Central Bank started to increase its interest rates. See "Risks Relating to Turkey – Exchange Rates." Increased competition for customers might reduce the margins the Group can achieve on its products, which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Market Risk – The Group is exposed to market risk, which might have a material adverse effect on the Group

The Group is subject to risks that arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. 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 and 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 such risks are described in greater detail below.

Pressure on Profitability – The Group's profitability might be negatively affected as a result of laws, competition and other factors impacting the Turkish banking sector

The Group's profitability might be negatively affected in both the short- and long-term as a result of a number of factors that generally impact the Turkish banking sector, including a slowdown of economic growth in Turkey and volatility in interest rates (see "-Reduction in Earnings on Securities Portfolio" and "-Interest Rate Risk" elsewhere in this section), increased competition (particularly as it impacts net interest margins (see "-Competition in the Turkish Banking Sector" above)) and Central Bank and other governmental actions, including those that seek: (a) to limit the growth of Turkish banks and/or the Turkish economy through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements, increased capital requirements and higher risk-weighting for general purpose loans, (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see "Banking Regulatory Matters" below and "Risks Relating to Turkey – High Current Account Deficit" above) or (c) constrain the liquidity of the Turkish Lira (see "Risks Relating to Turkey – Turkish Economy").

Foreign Exchange and Currency Risk – The Group is exposed to foreign currency exchange rate fluctuations

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the U.S. dollar and euro against the Turkish Lira, which can have an impact on its financial position, results of operations and/or capital. 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) and these fluctuations might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations. For example, exchange rate movements affect the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in

foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

As a result of the depreciation of the Turkish Lira by 38.1% in 2018, the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital increased significantly in 2018. The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 59.0% and 51.5%, respectively, as of 31 December 2017 to 54.3% and 47.8%, respectively, as of 31 December 2018, largely due to the depreciation of the Turkish Lira. In the first half of 2018, the Bank recorded growth of 3.1% in Turkish Lira-denominated loans; *however*, due to the high volatility and unexpected market developments in the second half of the year, new Turkish Lira-denominated originations in consumer and business loans were lower than the amount of such loans that matured during the period and, as a result, Turkish Lira-denominated loans contracted by 2.4%. In addition, there was in 2018 a 26.6% increase in foreign currency-denominated loans primarily due to the depreciation of the Turkish Lira. Accordingly, the growth in total loans during 2018 was only 8.7%, with the increase resulting from the depreciation of the Turkish Lira and the corresponding increase (in Turkish Lira terms) of the remaining foreign currency-denominated loans.

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 the 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 net profit/(loss) is 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 results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

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 capitalisation and 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 2018, foreign currency-denominated loans (including applicable factoring and lease receivables) comprised 50.3% of the Group's loan portfolio (of which U.S. dollar-denominated obligations were the most significant). Foreign currency-denominated loans as of 31 December 2018 are not comparable to the foreign currency-denominated loans as of 31 December 2017 and 2016 due to the inclusion of foreign currency-denominated factoring and lease receivables in 2018 as a result of the implementation of TFRS 9. Foreign currency-denominated loans (excluding applicable factoring and lease receivables) comprised 43.4% as of 31 December 2017 and 44.3% as of 31 December 2016. The share of foreign currency-denominated loans increased in the Group's loan portfolio as of 31 December 2018 compared to previous years primarily due to the depreciation of the Turkish Lira. In addition, a significant portion of the Group's off-balance sheet commitments, such as letters of credit, were foreign currency-risk-bearing. Any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

The Central Bank's average funding rate decreased to below 9.0% in March 2016 due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting. This continued until September 2017, when the U.S. Federal Reserve indicated that it would likely increase rates (and, in fact, the U.S. Federal Reserve made three rate hikes in 2017 and, in 2018, it made four rate hikes and started shrinking its balance sheet). The Central Bank's weighted average cost of funding was 24.0% on 31 December 2018, increasing from 12.75% on 31 December 2017, which itself had increased from 8.31% at the end of 2016. On 22 March 2019, the Central Bank sought to tighten monetary policy by suspending its one week repo auctions for an unspecified period following the volatility of the Turkish Lira, thereby resulting in an effective interest rate hike as banks would then be required to access the more expensive options, which suspension was lifted on 8 April 2019.

The Turkish Lira depreciated against the U.S. dollar by 21.5% in 2016 and then depreciated further by 7.9% in 2017, which depreciation was in part a result of geopolitical risks (see "Risks Relating to Turkey - Terrorism and Conflicts"), the uncertainty resulting from domestic political developments (see "Risks Relating to Turkey - Political Developments") and the pressure on emerging market currencies. As a response to the depreciation of the Turkish Lira, the

Central Bank has adopted certain monetary policies. For instance, in October and November 2016, the Central Bank revised certain reserve option coefficients within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. Additionally, the Central Bank reduced the borrowing limit for Turkish banks in the Interbank Money Market (*Bankalararası Para Piyasası*) initially to TL 22 billion and subsequently to TL 11 billion and then to zero on 10 January 2017, 13 January 2017 and 21 November 2017, respectively. The Central Bank also launched the Foreign Exchange Deposits against Turkish Lira Deposits Market in order to increase the Central Bank's flexibility and diversity in managing the Turkish Lira and foreign exchange liquidity. To improve the ability of Turkish companies to manage their currency exposures, the Central Bank introduced non-deliverable forwards, which provide hedging with forward payments settled in Turkish Lira.

From 31 December 2017 to 22 May 2018, the Turkish Lira depreciated a further 18.0% against the U.S. dollar, as a result of which the Central Bank increased the late liquidity window lending rate by 300 basis points to 16.5% on 23 May 2018. On 13 September 2018, the Central Bank increased its benchmark lending rate by 6.25%, which increased the one-week repo rate from 17.75% to 24.00%. Notwithstanding these changes, the Turkish Lira depreciated by 38.1% against the U.S. dollar in 2018. On 22 March 2019, the Central Bank sought to tighten monetary policy by suspending its one week repo auctions for an unspecified period following the volatility of the Turkish Lira, which suspension was lifted on 8 April 2019. The Central Bank might implement additional monetary tightening policies in the near future for price stability, if needed; *however*, there is no assurance that any of the Central Bank's policies would be effective to achieve stability in the Turkish Lira. Any failure of the Central Bank to implement effective policies might adversely affect the Turkish economy in general, including leading to higher inflation and a higher current account deficit. See also "Risks Relating to Turkey - High Current Account Deficit" and "Risks Relating to Turkey - Inflation Risk."

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 in China and low commodity and oil prices, monetary policy remains subject to uncertainty. The fluctuations of foreign currency exchange rates and increased volatility of the Turkish Lira might adversely affect the Group's customers and the Turkish economy in general; thus these might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

These and other domestic and international circumstances might result in continued or increasing volatility in the value of the Turkish Lira. Any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

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. If the Turkish Lira is devalued or 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. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira might adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. In addition, the Group's lending operations depend significantly upon the Group's capacity to match the cost of its foreign currency-denominated (or indexed) liabilities with the rates charged by the Group on its foreign currency-denominated (or indexed) assets. A significant devaluation or 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 and might have a material adverse effect on the capital ratios of the Bank and the Group and/or the Group's business, financial condition and/or results of operations.

In addition, the Group is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. The Group seeks to manage the gap 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. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange rates might have a negative effect on the value of the Group's assets and/or lead to

operating losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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 contributed 58.6%, 61.2% and 63.7% of the aggregate amount of total operating income and profit/loss from associates accounted for using the equity method for 2016, 2017 and 2018, respectively, and net interest margin (which is measured on a Bank-only basis) was 4.5%, 4.6% and 5.1%, respectively, over the same periods. Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Central Bank, domestic and international economic and political conditions and other factors. Income from financial operations is particularly vulnerable to interest rate volatility. In addition, as of 31 December 2018, 95.3% of the Group's total securities portfolio consisted of Turkish government debt securities, which accounted for 14.9% of the Group's total assets (94.8% and 14.3%, respectively, as of 31 December 2017 and 94.2% and 15.0%, respectively, as of 31 December 2016). As a result, a large portion of the Group's total assets is exposed to interest rate risk.

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 and thereby affect the Group's results of operations. 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 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.

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.

Liquidity Risk – The Group is subject to liquidity and financing risk

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and satisfy regulatory capital requirements. It includes 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, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. 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.

The Group relies primarily on short-term liabilities in the form of deposits (typically term 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 of retail, consumer and corporate loans, mortgages and credit cards, which might result in asset-liability maturity gaps and liquidity problems. In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. The unemployment rate in Turkey was 14.7% as of January 2019 according to TurkStat. If the Group's customers become or remain unemployed, then they might save less, or consume more of their money deposited with the Group. Similarly, if corporate customers of the Group face liquidity problems, then they might withdraw their money from the Group, which might negatively affect the Group's access to deposit-based funding. An inability on the Group's part to access such funds or to access the markets from which it raises such funds might put the Group's positions in liquid assets at risk and lead the Group to be unable to finance its operations and growth plans adequately.

In addition to deposits, the Group also relies upon non-deposit funding (which includes money market funds, funds borrowed, marketable securities issued and subordinated debt). The Group's non-deposit funding as of 31 December 2018 was equivalent to 27.6% of the Group's consolidated assets (29.8% and 29.6%, respectively, as of 31 December 2017 and

2016). The Group's cash loan-to-deposit ratio was 118.6% as of 31 December 2018 (128.5% and 125.0%, respectively, as of 31 December 2017 and 2016).

If growth in the Group's deposit portfolio continues to not keep pace with growth in its loan portfolio, then the Group will become more reliant upon non-deposit funding sources such as securities offerings, some of which might create additional risks of their own such as increased liquidity and/or interest rate gaps and exposure to volatility in international capital markets. If conditions in the international capital markets or interbank lending market, or the Group's credit ratings, were to deteriorate, then the Group might be unable to secure funding through international sources.

A rising interest rate environment might compound the risk of the Group not being able to access funds at favourable rates or at all. As central banks unwind the expansive liquidity that has been provided during the global financial crisis, 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 less access to funds. In addition, the Group's ability to raise or access funds might be impaired by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or negative views about the prospects of the sectors to which the Group lends. 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, change of control or other event) might adversely affect the Group's business, financial condition and/or results of operations. For example, in case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which might adversely affect borrowing using certain capital market instruments (such as "future flow" transactions and eurobonds). See also "-Foreign Currency Borrowing and Refinancing Risk" below.

Similarly, if a credit rating of Turkey and/or members of the Group is downgraded or put on negative watch, then the Group might experience higher levels of cost of funding and/or difficulty accessing certain sources of international or wholesale funding.

The Group might not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Group's inability to refinance or replace deposits and devalued assets with alternative funding might result in its failure to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which 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 liquidity risk management policy, see "Risk Management – Liquidity Risk."

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent upon foreign currency-denominated debt, which might result in difficulty in refinancing or might increase its cost of funding, particularly if the Group and/or Turkey suffer(s) a rating downgrade

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 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. As of 31 December 2018, the Group's total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) equaled 23.2% of its consolidated assets (21.6% and 20.7%, respectively, as of 31 December 2017 and 2016). To date, the Bank 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, although 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: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to depreciation of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group might increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt. The Bank calculates its

capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On 27 January 2017, Fitch (whose ratings the Bank has been using to calculate its risk-weighted assets) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank are subject to a 0% risk weight, which amendment offset the negative impact on capital adequacy that otherwise would have resulted from the Fitch downgrade.

On 9 March 2018, following the downgrade of the sovereign rating of Turkey to "Ba2" (outlook stable) from "Ba1" (outlook negative), Moody's downgraded the Bank's Long-Term Foreign Currency Issuer Rating to "B2." On 20 July 2018, following the downgrade of the sovereign rating of Turkey to "BB (Negative Outlook)," Fitch downgraded the Bank's Long-Term Foreign Currency Issuer Default Rating to "B+ (Negative Outlook)." On 28 August 2018, following the downgrade of Turkey's sovereign rating, Moody's downgraded certain ratings of the Bank, including the Bank's senior unsecured rating, by one notch. See "The Group and its Business - Credit Ratings" for the Bank's current credit ratings. The Bank's management estimates that the downgrades to below investment grade bond status had (and might continue to have) a negative impact on the Turkish economy as well as on capital adequacy ratios in the banking sector, and the banking sector might experience further capital erosion if the Turkish Lira were to face further depreciation pressures or if Turkish Lira bonds were to suffer a sell-off that negatively affects bond prices.

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 or refinancing of its foreign currency borrowings. As of 31 December 2018, 94.5% (95.4% and 96.3%, respectively, as of 31 December 2017 and 2016) of the Group's aggregate amount of foreign currency-denominated funds borrowed and subordinated debt was sourced from international banks, multilateral institutions, international eurobonds and "diversified payment rights" transactions. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

SME/Retail Concentration Risk – A significant percentage of the Group's loan portfolio consists of retail loans and loans to SMEs, and a negative impact on the financial condition of the Group's retail or SME customers might affect the Group's business, financial condition and/or results of operations

As of 31 December 2018, 45.1% of the Bank's loan portfolio consisted of retail loans and loans to SMEs (according to the BRSA SME Definition). As of the same date, retail loans accounted for 22.4% of the Bank's loan portfolio (17.3% consumer loans and 5.1% retail credit card loans), loans to SMEs (according to the BRSA SME Definition) accounted for 23.0% and the remaining 53.2% of the Bank's loan portfolio consisted of loans to corporates (according to the Corporate Definition) (23.8%, 18.7% and 5.0%, respectively, as of 31 December 2017 and 24.9%, 21.8% and 53.3%, respectively, as of 31 December 2016). 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. The Group's NPL ratios for 2016, 2017 and 2018 were 2.3%, 2.1% and 4.1%, respectively. On a Bank-only basis, SMEs (as defined by the BRSA SME Definition) accounted for 32.4%, 33.8% and 31.0% of total NPLs as of 31 December 2016, 2017 and 2018, respectively. Retail loans (which consist of consumer loans, overdrafts and credit cards) accounted for 31.1%, 28.1% and 16.6%, respectively, as of such dates. The Bank's NPL ratios for SME loans were 3.5%, 3.2% and 5.5%, respectively, as of such dates, while its NPL ratios for retail loans were 2.9%, 2.6% and 3.1%, 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.

In December 2016, the Turkish government announced 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. As this facility was fully utilised by the end of 2017, the available amount was increased by TL 55 billion in February 2018. A further increase of TL 35 billion was implemented in May 2018 to replace KGF-guaranteed loans that had already been repaid. Banks are assigned certain limits to grant these loans and the amount up to 100% of such limit (for both SMEs and non-SMEs) will be guaranteed by the Turkish Treasury. The guarantee also extends to NPLs from these SME loans that constitute up to 7% of a bank's NPL levels. If the NPLs from these loans exceed 7% of a bank's NPL ratio for the loans benefiting from the KGF guarantee, then the banks will bear the

risk for the amount of the NPL in excess of such 7% level. In 2017, the Bank's loan portfolio grew by 17.9%, which was largely due to the loans extended by the Bank under the KGF programme during the first half of the year, with the contribution of KGF loans declining during the second half of 2017. As of 31 December 2018, the Bank's total loan disbursements under the KGF programme were TL 29.3 billion (of which TL 20.3 billion remained outstanding). As of 31 December 2018, the gross NPL ratio as calculated solely for the loans granted under the KGF programme since 2017 was 3.6% against the maximum threshold of 7%. If the gross NPL ratio of these loans granted under the KGF programme since 2017 exceeds 7%, then the Bank would lose the advantages of the KGF programme in terms of collections and risk weights.

As of January 2019, an additional TL 20 billion limit was allocated by the government under the KGF guarantee for the use of SMEs with 2017 annual turnover of TL 25 million or less. On 6 March 2019, an additional TL 25 billion limit was allocated by the government for the use of SMEs with a yearly turnover of TL 125 million or less without any industry-specific limitations. Pursuant to Presidential Decree No. 162 dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured from their initial maturities of 36 months 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 the borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

The general macroeconomic conditions in Turkey might have a material adverse effect on the Group's retail and SME customers, both as borrowers and providers of deposits. For example, should the unemployment rate increase, the ability of the Group's customers to meet their payment obligations and/or deposit funds with the Bank might be reduced. Similarly, reduced demand caused by a slowdown in the Turkish economy might significantly impact SMEs. Any material adverse effect on the Group's retail and SME customers resulting from macroeconomic conditions might impair the Group's business strategies and have a material adverse effect on the Group's business, financial condition and/or results of operations.

Insufficient Collateral – The value of collateral securing the Group's loans and advances might not be sufficient

The Group might have difficulty realising on collateral or enforcing guarantees or other third-party credit support arrangements when debtors default. In addition, the time and costs associated with enforcing security in Turkey might make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses. A significant portion of the Group's loans are collateralised.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets might reduce the value of collateral securing the Group's loans and advances, increasing the risk that the Group would not be able to recover the full amount of any such loans and advances in a default. In accordance with the Group's credit policies, if any collateral shortfall is identified during credit reviews, then borrowers are required to provide additional collateral sufficient to cover any shortfall; *however*, a borrower might not be willing or able to post additional collateral. 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.

The Group also undertakes certain types of lending without tangible collateral, relying only on personal guarantees, which might not be sufficient to cover the outstanding amount following a default.

The Group might not be able to realise adequate proceeds from collateral disposals to cover loan losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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 2016, 2017 and 2018 accounting for 18.3%, 18.1% and 19.5%, respectively, of its total interest income (and 13.1%, 13.7% and 15.4%, respectively, 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)). The Bank also has obtained large realised gains from the sale of securities in its available-for-sale portfolio. The CPI-linked securities in the Bank's investment securities portfolio provided high real yields compared to other government securities in each of such years, benefiting from the high inflation environment, but their impact on the Bank's earnings might vary as inflation rates change.

The Group's investment portfolio principally contains Turkish government debt securities, with more limited holdings of other securities such as corporate and foreign government debt securities. Until adoption of TFRS 9 as of 1 January 2018, as the Group's investment securities portfolio was comprised largely of high quality securities (principally Turkish government debt, most of which is held in the financial assets available-for-sale portfolio), the Group experienced insignificant credit losses on its investment securities portfolio and established immaterial provisions relating thereto during each of 2016 and 2017. As of 1 January 2018, the Group started to apply TFRS 9 in its BRSA financial statements, which standard replaced TAS 39 (*Financial Instruments: Recognition and Measurement*). Accordingly, as of 1 January 2018, both financial instrument classifications and impairment calculation principles have fundamentally changed. The TAS 39 measurement categories of "financial assets valued at fair value through profit or loss/financial assets held for trading," "financial assets available-for-sale" and "investments held-to-maturity" have been replaced by "financial assets at fair value through profit or loss," "financial assets at fair value through other comprehensive income" and "financial assets measured at amortised cost," respectively, as a consequence of the adoption of TFRS 9. TFRS 9 also changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. See Note Section Three, VII and XXVII of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018. Therefore, the Group has started to recognise expected losses at initial recognition for all financial assets at fair value through other comprehensive income (excluding equity instruments) and financial assets measured at amortised cost in profit or loss effective from 1 January 2018 and, accordingly, the credit losses on the investment securities portfolio have increased compared to previous periods. Due to accounting policy changes and re-classifications made as a consequence of the implementation of TFRS 9, the figures as of 31 December 2018 are not comparable with the figures for the previous periods. See Note Section Three, VII and XXVII of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018.

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. In addition, as the Group's investment portfolio is heavily concentrated in Turkish government securities, see also "Risks Relating to Turkey - Government Default" above.

Correlation of Risks – The occurrence of a risk borne by the Group might exacerbate or trigger other risks that the Group faces

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 trading losses due to a market downturn in Turkey, then its need for liquidity might rise sharply while its access to such liquidity and/or capital might be impaired. In addition, in conjunction with a market 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. If this or any other combination of risks occurs, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to applicable laws, the interpretation or enforcement of such laws or any failure to comply with such laws might have a material adverse impact on the Group's business

The Group is subject to a number of banking, consumer protection, competition, antitrust and other laws designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws include Turkish laws (and in particular those of the BRSA), as well as laws of certain other countries in which the Group operates. These laws increase the cost of doing business and limit the Group's activities. See "Turkish Regulatory Environment" for a description of the Turkish banking regulatory environment and "Turkish Banking System" below.

Turkish banks' capital adequacy requirements have been and will continue to be affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are being phased in through 2019. The Regulation on Equities of Banks was published in the Official Gazette No. 28756 dated 5 September 2013 (the "*Equity Regulation*") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "*2012 Capital Adequacy Regulation*"), both of which transposed Basel III

requirements into Turkish law and entered into effect on 1 January 2014. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette No. 29511 dated 23 October 2015 (the “*2015 Capital Adequacy Regulation*”), which became effective on 31 March 2016. The Equity Regulation introduced: (a) core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital and (b) new Tier 2 rules and determined new criteria for debt instruments to be included in a bank’s Tier 2 capital. The 2015 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 (b) changed the risk weights of certain items that are categorised under “other assets.”

The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor’s, Moody’s, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. Following Fitch’s (which the Bank has been using for such purposes) downgrade of Turkey’s sovereign credit rating, the BRSA published guidance on 24 February 2017 to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight, which amendment offset the negative impact on the capital adequacy ratios that otherwise would have resulted from the Fitch downgrade.

In 2013, the BRSA published the Regulation on the Capital Maintenance and Countercyclical Capital Buffer, which entered into effect on 1 January 2014 and regulates the procedures for and principles regarding the calculation of additional core capital amounts. In this context, the BRSA further published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer (together, the “*BRSA Decisions on the Countercyclical Capital Buffer*”). Pursuant to these decisions, the countercyclical capital buffer for Turkish banks’ (including the Bank) exposures in Turkey was initially set at 0% of a bank’s risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement. From 2019, the Bank is required to ensure a capital maintenance buffer of 2.5% and a systemically important financial institution buffer of 1.5% (the countercyclical capital buffer may change monthly due to the calculation methodology).

The Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), was published in the Official Gazette No. 28812 dated 5 November 2013 and entered into effect on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015).

The Regulation on Measurement of Liquidity Coverage Ratio of Banks was 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 this 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; *however*, pursuant to the BRSA decision dated 26 December 2014 (No. 6143) (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. If the Bank and/or the Group is unable to maintain its capital adequacy, leverage and liquidity 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. See “Turkish Regulatory Environment” below for a further discussion on the implementation of Basel III in Turkey.

The BRSA also amended certain 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 Basel Committee’s Regulatory Consistency Assessment Programme (“*RCAP*”), which is conducted by the Bank for International Settlements (the “*BIS*”), with a view to monitor Turkey’s compliance with Basel regulations. The amendments related to internal systems and internal capital adequacy ratios entered into force on 20 January 2016. These regulations impose requirements to enhance

the effectiveness of internal risk management and internal capital adequacy assessments. Accordingly, the board of directors and senior management of a bank are required to ensure that such bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation became effective on 31 March 2016 (for further information, see “Turkish Regulatory Environment – Capital Adequacy”).

In February 2016, the BRSA published a regulation (the “*D-SIBs Regulation*”) regarding systemically important banks (“*D-SIBs*”), which 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. See “Turkish Regulatory Environment – Capital Adequacy – Basel Committee – Basel III” below.

In 2016, the BRSA published the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (as amended from time to time, 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 IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires 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. See “Turkish Regulatory Environment – Loan Loss Reserves.”

As a result of the global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new laws, and there is still uncertainty as to what impact these changes might have. In addition, the Turkish government (including the BRSA or the Central Bank) has introduced (and might introduce in the future) new 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, increase reserves or otherwise introduce rules that will negatively affect the Group’s business and/or profitability (e.g., see “Turkish Regulatory Environment – Consumer Loan, Provisioning and Credit Card Regulations”). 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 (see “Turkish Banking System — Competition”). 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 might 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 many of the Group’s products).

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 might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework might have an adverse effect on the Group’s business, financial condition and/or results of operations. Finally, non-compliance with laws might expose the Group to potential liabilities and fines and/or damage its reputation.

As applicable to all other enterprises in Turkey, the Bank is also subject to competition and antitrust laws. The Bank from time to time has been, and might in the future be, subject to investigations by the Turkish Competition Board (*Rekabet Kurulu*), some of which have resulted in material fines. For example, in March 2013, the Competition Board ruled for the Bank to be fined TL 147 million. On 15 August 2013, the Bank paid three quarters of this administrative penalty (i.e., TL 110 million) in accordance with the provisions of applicable law permitting a 25% reduction when the penalty is paid within 30 days after the receipt of the final decision. Notwithstanding this payment, the Bank objected to this decision through proceedings before the Administrative Court of Ankara and requested a stay of execution. The relevant court dismissed the Bank’s claims and the Bank appealed the decision before the Council of State. The Bank’s request of appeal was rejected by the Council of State and the Bank appealed for the revision of that decision before the Council of State. As of the date of this Base Prospectus, the relevant lawsuit is pending.

International Operations – The Group is subject to adverse changes in the regulatory and economic environment in the jurisdictions in which the Group operates

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 the Sterling. Adverse changes in the regulatory environments, tax and other laws, economic conditions, relevant exchange rates and/or other circumstances in the 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 dividends received by the Bank from such investments might vary from year to year, potentially significantly, and affect the Bank’s net income accordingly.

Related Party Transactions – The Bank is exposed to risks relating to doing business with related parties

The Banking Law places limits on a Turkish bank’s exposure to related parties. The Group enters into banking transactions with its affiliates, including non-financial entities in which it holds a participation, within the framework of the Banking Law and tax regulations. Although the Bank’s management believes that these transactions are on an arm’s length basis and in line with the Banking Law and tax regulations, the interests of the Group might not at all times be aligned with the interests of the Noteholders. For further information on the Group’s transactions with its affiliates, see “Business of the Group – Subsidiaries and other Affiliates.”

Measures to Prevent Money Laundering and/or Terrorist Financing – Third parties might use the Group as a conduit for illegal or terrorist activities without the Group’s knowledge

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 legislation and international standards aimed at preventing it being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Similar to other financial institutions, if the Group does not comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing regulations and/or is associated with money laundering and/or terrorist financing, then its business, results of operations and/or financial condition might be adversely affected. In addition, involvement in such activities might carry criminal or regulatory fines and sanctions and might severely harm the Group’s reputation.

Risk Management Strategies – The Group’s risk management strategies and internal controls might leave it exposed to unidentified or unanticipated risks

The Group 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, 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.

The Group’s risk management strategies and internal controls might leave it exposed to unidentified or unanticipated risks. The Group’s risk management and internal control policies and procedures might not adequately control, or protect the Group against, all credit, liquidity, market and other risks. In addition, certain risks might not be accurately quantified by the Group’s risk management systems. Some of the Group’s methods of managing risk are based upon the use of historical market data, which, as evidenced by events caused by the global financial crisis, might not always accurately predict future risk exposures, which might be significantly greater than historical measures indicate.

Any material deficiency in the Group’s risk management or other internal control policies or procedures might expose it to significant credit, liquidity, market or operational risk, which in turn might have a material adverse effect on the Group’s business, results of operations and/or financial condition. Notwithstanding anything in this risk factor, this risk

factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

Turkish Disclosure Standards – Turkish disclosure standards differ in certain significant respects from those in certain other countries, potentially resulting in a lesser amount of information being available

Historically, the reporting, accounting and financial practices applied by Turkish banks have differed in certain respects from those applicable to banks in the EU, the United States, the United Kingdom or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU, the United States, the United Kingdom or in other similar markets and any information that is published might only be presented in Turkish.

The BRSA's rules require Turkish banks to publish their annual and quarterly financial reports on their websites. In addition, banks that are listed on the Borsa İstanbul A.Ş., such as the Bank, are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the market price of the issuer's securities (both through the Public Disclosure Platform's (*Kamuyu Aydınlatma Platformu*) ("*Public Disclosure Platform*") website and the bank's own website). Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements, interim management reports and corporate governance compliance reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements typically being available first under the BRSA Accounting and Reporting Principles and subsequently being made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites (please note, however, that the IFRS Financial Statements are not included in (or incorporated by reference into) this Base Prospectus). Nonetheless, investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States, the United Kingdom and certain other markets.

The Group maintains its accounting systems and prepares its accounts in accordance with the relevant law and publishes quarterly financial results in accordance with the BRSA Accounting and Reporting Principles. These accounts are not prepared on a basis consistent with IFRS as applied in preparing IFRS financial statements. The Bank only publishes annual (consolidated and unconsolidated) and half-yearly (consolidated only) financial statements that have been prepared in accordance with IFRS. There are differences between the BRSA Financial Statements and the IFRS Financial Statements. A summary of such differences as they apply to the Group has been included elsewhere in this Base Prospectus, including the differences described above and other potential differences that might materially affect the Group's results of operations and financial position (see Appendix 1 - "Overview of Significant Differences between IFRS and the BRSA Accounting and Reporting Principles"). Potential investors should rely upon their own examination of the Group, the terms of the Notes and the financial and other information contained in this Base Prospectus.

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

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

The auditor's audit reports included in the Group's BRSA Financial Statements include: (a) a qualification related to the free provision as of 31 December 2016 amounting to TL 800 million allocated by the Bank's management, all of which had been recognised as an expense in prior periods, (b) a qualification related to the free provision 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 as of 31 December 2017, which provision was allocated by the Bank's management for the possible effects of the negative circumstances that may arise in the economy or market conditions and (c) a qualification related to the free provision amounting to TL 1,200 million as of 31 December 2018, of which TL 1,740 million was provided in prior years, TL 350 million was reversed in the current period and TL 190 million was reversed under retained earnings by the Group's management for the possible effects of the negative circumstances that might arise from the possible changes in the economy and market conditions. The Bank's auditors have qualified their audit reports included in the BRSA Financial Statements as free provisions do not meet the recognition criteria of Turkish Accounting Standards 37 (TAS) (Provisions,

Contingent Liabilities and Contingent Assets). See also the audit reports included in the BRSA Financial Statements incorporated by reference herein. The Bank's management expects that similar qualifications will be included in the corresponding audit or review reports for future fiscal periods.

The Bank's management determines the amount of free provisions in accordance with precautionary principles by taking into consideration the possible effects of the negative circumstances that might arise from the possible changes in the economy and market conditions. Such provisions might be reversed, re-allocated or increased by the Group in future periods, which might cause the Group's net profit to be higher or lower in future periods than it otherwise would be in the absence of such reversal, re-allocation or increase. These provisions do not impact the Group's level of tax.

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. 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.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List.

Dependence upon Information Technology Systems – The Group's operations are subject to interruptions to, or the improper functioning of, its information technology systems

The Group's business services and functions rely upon the proper delivery of the IT services or applications to support their operations. These IT services or applications run on IT systems that have been developed either in-house or by third-party providers. While the Group has implemented and has future plans for various projects to ensure the proper functioning of its IT systems, any significant inadequacy, disruption, breach, failure, performance issues or interruption of the Group's IT systems or any other systems in its branch network, clearing operations or elsewhere, inadequate selection of new technology, delays caused by the implementation of new technology or incomplete integration of new technology into the existing IT systems might result in unforeseen expense and difficulties in conducting the Group's operations, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, most of the Group's servers are maintained in the Group's Atlas data centre, which is its main data centre located in Tuzla, Turkey, and all of the Group's IT applications depend upon the proper functioning of this data centre. In the event of a disaster, natural or otherwise, whereby the Group cannot operate its technology infrastructure, the Group has a contract with IBM to provide a recovery solution for the Group's critical systems at a centre located in İzmir, Turkey; however, while the Bank's entire branch infrastructure is connected to the İzmir disaster recovery site to ensure operational continuity, business critical applications might only function with limited capacity in such an event. For further information on the Group's IT system, see "Business of the Group – Information Technology."

The Group's expansion plans also depend to a large extent upon its ability to expand its IT capacity. Failure to put in place IT systems to support its expansion might materially adversely affect the Group's growth strategy.

Absence of Governmental Support – In general, Group companies’ 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 companies are generally not guaranteed or otherwise supported by the Turkish or any other government; *however*, some of the Bank’s subsidiaries might be entitled to receive governmental or other support in certain instances due to their status, such as the Bank’s financial participation Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”), an investment and development bank that benefits from a governmental guarantee of certain loans made to it. 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 Notes 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.

Leverage Risk – The Group might become over-leveraged

One of the principal causes of the global financial crisis was the excessive level of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the debt’s rating) and the failure of risk management systems to identify adequately the correlation of risks and price risk accordingly. If the Group becomes over-leveraged as a result of these or any other reasons, then it might be unable to satisfy its obligations in times of financial stress, and such failure might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

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. Accordingly, compensation and employment policies are reviewed every two years by collective bargaining with the trade union of which almost all of the Bank’s Turkish employees are members. 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.

On 22 March 2016, a court in İstanbul accepted a prosecutor’s indictment against certain current and past senior managers of the Bank. See “Management – Recent Developments - POAŞ Proceedings.” As of the date of this Base Prospectus, the Bank’s management does not believe that this proceeding will have any material impact on the Bank; *however*, any adverse decision of the court against such members of senior management might negatively impact their ability to perform their duties.

Labour Disputes – The Group’s operations might be subject to work stoppages or other labour disputes

As of 31 December 2018, the Bank had 24,570 employees. Almost all of the Bank’s Turkish employees are members of the Turkish union for the banking and insurance industries Banking and Insurance Labor Union (*Banka ve Sigorta İşçileri Sendikası*) (“Basisen”). Basisen and the Bank are parties to a collective bargaining agreement, which was signed in May 2018 and is effective until 31 December 2019. While the Bank’s management believes that the Bank’s relationships with its employees and Basisen are satisfactory, the collective bargaining agreement with Basisen might not be extended or renewed at recent terms or the Group might not be able to renegotiate this collective bargaining agreement in a

favourable and timely manner. In addition, although the Bank has not experienced any work stoppages or labour disputes to date, work stoppages or labour disputes might occur in the future. If a material disagreement between the Bank and Basisen arises, or if employees engage in a prolonged work stoppage or strike, the Group's business, financial condition and/or results of operations might be negatively affected.

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

All banks established in Turkey require licensing by the BRSA. 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.

Large Shareholders – The interests of the İşbank Personnel Supplementary Pension Fund and the CHP, which together held 68.56% of the Bank's outstanding share capital as of 31 December 2018, might not be aligned with the interests of the investors in the Notes

As of 31 December 2018, 40.47% 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 Notes.

Government officials (including the President) have recently 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 (currently the main opposition party) in accordance with his testamentary will. As of 31 December 2018, these shares comprised 28.09% of the Bank's outstanding share capital. 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 and held 40.12% of the shares of the Bank as of such date, appoints the majority of the members of the Board of Directors.

Risks Relating to the Structure of a Particular Issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features that contain particular risks for potential investors. Set out below is a description of some of such features.

Optional Redemption – If the Issuer has the right to redeem any Notes at its option, then this might limit the market price of investments in such Notes and an investor might not be able to reinvest the redemption proceeds in a manner that achieves a similar effective return

An optional redemption feature of Notes is likely to limit their market price. During any period in which the Issuer may elect to redeem Notes, the market price of an investment in those Notes generally will not rise substantially above the price at which they can be redeemed. This might similarly be true prior to any redemption period.

To the extent Notes have an optional redemption feature, the Issuer can be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes 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 Notes with a redemption feature. In addition, in the case of any Floating Rate Notes, redemption might take place on any day during an Interest Period. See Condition 8.3 (*Redemption at the Option of the Issuer (Issuer Call)*).

Change of Interest Basis – If a Series of Notes 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 Notes

Notes 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 Notes, might affect the secondary market and the market price of investments in such Notes as the change of interest basis might result in a lower interest return for investors. Where Notes convert from a fixed rate to a floating rate, the spread on such Notes 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 Notes. Where Notes convert from a floating rate to a fixed rate, the fixed rate might be lower than then-prevailing rates on those Notes and might affect the market price of an investment in such Notes.

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

For Notes denominated in a “Specified Currency” (as specified in the applicable Final Terms) other than U.S. dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to have or open (and maintain) a bank account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on such Notes 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 Notes will receive payment in U.S. dollars through DTC’s normal procedures. See Condition 7.11.

In the case of Turkish Lira-denominated Notes held other than through DTC, unless a 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 7.8 is made, holders of such Notes would need to have or open (and maintain) a Turkish Lira-denominated bank account, and no assurance can be given that Noteholders will be able to do so either inside or outside of Turkey. For so long as such Notes are in global form, any Noteholder 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 Notes) from its account at a clearing system to which any such payment is made.

Under Condition 7.8, if the Fiscal Agent receives cleared funds from the Bank in respect of Turkish Lira-denominated Notes 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 Noteholders 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 the Notes will be made in Turkish Lira. As any currency election in respect of any payment to be made under such Turkish Lira-denominated Notes for the purposes of Condition 7.8 is irrevocable: (a) its exercise might (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder 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 Noteholders will receive the relevant amount in Turkish Lira.

Noteholders will have no recourse to the Bank, any Agent or any other Person for any reduction in value to the holder of any relevant Notes or any payment made in respect of such Notes 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 Noteholder receiving an amount that is less than the amount that such Noteholder 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.

Potential Price Volatility – The market price of an investment in the Notes might be subject to a significant degree of volatility

The market price of an investment in the Notes might be subject to significant fluctuations in response to actual or anticipated variations in the Bank’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 Notes or other debt securities, as well as other factors, including the trading market for debt issued by Turkey. 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 Notes without regard to the Bank's financial condition or results of operations.

The market prices of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Risks Relating to Notes Denominated in Renminbi

Notes may be denominated in Renminbi ("*Renminbi Notes*"). An investment in Renminbi Notes involves particular risks, including:

Renminbi Convertibility – Renminbi is not completely freely convertible, there are significant restrictions on remittance of Renminbi into and outside the PRC and the liquidity of investments in Renminbi Notes is subject to such restrictions

Renminbi is not completely freely convertible as of the date of this Base Prospectus. The government of the PRC (the "*PRC Government*") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services and other frequent routine foreign exchange transactions. These transactions are known as current account items.

As of the date of this Base Prospectus, participating banks in Hong Kong and a number of other jurisdictions have been permitted to engage in the settlement of current account trade transactions in Renminbi; *however*, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are (as of the date of this Base Prospectus) being developed.

Although Renminbi was, as of 1 October 2016, added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China (the "*PBoC*") in 2018, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated that have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this might affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

Renminbi Availability - There is only limited availability of Renminbi outside the PRC, which might affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. As of the date of this Base Prospectus, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the PBoC has entered into agreements on the clearing of Renminbi business (the "*Settlement Agreements*") with financial institutions in a number of financial centres and cities (the "*RMB Clearing Banks*") including, but not limited to, Hong Kong, and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the size of Renminbi denominated financial assets outside the PRC is limited.

Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of settling open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to settle for participating banks any open positions resulting from other foreign exchange transactions or conversion services. Where

onshore liquidity support from the PBoC is not available, the participating banks will need to source Renminbi from outside the PRC to settle such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC might affect the liquidity of investments in the Renminbi Notes. To the extent that the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source Renminbi on satisfactory terms, if at all.

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where the RMB Currency Event is specified as being applicable in the applicable Final Terms, in the event access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 7.9), the Issuer is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Issuer to make payment in U.S. dollars converted at the Spot Rate, all as provided in Condition 7.9. The value of these Renminbi payments in U.S. dollar terms might vary with the prevailing exchange rates in the market.

Renminbi Exchange Rate Risks - An investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. On 11 December 2015, the China Foreign Exchange Trade System (the "CFETS"), a sub-institutional organisation of the PBoC, published the CFETS Renminbi exchange rate index for the first time, which weighs the Renminbi based upon 13 currencies, to guide the market in order to measure the Renminbi exchange rate. This change, and others that might be implemented, might increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless the RMB Currency Event is specified as being applicable in the applicable Final Terms, and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars converted at the spot rate. As a result, the value of these Renminbi payments in U.S. dollars or other foreign currency terms might vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other applicable foreign currencies, then the value of any investment in Renminbi Notes in terms of the U.S. dollar or other applicable foreign currency will decline.

Renminbi Interest Rate Risk - An investment in fixed rate Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation might increase interest rate volatility. If a Series of Renminbi Notes carries a fixed interest rate, then the trading price of an investment in such Renminbi Notes will vary with fluctuations in Renminbi interest rates. If an investor in Renminbi Notes tries to sell such investment, then they might receive an offer that is less than the amount invested.

Renminbi Payment Mechanics - Payments in respect of Renminbi Notes will be made to investors in the manner specified in the Conditions

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely: (a) for so long as the Renminbi Notes are represented by Global Notes held with a common depositary (a "Common Depositary") or common safekeeper (a "Common Safekeeper"), as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures or the rules and procedures of such alternative clearing system, or (b) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in Condition 7.9, the Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

PRC Tax Consequences – There might be PRC tax consequences with respect to investment in the Renminbi Notes

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation, as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Noteholder's investment in the Renminbi Notes might be materially and adversely affected if the Noteholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

Risks Relating to the Notes Generally

Set out below is a description of material risks relating to the Notes generally.

Unsecured Obligations - The Notes will constitute unsecured obligations of the Bank

The Bank's obligations under the Notes will (subject to Condition 4) constitute unsecured obligations of the Bank. The ability of the Bank to pay such obligations will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows, which might be affected by (*inter alia*) the circumstances described in these "Risk Factors."

Effective Subordination – Claims of Noteholders under the Notes will be effectively subordinated to those of certain other creditors

While Notes issued with the terms and conditions set out in this Base Prospectus (the "Conditions") will rank *pari passu* with all of the Bank's other unsecured and unsubordinated indebtedness, the Notes will be effectively subordinated to the Bank's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by 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). In addition: (a) creditors of the Bank benefiting from collateral provided by the Bank will have preferential rights with respect to such collateral (e.g., creditors in a covered bond programme) 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 Noteholders on any dissolution, winding up or liquidation of the Bank and might result in an investor in the Notes losing all or some of its investment.

Redemption for Taxation Reasons – Unless provided otherwise in the applicable Final Terms, the Issuer will have the right to redeem a Series of Notes upon the occurrence of certain changes in law requiring it to pay withholding taxes in excess of levels, if any, applicable to interest or other payments on such Series on or before the date on which agreement is reached to issue the most recently issued Tranche of such Series

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: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (b) with respect to bonds with a maturity of at least one year and less than three years, the withholding tax rate on interest is 3%, and (c) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%.

Unless provided otherwise in the applicable Final Terms, the Issuer will have the right to redeem a Series of Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, as a result of: (a) any change in, or amendment to, the laws of a Relevant Jurisdiction (as defined in Condition 9) or (b) any change in the application or official interpretation of the laws of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued Tranche of such Series (which shall, 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 9 and (ii) make any withholding or deduction

for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the most recently issued Tranche of such Series, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption, investors in such Series of Notes 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 Notes and, in the case of any Floating Rate Notes, redemption might take place on any day during an Interest Period.

This redemption feature is also likely to limit the market price of an investment in the Notes at any time when the Issuer has the right to redeem them as provided in the preceding paragraph, as the market price at such time will generally not rise substantially above the price at which they can be redeemed. This might similarly be true in the period before such time when any relevant change in law is yet to become effective.

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 Noteholders 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 Notes holding defined percentages of the Notes to bind all investors in the Notes of a 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 Notes of a Series that are contrary to the preferences of any particular investor in such Series.

In addition, the consent or approval of the Noteholders or the Couponholders is not required in the case of amendments to the Conditions pursuant to the benchmark discontinuation provisions described below 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 Notes 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.

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

Although the CMB has issued the CMB Approval authorising the issuance of a maximum amount of Notes pursuant to Decree 32, the Capital Markets Law, the Debt Instruments Communiqué and other related laws as debt securities to be offered outside of Turkey: (a) the Notes have not been and are not expected to be registered under the Securities Act or any state’s or other jurisdiction’s securities laws and (b) other than by the Central Bank of Ireland as described herein, this Base Prospectus has not been approved by any jurisdiction’s regulatory authorities (including the SEC). The offering of the Notes (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 interests in the Notes 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 “Subscription and Sale and Transfer and Selling Restrictions.”

Because transfers of interests in the Global Notes 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 Notes might be reduced to the extent that some investors are unwilling or unable to invest in notes held in book-entry form in the name of a direct participant in the applicable Clearing System. The ability to pledge interests in the Notes (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 Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes might be impaired.

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

As permitted by Condition 17, the Bank may from time to time without the consent of the Noteholders of a Series create and issue further Notes of such Series; *provided* that such further Notes will be required to be fungible with the

existing Notes 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 Notes were, and such further Notes are, offered and sold by (or on behalf of) the Bank solely in reliance upon Regulation S in offshore transactions to Persons other than U.S. persons. To the extent that the Bank issues such further Notes of a Series, the existing Noteholders’ share of such Series (e.g., in respect of any meeting of holders of the Notes of that Series (see “-Consent for Modifications” above)) will be diluted.

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

The Bank is a public joint stock company organised under the laws of Turkey (specifically, under the Banking Law). Certain of the directors and officers of the Bank 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 in the Notes 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 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 Notes might be adversely affected by a change in the laws of England or Turkey or in administrative practice in these jurisdictions

The Conditions of the Notes 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 Notes or the value or market price of an investment in the Notes affected by such change.

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

In relation to any issue of Global Notes 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 Notes 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: (a) would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes 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 Note in respect of such holding (should Definitive Notes replace the applicable Global Note) and would need to purchase or sell a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If Definitive Notes are issued, then the holders thereof should be aware that Definitive Notes 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 Notes will be subject to the rules of the applicable Clearing System and their ability to exercise rights relating to the Notes directly might be limited

Unless issued in definitive form, the Notes will be represented on issue by one or more Global Note(s) that will be: (a) deposited with and (if issued in registered form) registered in the name of a nominee for a Common Depositary 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 Note and Final Terms, investors in a Global Note will not be entitled to receive Notes 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 Note held through it. While Notes are represented by a Global Note, 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 7.11 with respect to non-U.S. dollar payments for Global Notes for which DTC is the clearing system, for so long as any Notes are represented by Global Notes, 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 Note must rely upon the procedures of the relevant Clearing System and its participants to receive payments in respect of their interests in such Global Note. The Issuer will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will be subject to the applicable procedures of the applicable Clearing System, its participants or any other intermediary and will not have a direct right to vote in respect of the Notes 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 Note might have to prove their interests in order to take enforcement action against the Issuer in the event of a default under the relevant Notes and (b) in a Global Note for which DTC is the clearing system might not have a direct right to take enforcement action against the Issuer in the event of a default under the relevant Notes.

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

Interest rates and indices that are deemed to be “benchmarks” (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR and CNH HIBOR) 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 Notes linked to or referencing such a “benchmark.”

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies 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 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 Notes 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. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July

2018, the UK Financial Conduct Authority (the “FCA”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcements”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“SONIA”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based upon a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“€STR”) as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro-denominated cash products, including bonds. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts might increase the risk to the euro area financial system.

It is not possible to predict with certainty whether and to what extent certain benchmarks (including LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR and CNH HIBOR) will be supported going forward. This might cause LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR and/or CNH HIBOR 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 Notes linked to or referencing a benchmark.

Condition 6.7 provides for certain fallback arrangements (the “*benchmark discontinuation provisions*”) in the event that LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR 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 Notes could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders or Couponholders arising out of the replacement of the relevant benchmark; *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 Notes will be determined by the fallback provisions provided for under Condition 6.2(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, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR or any other relevant benchmark was available, in effect resulting in such Notes 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 Notes if LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR or any other relevant benchmark were available in their current form. Additionally, if LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR 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 Notes.

Notwithstanding any other provision of the Conditions or the Agency Agreement, the consent or approval of the Noteholders or the 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 Notes 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 Noteholder or Couponholder, any such amendment will be favourable to each Noteholder 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, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR or any other relevant benchmark might have a material adverse effect on the value or liquidity of, and the amount payable under, the applicable Notes. No assurance may be provided that relevant changes will not be made to LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR, CNH HIBOR or any other relevant benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

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 Notes 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 6.7 and the Benchmarks Regulation in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Sanction Targets – Investors in the Notes might have indirect contact with sanction targets sanctioned 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 Sudan, and specially designated nationals (together “*Sanction Targets*”). As the Bank is not a Sanction Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with, the Bank; *however*, to the extent that the Bank invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, U.S. persons investing in the Bank might incur the risk of indirect contact with Sanction Targets. See “Business of the Group – Compliance with OFAC Rules.” Although the Bank’s current policy is not to engage in any business with Sanction Targets, there can be no assurance that current counterparties of the Group will not become Sanction Targets in the future. Non-U.S. persons from jurisdictions with similar sanctions might similarly incur the risk of indirect contacts with sanction targets.

Risks Relating to the Market Generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

No Secondary Market – An active secondary market in respect of the Notes 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 Notes

The Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes might be adversely affected.

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

The market price of an investment in the Notes might be subject to significant fluctuations in response to actual or anticipated variations in the Bank'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 Notes or 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 Notes without regard to the Bank's financial condition or results of operations.

The market price of an investment in the Notes also will be influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country might cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investment in Turkey. Crises in other emerging market countries might diminish investor interest in securities of Turkish issuers, including the Bank's, which might adversely affect the market price of an investment in the Notes.

Exchange Rate Risks and Exchange Controls – If an investor has investments in Notes 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 Notes might result in an investor not receiving payments on those Notes

Except as described otherwise herein, the Issuer will pay principal and interest on the Notes 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 Notes, (b) the Investor's Currency-equivalent value of the interest and principal payable on the Notes and (c) the Investor's Currency-equivalent market price of an investment in the Notes.

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 Notes, then an investor in the Notes 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 Notes. There might also be tax consequences for investors of any such currency changes.

Interest Rate Risk – The market price of an investment in the Notes might be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the interest rate paid on such Fixed Rate Notes, then this will adversely affect the market price of an investment in such Fixed Rate Notes. Investment in any Notes involves the risk of adverse changes in the market price of an investment in such Notes if the interest rate or (for Floating Rate Notes) margin of new similar notes of the Issuer would be higher.

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

The expected initial credit rating(s) (if any) of a Tranche of Notes 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 Notes 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 Notes might decline.

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

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 Notes also do not address the marketability of investments in such Notes or any market price. Any change in the credit ratings of any Notes or the Bank might adversely affect the price that a subsequent purchaser will be willing to pay for investments in such Notes. The significance of each rating should be analysed independently from any other rating.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction also applies in the case of credit ratings issued by non-EU credit rating agencies unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there might be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organised under the 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 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 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 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 addition, if Turkish nationals are not required to deposit such a security in the country of the foreign plaintiff, then, in a Turkish proceeding, the applicable Turkish court may waive such requirement for security in reliance upon *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 Turkish law.

In connection with the Programme, service of process with respect to any proceedings in England may be made upon the Bank at any of its branches or other offices in England (with the current address at 8 Princes Street, London EC2R 8HL, England).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, 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:

(a) the independent auditor's audit reports and audited consolidated BRSA Financial Statements of the Group as of and for the years ended 31 December 2016 (excluding the comparative information for 2015), 2017 and 2018,

(b) the independent auditor's audit reports and audited unconsolidated BRSA Financial Statements of the Bank as of and for the years ended 31 December 2016 (excluding the comparative information for 2015), 2017 and 2018,

(c) the terms and conditions of the Notes contained in the previous base prospectus dated 17 July 2014 (on pages 79 to 114 (inclusive)) prepared by the Issuer in connection with the Programme (the "*2014 Conditions*"),

(d) the terms and conditions of the Notes contained in the previous base prospectus dated 16 June 2015 (on pages 79 to 114 (inclusive)) prepared by the Issuer in connection with the Programme (the "*2015 Conditions*"),

(e) the terms and conditions of the Notes contained in the previous base prospectus dated 16 June 2016 (on pages 82 to 118 (inclusive)) prepared by the Issuer in connection with the Programme (the "*2016 Conditions*"), and

(f) the terms and conditions of the Notes contained in the previous base prospectus dated 16 June 2017 (on pages 72 to 102 (inclusive)) prepared by the Issuer in connection with the Programme (the "*2017 Conditions*").

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 Directive. 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) 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 BRSA Financial Statements incorporated by reference into this Base Prospectus, 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 documents incorporated (or portions of which have been incorporated) by reference into this Base Prospectus are available on the Bank's website at: (a) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/financial-statements/Pages/financial-statements.aspx> (with respect to the Group's consolidated BRSA Financial Statements), (b) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/financial-statements/Pages/financial-statements.aspx> (with respect to the Bank's unconsolidated BRSA Financial Statements), (c) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/global-medium-term-note-program/Pages/global-medium-term-note-program.aspx> (with respect to the 2014 Conditions), (d) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/usd-7billion-global-medium-term-note-program/Pages/usd-7billion-global-medium-term-note-program.aspx> (with respect to the 2015 Conditions), (e) <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/usd-7billion-global-medium-term-note-program-2016/Pages/USD-7,000,000,000-Global-Medium-Term-Note-Program-2016.aspx> (with respect to the 2016 Conditions) and (f) <https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/usd-7billion-global-medium-term-note-program-2017/Pages/usd-7billion-global-medium-term-note-program-2017.aspx> (with respect to the 2017 Conditions).

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 Notes or is set out elsewhere in this Base Prospectus, in each case, subject to and in accordance with the provisions of the Prospectus Directive. 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) form part of (and are not incorporated into) this Base Prospectus.

OVERVIEW OF THE GROUP AND THE PROGRAMME

The Group

The following text should be read in conjunction with, and is qualified in its entirety by, the detailed information and the financial statements (including the notes therein) appearing elsewhere in (or incorporated by reference into) this Base Prospectus.

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 2018, 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 17,921 million.

As of 31 December 2018, 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 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 10.9 million retail customers, nearly 8,000 corporate customers and over 1.3 million commercial customers as of 31 December 2018. The Bank had the largest deposit base among private sector banks with TL 245.269 million in deposits as of 31 December 2018 (source: BRSA). Unlike most of its competitors, in addition to the branches in large cities, the Bank also has branches in rural districts. 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 2018, 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 2018, the Bank's customers have held deposit accounts with the Bank for an average of 7.3 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 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, 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 packages of tariffs for certain banking transactions,
- *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 2018, 88.5% 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 2018, the Group’s capital adequacy ratio was 15.33% (12.28% 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 55,615 million and its cash loan-to-deposit ratio was 118.6%. The Group’s net operating income was TL 7,038 million in 2016, TL 7,524 million in 2017 and TL 7,520 million in 2018, while its net period profit from continuing operations was TL 5,698 million in 2016, TL 6,706 million in 2017 and TL 7,571 million in 2018.

As of 31 December 2018, the Group had total assets of TL 499,907 million, total deposits of TL 248,981 million and a loan portfolio of TL 295,386 million.

The Bank’s registered office is İş Kuleleri, 34330 Levent, Beşiktaş, İstanbul, 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. 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 Notes should refer to "Business of the Group - 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 Notes should refer to "Business of the Group - Strategy" for more detail on the key strategies outlined above.

Risk Factors

Investing in the Notes entails risks. Before investing in the Notes, investors should carefully review "Risk Factors" above, 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 Notes themselves. Potential investors should not consider the factors discussed under "Risk Factors" to be a complete set of all potential risks or uncertainties of investing in the Notes.

The Programme

The following overview 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 Notes, the applicable Final Terms. This overview only relates to the Conditions of the Notes as set out in this Base Prospectus. Notes may be issued under the Programme in a form other than that contemplated in such Conditions, and where any such Notes 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 Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

This overview constitutes a general description of the Programme for the purposes of the Prospectus Directive.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” or elsewhere in this Base Prospectus shall have the same meanings in this overview.

Issuer:	Türkiye İş Bankası A.Ş.
Issuer Legal Entity Identifier (LEI):	789000FIRX9MDN0KTM91
Risk Factors:	There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes. These are set out under “Risk Factors” and include risks relating to the Group and its business, the Group’s relationship with the Issuer’s principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain factors that are material for the purpose of assessing the risks associated with the Notes. These are set out under “Risk Factors” and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Global Medium Term Note Programme
Arrangers:	J.P. Morgan Securities plc Standard Chartered Bank
Dealers:	Arab Banking Corporation (B.S.C.) BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, London Branch Emirates NBD Bank PJSC First Abu Dhabi Bank PJSC Goldman Sachs International HSBC Bank plc ICBC Standard Bank Plc. ING Bank N.V., London Branch J.P. Morgan Securities plc Merrill Lynch International Mizuho International plc MUFG Securities EMEA plc Société Générale Standard Chartered Bank and any other Dealer(s) appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or

reporting requirements apply will only be issued in circumstances that comply therewith from time to time (see “Subscription and Sale and Transfer and Selling Restrictions”).

Fiscal Agent:

The Bank of New York Mellon, London Branch

Programme Size:

Up to US\$7,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding as of the time of each issuance of Notes. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Distribution:

Notes 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.

Currencies:

Notes may be denominated and payments in respect of the Notes may be made in euro, Renminbi, Sterling, U.S. dollars, Turkish Lira, Czech Koruna, Romanian Leu, Singapore dollars, Japanese Yen or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s) or investor(s), and as set out in the Conditions and specified in the applicable Final Terms.

Each payment in respect of Notes denominated in Turkish Lira and held other than through DTC may be made in U.S. dollars under Condition 7.10 if an irrevocable election to receive such payment in U.S. dollars is made. See “Terms and Conditions of the Notes – Condition 7.10.”

In the case of Notes held through DTC and denominated in a Specified Currency other than U.S. dollars, payments will be made in U.S. dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency. See “Terms and Conditions of the Notes – Condition 7.11.”

Payment in respect of Notes denominated in Renminbi may be made in U.S. dollars if RMB Currency Event is specified as being applicable in the applicable Final Terms and a RMB Currency Event occurs. See “Terms and Conditions of the Notes – Condition 7.9.”

Maturities:

Each Series of Notes will have such maturity as may be agreed between the Issuer and the relevant Dealer(s) or investor(s), 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 laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price:

Notes may be issued at an issue price that is at par or at a discount to, or premium over, par.

Form of Notes:

The Notes will be issued in bearer or registered form as described in “Form of the Notes.” Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Fixed Rate Notes:

A Final Terms may provide that the corresponding Notes bear interest at a fixed rate (“*Fixed Rate Notes*”). Fixed interest will be payable on such Interest Payment Date(s) as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and such Dealer(s) or investor(s).

Floating Rate Notes:

A Final Terms may provide that the corresponding Notes bear interest at a floating rate (“*Floating Rate Notes*”). Floating Rate Notes 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 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 Notes of the relevant Series),
- (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 investor(s).

The margin (if any) relating to a Tranche of Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) or investor(s).

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s) or investor(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and such Dealer(s) or investor(s).

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Discontinuation - Reference Rate Replacement:

On the occurrence of a Benchmark Event for a Series of Floating Rate Notes, 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, an Adjustment Spread, if any, and any Benchmark Amendments in accordance with Condition 6.7.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or as a result of an acceleration due to an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to

the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) or investor(s).

Denomination of Notes:.....

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or investor(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State in circumstances that require the publication of a prospectus under the Prospectus Directive will be not less than €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as of the applicable Issue Date).

Unless otherwise set forth in the applicable Final Terms, the minimum denomination of each IAI Definitive Note, and of Notes sold to Institutional Accredited Investors in the form of an IAI Global Note, will be not less than US\$500,000 or its approximate equivalent in other Specified Currencies.

Taxation:

All payments in respect of the Notes and Coupons 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 law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction. See “Taxation – Certain Turkish Tax Considerations” and “Terms and Conditions of the Notes – Condition 9.”

All payments in respect of the Notes (including on Coupons) will be made subject to any withholding or deduction required pursuant to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.

Negative Pledge:

The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Certain Covenants:

The Conditions (except, for any Series, as altered in the Final Terms for such Series) provide that the Bank agrees to certain covenants, including covenants limiting transactions with affiliates. See “Terms and Conditions of the Notes – Condition 5.”

Events of Default:	The Notes will be subject to certain Events of Default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See “Terms and Conditions of the Notes – Condition 11.”
Status of the Notes:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) will rank <i>pari passu</i> without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights.
Rating:	The Programme has been rated “B+” (for long-term issuances) and “B” (for short-term issuances) by Fitch and the Notes are expected to be rated upon issuance “B2” (for long-term issuances) and “Not - Prime” (for short-term issuances) by Moody’s. Series of Notes may be rated or unrated. Where a Tranche of Notes is rated, the initial such rating(s) will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating (if any) assigned to the Programme by the relevant rating agency. A security 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.
ERISA:	Subject to certain conditions, the Notes (or beneficial interests therein) may be acquired by assets of an “employee benefit plan” (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (“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 the foregoing. See “Certain Considerations for ERISA and other U.S. Employee Benefit Plans.”
Listing and Admission to Trading:	<p>Application has been made to Euronext Dublin for Notes issued within 12 months from the date of this Base Prospectus to be admitted to the Official List and to trading on the Regulated Market; <i>however</i>, no assurance can be given that such application will be accepted.</p> <p>Notes of a Series may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) or investor(s). Notes that are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law:	The Notes, the Agency Agreement, the Programme Agreement, the Deed of Covenant and the Deed Poll, and any non-contractual obligations arising out of or in connection therewith, are or will be (as applicable) governed by, and construed in accordance with,

English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes (or beneficial interests therein) in (*inter alia*) Turkey, the United States, the EEA (including the United Kingdom and Belgium), the PRC, Hong Kong, Singapore, Japan, Switzerland and Thailand, and there will be such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see “Subscription and Sale and Transfer and Selling Restrictions.”

United States Selling Restrictions:

Regulation S (Category 2), Rule 144A and Section 4(a)(2). Bearer Notes with a term of 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 Notes 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 Notes (or, for Bearer Global Notes, beneficial interests therein).

FORM OF THE NOTES

The Notes 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 Notes or Definitive Notes. Bearer Notes may be issued only in “offshore transactions” to Persons who are not U.S. persons in reliance upon Regulation S and Registered Notes may be issued both in “offshore transactions” to Persons who are not U.S. persons in reliance upon Regulation S, to Dealers for re-sale 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 Notes

Each Tranche of Bearer Notes will initially be issued in the form of a temporary global note (a “*Temporary Bearer Global Note*”) or, if so specified in the applicable Final Terms, a permanent global note (a “*Permanent Bearer Global Note*”) and, together with a Temporary Bearer Global Note, each a “*Bearer Global Note*”), which, in either case, will:

(a) if such Bearer Global Notes are issued in new global note (“*NGN*”) 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 Notes are not issued in NGN form, be delivered on or prior to the original Issue Date of such Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and on all interest coupons relating to such Notes 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 Notes 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 Notes or interest coupons.

Beneficial interests in Notes that are represented by a Bearer Global Note 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.

NGN Form. Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will indicate whether such Bearer Global Notes are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Bearer Global Notes of the Issuer issued in respect of any Tranche in NGN 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 Note is to be so held does not necessarily mean that the Notes 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 NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Temporary Bearer Global Notes. Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of such Note due prior to the applicable Exchange Date (as defined below) will be made (against presentation of such Temporary Bearer Global Note if such Temporary Bearer Global Note is not issued in NGN 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 Note 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 Note, 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 Note will be exchangeable (free of charge) upon a request as described therein either for: (a) beneficial interests in a Permanent Bearer Global Note of the same Series or (b) definitive Bearer Notes of the same Series with, where applicable, Coupons and Talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Bearer Notes, 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 definitive Bearer Notes. The holder of a Temporary Bearer Global Note (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 Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Permanent Bearer Global Notes. Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note (if the Permanent Bearer Global Note is not issued in NGN form) without any requirement for certification in the manner described in the previous paragraph.

Exchange from Global Notes to Definitive Notes. The applicable Final Terms will specify that a Temporary Bearer Global Note or a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes 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 (as defined in Condition 11) has occurred and is continuing, (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, in any such case, 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 Notes represented by a Permanent Bearer Global Note in definitive form and, accordingly, the Issuer has elected to request the exchange of such Permanent Bearer Global Note.

The Issuer will promptly give notice to the applicable Noteholders in accordance with Condition 15 upon the occurrence of an Exchange Event specified in clause (a) or (b) of the definition of “*Exchange Event*” in the preceding paragraph, in which event Euroclear and/or Clearstream, Luxembourg (or the Common Depositary or Common Safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf), acting on the instructions of any holder of an interest in the applicable Global Note, may give notice to the Fiscal Agent requesting exchange. In the event of the occurrence of an Exchange Event as described in clause (c) of the definition of “*Exchange Event*” in the preceding paragraph, the Issuer may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

Bearer Notes shall not be physically delivered in Belgium, except to a clearing system, a depositary or other institution for the purposes of their immobilisation in accordance with Article 4 of the Belgian law of 14 December 2005.

Registered Notes

The portion of the Registered Notes (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 note in registered form (each a “*Regulation S Registered Global Note*”) or, if so specified in the applicable Final Terms, by a registered note in definitive form (a “*Definitive Regulation S Registered Note*” and, with each Regulation S Registered Global Note, a “*Regulation S Registered Note*,” the Bearer Notes and Regulation S Registered Notes being, collectively, the “*Regulation S Notes*”). Prior to expiration of the distribution compliance period (as defined in Regulation S) applicable to a Tranche of Regulation S Registered Notes, a Regulation S Registered Note (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 Note will be subject to the restrictions on transfer set forth therein and will bear the applicable restrictive legend described in “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions.”

The portion of the Registered Notes (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 other 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 Notes (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 Notes of each Tranche sold to Institutional Accredited Investors as described in clause (a) will be represented by one or more global note(s) in registered form (each an “*IAI Global Note*”) or in definitive form (each an “*IAI Definitive Note*” and, with the IAI Global Notes, the “*IAI Notes*”) and the Registered Notes of each Tranche sold to QIBs as described in clause (b) will be represented by one or more global note(s) in registered form (each a “*Rule 144A Global Note*” and, together with the Regulation S Registered Global Notes and the IAI Global Notes, each a “*Registered Global Note*,” each Registered Global Note and Bearer Global Note being a “*Global Note*”). Unless otherwise set forth in the applicable Final Terms, IAI Notes will be issued only in minimum denominations of US\$500,000 and integral multiples of US\$1,000 in excess thereof. IAI Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described in “Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions.”

Registered Global Notes 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 Depositary or (ii) if the Registered Global Notes 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 Depositary or Common Safekeeper, as specified in the applicable Final Terms.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where Registered Global Notes issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Notes are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Registered Global Notes of the Issuer 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 Note is to be so held does not necessarily mean that the Notes 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 Notes to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of a Registered Note will, in the absence of provision to the contrary, be made in the manner provided in Condition 7 to the Person shown on the Register as the registered holder of such Registered Note as of the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange from Global Notes to Definitive Notes. The applicable Final Terms will specify that a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or 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, (b) in the case of Registered Notes 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 depositary for such Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (c) in the case of Registered Notes registered in the name of a nominee for a Common Depositary 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, in any such case, 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 Notes represented by the applicable Registered Global Note in definitive form and, accordingly, the Issuer has elected to request the exchange of such Registered Global Note.

The Issuer will promptly give notice to the applicable Noteholders in accordance with Condition 15 upon the occurrence of an Exchange Event specified in clause (a), (b) or (c) of the definition of “Exchange Event” in the preceding paragraph, in which event the applicable Clearing System(s) or any Person acting on their/its behalf (acting on the instructions of any holder of an interest in the applicable Global Note) may give notice to the Registrar requesting exchange. In the event of the occurrence of an Exchange Event specified in clause (d) of the definition of “Exchange Event” in the preceding paragraph, the Issuer may give notice to the Registrar requesting exchange. Any such exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Beneficial interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a Person who wishes to hold: (a) such interest in another Registered Global Note other than an IAI Global Note or (b) upon the delivery of an IAI Investment Letter, an IAI Note (including an interest in an IAI Global Note). IAI Definitive Notes may, subject to compliance with all applicable restrictions and if there is a Registered Global Note for the applicable Series, be transferred to a Person who wishes to hold such Notes in the form of an interest in such Registered Global Note; *provided* that if such Registered Global Note is an IAI Global Note, such transferee shall have delivered an IAI Investment Letter. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions (see “Subscription and Sale and Transfer and Selling Restrictions”).

General

Pursuant to the Agency Agreement, the Fiscal Agent will arrange that, where a further Tranche of Notes is issued that is intended to be consolidated with, and form a single Series with, an existing Tranche of Notes on a date after the Issue Date of the further Tranche, the Notes of such further Tranche will, as applicable, be assigned an ISIN, Common Code, CUSIP, CINS, CFI and/or FISN number that are different from the ISIN, Common Code, CUSIP, CINS, CFI and/or FISN (as applicable) assigned to Notes 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 Notes of such further Tranche.

Repayment of the principal of a Note may be accelerated by the holder thereof in certain circumstances described in Condition 11. In such circumstances, where any Note is still represented by a Global Note and such Global Note (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 Note, then, from 8:00 p.m. (London time) on the day immediately following the applicable due date, holders of beneficial interests in such Global Note 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 dated 30 April 2018 and made by the Issuer (such deed as modified and/or supplemented and/or restated from time to time from time to time, the “*Deed of Covenant*”).

The Issuer may agree with any Dealer or investor that Notes may be issued in a form not contemplated by the Conditions of the Notes 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 Notes.

FORM OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms that, subject (for any transaction not listed on Euronext Dublin) to any necessary amendment, will be completed for each Tranche of Notes. 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 RETAIL INVESTORS]

The Notes [(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 (each an “*EEA 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 or superseded), 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 Directive 2003/71/EC (as amended or superseded, the “*Prospectus Directive*”), 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 Notes [(or beneficial interests therein)] to be offered so as to enable an investor to decide to purchase or subscribe such Notes [(or beneficial interests therein)]. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the “*PRIIPs Regulation*”) for offering or selling the Notes [(or beneficial interests therein)] or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling the Notes [(or beneficial interests therein)] or otherwise making them available to any EEA Retail Investor might be unlawful under the PRIIPs Regulation.]¹

[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 Notes has led to the conclusion that: (a) the target market for the Notes [(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 Notes [(and beneficial interests therein)] to eligible counterparties and professional clients are appropriate. Any Person subsequently offering, selling or recommending the Notes [(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 Notes [(or beneficial interests therein)] (by either adopting or refining the manufacturer[’s][s’] target market assessment) and determining appropriate distribution channels.]²

[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 Notes [(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).]³

¹ Only applicable where paragraph 8(f) of Part B of the Final Terms is marked as “Applicable.”

² 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 Notes, or revise where the relevant manufacturers have determined that an alternative target market is appropriate for the offering of the relevant Tranche of Notes (or beneficial interests therein), or (b) this matter is already addressed in the issue-specific prospectus for the issue of Notes. 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.

³ Legend to be included on front of the Final Terms if the Notes (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 Notes] (the “Notes”)
under the US\$7,000,000,000
Global Medium Term Note 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 Notes (the “Conditions”) set forth in the base prospectus dated 30 April 2019 [and the supplement[s] to it dated [date] [and [date]]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive [(Directive 2003/71/EC, as amended or superseded)]]⁴ (the “Base Prospectus”). This document constitutes the Final Terms of the Notes described herein [for the purposes of the Prospectus Directive]⁴ and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the Issuer’s website ([insert website address]).

[The following alternative language for the above paragraph applies if the first Tranche of Notes 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 Notes (the “Conditions”) set forth in the base prospectus dated [original date] [and the supplement[s] to it dated [date] [and [date]]] that [is][are] incorporated by reference in the base prospectus dated [date of previous base prospectus]. This document constitutes the Final Terms of the Notes described herein [for the purposes of the Prospectus Directive [(Directive 2003/71/EC, as amended or superseded)]]⁴ and must be read in conjunction with the base prospectus dated 30 April 2019 [and the supplement[s] to it dated [date] [and [date]]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive]⁴ (the “Base Prospectus”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the Issuer’s website ([insert website address]).]

[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 paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs that are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

- | | | |
|----|--|--|
| 1. | Issuer: | Türkiye İş Bankası A.Ş. |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in |

⁴ Delete where the Notes 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 Directive.

- paragraph 22 below, which is expected to occur on or about [date]][Not Applicable]
3. Specified Currency: []
4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denomination(s): [] [and integral multiples of [] in excess thereof]
- (N.B. Notes must have a minimum denomination of €100,000 (or equivalent).)*
- (Note – 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 Notes in definitive form will be issued with a denomination above [€199,000].”)*
- (b) Calculation Amount [for Notes in definitive form (in relation to the calculation of interest for Notes in global form, see the Conditions)]: [] (the “Calculation Amount”)
- (If only one Specified Denomination, 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.)*
7. (a) Issue Date: []
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Fixed rate - specify date/Floating rate - Interest Payment Date [falling in][nearest to] [specify month and year]]⁵
9. Interest Basis: [[] per cent. per annum Fixed Rate]
- [[] [month]

⁵ For Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment it will be necessary to use the second option here.

[[currency]][LIBOR/EURIBOR/TRLIBOR/ROBOR/
PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR]]
+/- [] per cent. per annum Floating Rate]

[Zero Coupon]

(see further particulars in paragraph [14]/[15]/[16] below)

10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date up to (but excluding) [], paragraph [14/15] below applies, and, for the period from (and including) [] up to (and including) the Maturity Date, paragraph [14/15] below applies]/[Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Not Applicable]
[(see paragraph [18]/[19]/[20] below)]
13. (a) Status of the Notes: Senior
- (b) Date Board approval for issuance of Notes obtained: [] [Not Applicable] (N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable] [Not Applicable]
(If not applicable, then delete the remaining sub-paragraphs of this paragraph)
- (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 Maturity Date/[specify other]⁶
(Amend appropriately in the case of irregular coupons. In the case of Modified Fixed Rate Notes, insert regular interest payment dates and also complete paragraph (g) below as applicable. Paragraph (g) is not relevant to Fixed Rate Notes where Interest Periods and Interest Amounts are not subject to adjustment and either: (i) a customary Following Business Day Convention is to apply in

⁶ For certain Renminbi-denominated Fixed Rate Notes, Interest Periods and Interest Amounts are subject to adjustment and the following proviso should be added: “; provided that if any Interest Payment Date falls on a day that is not a Business Day, 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.”

accordance with Condition 7.6 to any date for payment that is not a Payment Business Day or (ii) such payment dates are not otherwise to be subject to adjustment by reference to any other Business Day Convention.)

- (c) Fixed Coupon Amount(s) [for Notes in definitive form (in relation to Notes in global form, see the Conditions)]: [[] per Calculation Amount][Not Applicable]

(Applicable only to Notes initially issued in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)

- (d) Broken Amount(s) [for Notes in definitive form (in relation to Notes in global form, see the Conditions)]: [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]

(Applicable only to Notes initially issued in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)

- (e) [Day Count Fraction: [30/360][Actual/Actual (ICMA)][Actual/365 (Fixed)]]⁷

(Delete this sub-paragraph in the case of Modified Fixed Rate Notes)

- (f) [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)

(Delete this sub-paragraph in the case of Modified Fixed Rate Notes)

- (g) Modified Fixed Rate Notes: [Applicable][Not Applicable]
(Modified Fixed Rate Notes are Fixed Rate Notes: (i) the terms of which provide for Interest Periods and Interest Amounts to be subject to adjustment or (ii) for which Interest Periods and Interest Amounts are not subject to adjustment but a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, then delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Periods and Interest Amounts subject to adjustment: [Applicable][Not Applicable]

- (ii) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]

⁷ *Applicable to Renminbi-denominated Fixed Rate Notes.*

(Only applicable where Interest Periods and Interest Amounts are subject to adjustment)

(iii) Specified Business Centre(s): [] [Not Applicable]

(Only applicable where Interest Periods and Interest Amounts are subject to adjustment. This paragraph relates to Interest Period end dates and not the date of payment to which sub-paragraph (vi) below relates)

(iv) 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)]

(v) Payment 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 not subject to adjustment and a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day)

(vi) Specified Financial Centre(s): [] [Not Applicable]

(Only applicable if a Payment Business Day Convention is specified in sub-paragraph 14(g)(v). Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph (iii) above relates)

15. Floating Rate Note Provisions: [Applicable][Not Applicable]

(If not applicable, then delete the remaining sub-paragraphs of this paragraph)

(a) Specified Period(s)/Specified Interest Payment Dates: [], not subject to adjustment, as the Business Day Convention in sub-paragraph (b) below is specified to be Not Applicable]

(Specified Period(s)/Specified Interest Payment Dates may not be subject to adjustment in accordance with a Business Day Convention in the case of Modified Floating Rate Notes. In these circumstances only, paragraph (m) below will be applicable)

(b) Business Day Convention: [Floating Rate Convention/Following Business

Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]⁸

(Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)

- (c) Specified Business Centre(s): [] [Not Applicable]⁹
- (Note that this paragraph relates to Interest Period end dates and not the date of payment to which paragraph 23 relates. Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
- (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: [] month
[[currency]][LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR]
 - Specified Time: []

(11:00 a.m. in the case of LIBOR, EURIBOR, ROBOR, PRIBOR, SIBOR, WIBOR and HIBOR, 11:15 a.m. in the case of CNH HIBOR, 11:30 a.m. in the case of TRLIBOR and 12:00 noon in the case of NIBOR)
 - Relevant Financial Centre: [London] [Brussels] [İstanbul] [Bucharest] [Prague] [Hong Kong] [Singapore] [Oslo] [Warsaw] []
 - 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 TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the second İstanbul business day prior to the start of each Interest Period if TRLIBOR, the second Bucharest business day prior to the start of each Interest Period if ROBOR, the second Prague business day prior to the start of each Interest Period if PRIBOR, the first day of each Interest Period if HIBOR, the second Singapore business day prior to the start of each Interest Period if SIBOR, the second Oslo business day prior to the start of each Interest Period if NIBOR, the second Warsaw business day prior to the start of each Interest Period if WIBOR and the second Hong Kong

⁸ Only not applicable in the case of Modified Floating Rate Notes.

⁹ Only not applicable in the case of Modified Floating Rate Notes.

				<i>business day prior to the start of each Interest Period if CNH HIBOR.)</i>
	•	Relevant Screen Page:	[]	
				<i>(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)</i>
(g)		ISDA Determination:	[Applicable][Not Applicable]	
	•	Floating Rate Option:	[]	
	•	Designated Maturity:	[]	
	•	Reset Date:	[]	
				<i>(In the case of a LIBOR- or EURIBOR-based option, the first day of the Interest Period)</i>
				<i>(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 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)</i>
(h)		Linear Interpolation:	[Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]	
(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)]	
(m)		Modified Floating Rate Notes:	[Applicable][Not Applicable]	
				<i>(If not applicable, then delete the remaining sub-paragraphs of this paragraph)</i>
	(i)	Payment Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]	
	(ii)	Specified Financial Centre(s):	[][Not Applicable]	

16. Zero Coupon Note Provisions: [Applicable][Not Applicable]
- (If not applicable, then delete the remaining sub-paragraphs of this paragraph)*
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 8.2: Minimum period: [] days
Maximum period: [] days
18. Issuer Call: [Applicable][Not Applicable]
- (If not applicable, then delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice periods: Minimum period: [] days
Maximum period: [] days
- (N.B. 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. Investor Put: [Applicable][Not Applicable]
- (If not applicable, then delete the remaining sub-paragraphs of this paragraph)*
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount

(c) Notice periods:

Minimum period: [] days
Maximum period: [] days

(N.B. 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 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Fiscal Agent)

20. Final Redemption Amount: [] per Calculation Amount

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a) Form:

[Bearer Notes:]

[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note that is exchangeable for Definitive Notes only upon the occurrence of an Exchange Event]

[Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Bearer Global Note exchangeable for Definitive Notes only upon the occurrence of an Exchange Event]

[Definitive Bearer Notes]

[Bearer Notes 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.]

(N.B. The option for an issue of Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 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 Notes:]

[Regulation S Registered Global Note 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 Definitive Registered Notes only upon the occurrence of an Exchange Event]

[Rule 144A Global Note(s) registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]

[Definitive Regulation S Registered Note]

[Rule 144A Definitive Registered Note]

[IAI Definitive Notes]

[IAI Global Note registered in the name of a nominee for [DTC][a common depositary for Euroclear and Clearstream, Luxembourg][a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes only upon the occurrence of an Exchange Event]

(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Note(s) and IAI Definitive Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all IAI Definitive Notes if such information is available)

(b) [New Global Note:

[Yes][No]]

23. Specified Financial Centre(s):

[] [Not Applicable]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the Interest Amount to which subparagraph 15(c) relates. Delete this paragraph if subparagraphs 14(g)(vi) or 15(m)(ii) are completed)

24. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes 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]

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

25. USD Payment Election:

[Applicable][Not Applicable]

(Only applicable for Notes the Specified Currency of which is Turkish Lira)

PROVISIONS APPLICABLE TO RMB NOTES

26. RMB Currency Event: [Applicable][Not Applicable]

(If not applicable, then delete the remaining sub-paragraphs of this paragraph.)

(a) Party responsible for calculating the Spot Rate: [[] (the “Calculation Agent”)]

(b) RMB Settlement Centre(s): [] [Not Applicable]

[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 **TÜRKİYE İŞ BANKASI A.Ş.**

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing and admission to trading: [Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes 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 Notes that is to be consolidated and to form a single Series with a previous listed issue, it should be indicated here that the original Notes are already listed and admitted to trading.)

- (b) Estimate of total expenses related to [] admission to trading:

2. RATINGS

- Ratings: [Not Applicable][The Notes [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and any associated defined terms].

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the Notes to be issued have been specifically rated, that rating.)

[Each of *[defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (the “CRA Regulation”).]

[[Insert legal name of credit rating agency] is established in the European Union and 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 but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the European Union 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 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 and is not certified under

Regulation (EC) No. 1060/2009 (the “CRA Regulation”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.]

(The above additional disclosure in respect of the relevant credit rating agencies is only required in Final Terms for Notes that are to be admitted to trading on a regulated market in the European Union.)

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

[Save 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 Notes has an interest material to the offer of the Notes. 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 Directive.)]

4. YIELD (*Fixed Rate Notes only*)

Indication of yield: [] *per cent. per annum*

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 Notes only*)

Details of historic [[*currency*] LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR] rates can be obtained from [Reuters] at [].

6. BENCHMARKS REGULATION (*Floating Rate Notes 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: [*LIBOR/EURIBOR/TRLIBOR/HIBOR/ROBOR/PRIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR*] 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).]][Not Applicable]

7. OPERATIONAL INFORMATION

- (a) ISIN: [] [Not Applicable]
- (b) Common Code: [] [Not Applicable]
- (c) CUSIP: [] [Not Applicable]
- (d) CINS: [] [Not Applicable]
- (e) CFI: [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 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 15: [Any notice delivered to Noteholders of Notes 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 Notes are intended upon issue to be deposited with one of 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 Notes that are to be held under the NSS] and does not necessarily mean that the Notes 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 Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] *[include this text for Registered Notes that are to be held under the NSS]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

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 Retail Investors: | [Applicable][Not Applicable]

<i>(If the Notes clearly do not constitute “packaged” products, then “Not Applicable” should be specified. If the Notes might constitute “packaged” products and no key information document will be prepared, then “Applicable” should be specified.)</i> |
| (g) | Prohibition of sales to Belgian Consumers: | [Applicable][Not Applicable]

<i>(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction.)</i> |

9. REASONS FOR THE OFFER

[] [The net proceeds from the issue of the Notes 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 NOTES

The following is the text of the Terms and Conditions of the Notes 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 Note (as defined below) and each definitive Note, 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 Note 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 Note and definitive Note. 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 Notes.

Terms and Conditions of the Notes

This Note is one of a Series (as defined below) of Notes issued by Türkiye İş Bankası A.Ş. (the “*Issuer*”) pursuant to the Agency Agreement (as defined below).

References herein to the “*Notes*” shall, unless the context otherwise requires, be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “*Global Note*”), units of each Specified Denomination in the Specified Currency,
- (b) any Global Note,
- (c) any definitive Bearer Notes (as defined in Condition 1.1) issued in exchange for a Global Note in bearer form (a “*Bearer Global Note*”), and
- (d) any definitive Registered Notes (as defined in Condition 1.1), whether or not issued in exchange for a Global Note in registered form (a “*Registered Global Note*”).

The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 30 April 2019 (such agreement as 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 and principal paying agent and exchange agent (the “*Fiscal Agent*” and the “*Exchange Agent*,” which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the “*Paying Agents*,” which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar (as defined below), the “*Transfer Agents*,” which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon SA/NV, Luxembourg Branch, as registrar (the “*Registrar*,” which expression shall include any successor registrar).

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions (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 Note. The expression “*Prospectus Directive*” means Directive 2003/71/EC (as amended or superseded).

If so specified in the applicable Final Terms, the Issuer will also appoint a calculation agent with respect to a Series of Notes (the “*Calculation Agent*,” which expression shall include any successor calculation agent and any other calculation agent specified in such Final Terms).

Interest-bearing definitive Bearer Notes have interest coupons (“*Coupons*”) and, in the case of Notes that, when issued in definitive bearer form, have more than 27 interest payments remaining, 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. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to a “*Noteholder*” or “*holder*” in relation to any Note shall mean: (a) in the case of a Bearer Note, the holder of such Note, and (b) in the case of a Registered Note, the Person(s) in whose name such Note is registered, and

shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to a “*Couponholder*” shall mean 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 Notes that are identical in all respects (including as to listing and admission to trading) and “*Series*” means a Tranche of Notes together with any further Tranche(s) of Notes: (a) that are expressed in the applicable Final Terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects except for their respective issue dates (each, an “*Issue Date*”) and, in certain circumstances, Interest Commencement Dates (unless this is a Zero Coupon Note) and/or Issue Prices, each as specified in the applicable Final Terms.

The Noteholders 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 modified, supplemented and/or restated from time to time, the “*Deed of Covenant*”). The original of the Deed of Covenant is held by the common depositary 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 modified, supplemented and/or restated from time to time, the “*Deed Poll*”) and the Deed of Covenant are available for inspection 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 and the Registrar being together referred to as the “*Agents*”). If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (“*Euronext Dublin*”), then the applicable Final Terms will be published on the Issuer’s website (as of the date hereof, at: <http://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/prospectuses-and-offering-circulars/Pages/prospectuses-and-offering-circulars.aspx>). If this Note is neither admitted to trading on a regulated market in the European Economic Area (the “*EEA*”) nor offered in the EEA in circumstances in which a prospectus is required to be published under the Prospectus Directive, then the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders 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 and the applicable Final Terms that are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement 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 Agency Agreement and the applicable Final Terms, the applicable Final Terms shall prevail.

In these Conditions: (a) “*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, and (b) “*Renminbi*” and “*RMB*” refer to the lawful currency of the People’s Republic of China (the “*PRC*”), which (for the purposes of these Conditions) excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan.

For the purposes of these Conditions, the term “*law*” shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form (“*Bearer Notes*”) or registered form (“*Registered Notes*”) as specified in the applicable Final Terms and serially numbered in the Specified Currency and Specified Denomination, in each case, as specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*. The Notes are issued pursuant to the Turkish Commercial Code (Law No. 6102), the Capital Markets Law (Law No. 6362) of the Republic of Turkey (“*Turkey*”) and the Communiqué on Debt Instruments No. VII-128.8 issued by the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the “*CMB*”).

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the “Interest Basis” specified in the applicable Final Terms.

Definitive Bearer Notes are issued with Coupons attached unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in these Conditions are not applicable.

1.2 Title

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfer in accordance with the provisions of the Agency Agreement. The Issuer and each of the Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership, trust or any other interest or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next two paragraphs.

For so long as any of the Notes is represented by a Global Note deposited with and, subject to the following paragraph, in the case of a Registered Global Note, 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, each Person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any Person shall be conclusive and binding for all purposes save 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 nominal amount of such Notes (and the bearer or registered holder of such Global Note shall be deemed not to be the holder) for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and each Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions “Noteholder” and “holder” and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (“DTC”) or its nominee is the registered holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes 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.

Notes that are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a 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.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes 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 Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for a Note of the same Series in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case, only in the Specified Denomination(s) (and provided that the aggregate nominal amount of any 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-existing 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 Note and/or the applicable Final Terms. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, 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 Notes in Definitive Form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form 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 aggregate nominal amount of the balance of that Registered Note not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer: (a) the holder or holders must: (i) surrender such Registered Note for registration of the transfer of such Registered Note (or of the relevant part of such Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, 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 Schedule 10 to the Agency Agreement).

Subject as provided in the preceding paragraph, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of its receipt of such request (or such longer period as may be required to comply with any applicable fiscal or other laws), authenticate (or procure the authentication of) and: (x) deliver, or procure the delivery of, at its specified office to the 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 Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note 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 the transferor. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Costs of Registration

Noteholders will not be charged by the Issuer or any of the Agents for any costs and expenses of effecting any registration of transfer of the Notes in the Register (as defined in Condition 7.4 below) 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.

3. STATUS OF THE NOTES

The Notes and any related Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any Note of a Series remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "*Security Interest*") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant

Indebtedness unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness,
- (b) such Security Interest is terminated,
- (c) such other arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders of such Series, or
- (d) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders of such Series.

Nothing in this Condition 4.1 shall prevent the Issuer from creating or permitting to subsist any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof that is created pursuant to: (i) a bond, note or other indebtedness whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such bond, note or other indebtedness, a “*Covered Bond*”), or (ii) any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest are to be discharged principally from such assets or revenues (or in the case of Direct Recourse Securities, by direct unsecured recourse to the Issuer); *provided* that the aggregate then-existing balance sheet value of assets or revenues subject to any Security Interest created in respect of: (A) Covered Bonds that are Relevant Indebtedness and (B) any other secured Relevant Indebtedness (other than Direct Recourse Securities) of the Issuer, when added to the nominal amount of all outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at the time of the incurrence thereof, exceed 15 *per cent.* of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

“*Direct Recourse Securities*” means securities (other than Covered Bonds) issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment obligations secured by a Security Interest or having the benefit of a Security Interest are to be discharged principally from such assets or revenues or by direct unsecured recourse to the Issuer.

“*IFRS*” means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the “*IASB*”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time).

“*Relevant Indebtedness*” means: (a) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities that (with the consent of the issuer of the indebtedness) are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction, where such securities or loans have an initial maturity at issue or disbursement in excess of 365 days, and (b) any guarantee or indemnity of any such indebtedness.

5. COVENANTS

5.1 Maintenance of Authorisations

So long as any of the Notes remains outstanding, the Issuer shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, that may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the Banking Regulation and Supervision Agency (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the “BRSA”)) for: (a) the execution, delivery or performance of the Agency Agreement, the Deed of Covenant, the Deed Poll and the Notes or for the validity or enforceability thereof or (b) save to the extent any failure to do so does not and would not have a material adverse effect on: (i) the business, financial condition or results of operations of the Issuer, (ii) the Issuer’s ability to perform its obligations under the Notes or (iii) the conduct by it of the Permitted Business.

5.2 Transactions with Affiliates

So long as any of the Notes remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from or (d) enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or guarantee (whether related or not) with, or for the benefit of, any Affiliate (each, an “*Affiliate Transaction*”), which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions during such 12 month period, in the aggregate have) a value in excess of US\$50,000,000 (or its equivalent in any other currency) unless such Affiliate Transaction (and each such other aggregated Affiliate Transaction) is on terms that are no less favourable to the Issuer or the relevant Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Subsidiary with an unrelated Person.

5.3 Financial Reporting

So long as any of the Notes remains outstanding, the Issuer shall deliver to the Fiscal Agent for distribution to any Noteholder upon such Noteholder’s written request to the Fiscal Agent:

- (a) 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 IFRS consistently applied and BRSA accounting standards (“*BRSAAS*”), together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon, and
- (b) 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 IFRS consistently applied and BRSAAS, together with the corresponding financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by the report of the auditors thereon.

5.4 Interpretation

For the purposes of these Conditions:

“*Affiliate*” means, in respect of any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and, in the case of a natural person, any immediate family member of such Person. For purposes of this definition, “*control*,” as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, and the terms “*controlling*,” “*controlled by*” and “*under common control with*” shall have corresponding meanings.

“*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 IFRS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 *per cent.* of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited IFRS financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries; *provided* that, in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts 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 first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer,
- (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 forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of the Issuer’s next audited consolidated IFRS financial statements unless it would then be a Material Subsidiary under sub-paragraph (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 IFRS financial statements of the Issuer and its Subsidiaries relate, are equal to) not less than 10 *per cent.* of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); *provided* that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith 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 10 *per cent.* of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of the Issuer’s next audited consolidated IFRS financial statements, save 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 accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above 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 is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“*Permitted Business*” means any business that is the same as or related, ancillary or complementary to any of the businesses of the Issuer on the Issue Date.

“*Person*” means any individual, company, unincorporated association, government, state agency, international organisation or other entity.

“*Subsidiary*” means, in relation to any Person (the “*first Person*”), any Person: (a) in which such first Person holds a majority of the voting rights, (b) of which such first Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such first 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 Person that is (in accordance with applicable laws and IFRS) consolidated into the Issuer.

6. INTEREST

The applicable Final Terms indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes or Zero Coupon Notes.

6.1 Interest on Fixed Rate Notes

This Condition 6.1 applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 6.1 for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction, any applicable Determination Date and whether the provisions relating to Modified Fixed Rate Notes will be applicable.

Each Fixed Rate Note bears interest 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 Notes 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 Maturity Date.

If the Notes are in definitive form, 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 Notes in definitive form 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 Notes that are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note, or
- (b) in the case of Fixed Rate Notes 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 Notes 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 Note in definitive form is an amount other than the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note 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.

If Modified Fixed Rate Notes is specified as applicable in the applicable Final Terms and Interest Periods and Interest Amounts are specified as being subject to adjustment, then a Business Day Convention shall also be specified in the applicable Final Terms and (where applicable) Interest Payment Dates shall be postponed or brought forward, as the case may be, in accordance with Condition 6.6(b) and the relevant Interest Period and Interest Amount payable on the Interest Payment Date for such Interest Period will be adjusted accordingly.

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 6.2 for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms identify 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, the Day Count Fraction and whether the provisions relating to Modified Floating Rate Notes will be applicable. 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 Note bears interest from (and including) the Interest Commencement Date and such interest shall be payable 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, together with each Specified Interest Payment Date, an “*Interest Payment Date*” for the purpose of such Floating Rate Note) 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 Notes shall be determined in the manner specified in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

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 sub-paragraph (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 Notes 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 sub-paragraph (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 Notes

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 one of LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR or CNH HIBOR or any other Reference Rate, the Rate of Interest for such Tranche for each Interest Period shall, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page), or
- (B) 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 (being either LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR or CNH HIBOR as specified in the applicable Final Terms) that appears or appear, as the case may be, 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. 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 (A) above, no such offered quotation appears or if, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, then the Fiscal Agent 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 on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with such offered quotations, then the Rate of Interest for the 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 Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) 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 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 or 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 Euro-zone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRLIBOR), the Romanian interbank market (if the Reference Rate is ROBOR), the Prague interbank market (if the Reference Rate is PRIBOR), the Hong Kong interbank market (if the Reference Rate is HIBOR or CNH HIBOR), the Singapore interbank market (if the Reference Rate is SIBOR), the Norwegian interbank market (if the Reference Rate is NIBOR), the Warsaw interbank market (if the Reference Rate is WIBOR) 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).

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms for a Tranche of Floating Rate Notes 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 6.2(b) is less than such Minimum Rate of Interest, the Rate of Interest for such Tranche for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Tranche of Floating Rate Notes 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 6.2(b) is greater than such Maximum Rate of Interest, the Rate of Interest for such Tranche for such Interest Period 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 Notes for the relevant Interest Period (or any other relevant period) by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes that are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note, or
- (ii) in the case of Floating Rate Notes 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 otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is an amount other than the Calculation Amount, the Interest Amount payable in respect of such Note 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 Fiscal Agent or the Calculation Agent, as applicable, 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 Fiscal Agent or the Calculation Agent, as applicable, 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.

“*Designated Maturity*” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

6.3 Notification of Rate of Interest and Interest Amounts

In the case of Floating Rate Notes and Modified Fixed Rate Notes 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 Notes 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 Notes, the Rate of Interest, and (b) notice thereof to be published in accordance with Condition 15, in each case, as soon as possible after their determination but in no event later than the fourth London Business 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 Notes are for the time being listed and to the Noteholders in accordance with Condition 15. 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.

6.4 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 6 and Condition 7.9 whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding upon the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders 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.

6.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from (and including) the date for its redemption unless payment of principal in respect of such Note 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 Note (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 Note 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 Noteholders in accordance with Condition 15.

6.6 Day Count Fraction and Business Day Convention

(a) Day Count Fraction

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest in accordance with this Condition 6:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (A) in the case of Notes 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 Notes 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 “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) divided by 360, calculated on a formula basis as follows:
 - (A) in the case of Fixed Rate Notes, on the basis of a year of 360 days with 12 30-day months, and
 - (B) in the case of Floating Rate Notes, on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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,

- (iii) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 365 (or, if any portion of such period falls in 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),
- (iv) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 365,
- (v) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366,
- (vi) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period (or other Relevant Period) divided by 360,
- (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) divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

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) 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: (i) that day is the last day of February or (ii) 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: (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(b) Business Day Convention

If a Business Day Convention is specified in the applicable Final Terms and: (x) if there is no numerically corresponding day on 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 the case of Floating Rate Notes where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date: (A) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of sub-paragraph (2) below shall apply *mutatis mutandis*, or (B) in the case of (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 which falls in the Specified Period after the preceding applicable Interest Payment Date occurred,
- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day that is a Business Day,
- (iii) the Modified Following Business Day Convention, 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, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.7 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 6.7(b)) and, in each case, an Adjustment Spread, if any (in accordance with Condition 6.7(c)) and any other required Benchmark Amendments (in accordance with Condition 6.7(d)).

An Independent Adviser appointed pursuant to this Condition 6.7 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 Noteholders 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 6.7.

(b) *Successor Rate or Alternative Rate*

Notwithstanding the provisions of Condition 6.2(b), if the Issuer, following consultation with an Independent Adviser pursuant to Condition 6.7(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 6.7(c)) subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.7); 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 6.7(c)) subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the subsequent operation of, and adjustment as provided in, this Condition 6.7).

(c) *Adjustment Spread*

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) that has been determined in accordance with Condition 6.7(b) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as the case may be) will be used as described in Condition 6.7(b) without application of any Adjustment Spread (subject to the subsequent operation of, and to adjustment as provided in, this Condition 6.7).

(d) *Benchmark Amendments*

If any Successor Rate, Alternative Rate and/or Adjustment Spread, as the case may be, is determined in accordance with the foregoing provisions of this Condition 6.7 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, Alternative Rate and/or 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 6.7(e), without any requirement

for the consent or approval of Noteholders 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 6.7(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Notes are for the time being listed or admitted to trading.

(e) *Notices, etc.*

Any Successor Rate or Alternative Rate, Adjustment Spread (if any) and the specific terms of any Benchmark Amendments, each as determined under this Condition 6.7, will be notified promptly by the Issuer to the Calculation Agent and the other Paying Agents and, in accordance with Condition 15, the Noteholders. 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, (C) where applicable, any Adjustment Spread, and (D) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 6.7; and
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, if applicable.

The Calculation Agent shall display such certificate at its offices for inspection by the Noteholders at all reasonable times during normal business hours.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) 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 and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding upon the Issuer, the Calculation Agent, the other Paying Agents, the Noteholders and the Couponholders.

(f) *Survival of Original Reference Rate and Fallback Provisions*

Without prejudice to the obligations of the Issuer under Condition 6.7(a) through Condition 6.7(e), the Original Reference Rate and the fallback provisions provided for in Condition 6.2(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), any Adjustment Spread and any Benchmark Amendments, in each case, in accordance with Condition 6.7(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) is determined and notified to the Calculation Agent pursuant to this Condition 6.7, 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 6.2(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 6.7.

(g) *Defined Terms*

As used in this Condition 6.7:

“Adjustment Spread” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in each case, that the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders 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) 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;

“Alternative Rate” means an alternative to the Original Reference Rate that the Issuer determines in accordance with Condition 6.7(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 a commensurate interest period and in the same Specified Currency as the Notes;

“Benchmark Amendments” has the meaning given to it in Condition 6.7(d);

“Benchmark Event” means, with respect to an Original Reference Rate:

- (a) the Original Reference Rate ceasing to be published or administered or ceasing to exist;
- (b) the later of: (i) 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 (ii) the date falling six months prior to the specified date referred to in clause (i);
- (c) 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;
- (d) the later of: (i) 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 (ii) the date falling six months prior to the specified date referred to in clause (i);
- (e) the later of: (i) 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 Notes) or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in clause (i);

- (f) 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 Noteholder or Couponholder using the Original Reference Rate; or
- (g) 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 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 6.7(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 Notes, as specified in the applicable Final Terms;

“Relevant Nominating Body” means, in respect of an Original Reference Rate:

- (a) 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
- (b) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of: (i) the central bank for the currency to which such Original Reference Rate relates, (ii) any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate, (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) 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.

6.8 Interpretation

In these Conditions:

“Business Day” means:

- (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 (TARGET 2) System (or any successor thereto) (the *“TARGET 2 System”*)) specified in the applicable Final Terms,
- (b) if the TARGET 2 System is specified as a Specified Business Centre in the applicable Final Terms, then a day on which the TARGET 2 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 TARGET 2 System is open,

“*Interest Amount*” means the amount of interest,

“*Interest Period*” means the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or, as the case may be, first) Interest Payment Date (or the relevant payment date if the Notes become due and payable on a date other than an Interest Payment Date),

“*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 Euro-zone office of four major banks in the Euro-zone interbank market,
- (c) in the case of a determination of TRLIBOR, the principal İstanbul office of four major banks in the Turkish Lira interbank market,
- (d) in the case of a determination of ROBOR, the principal Bucharest office of four major banks in the Romanian interbank market,
- (e) in the case of a determination of PRIBOR, the principal Prague office of four major banks in the Prague interbank market,
- (f) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market,
- (g) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market,
- (h) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian interbank market,
- (i) in the case of a determination of WIBOR, the principal Warsaw office of four major banks in the Warsaw interbank market, and
- (j) in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong interbank market,

in each case, as selected by the Fiscal Agent and unless 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 Euro-zone interbank offered rate (“*EURIBOR*”), (c) the Turkish Lira interbank offered rate (“*TRLIBOR*”), (d) the Hong Kong interbank offered rate (“*HIBOR*”), (e) the Romanian interbank offered rate (“*ROBOR*”), (f) the Prague interbank offered rate (“*PRIBOR*”), (g) the Singapore interbank offered rate (“*SIBOR*”), (h) the Norwegian interbank offered rate (“*NIBOR*”), (i) the Warsaw interbank offered rate (“*WIBOR*”) or (j) the CNH Hong Kong interbank offered rate (“*CNH HIBOR*”), in each case as specified in the applicable Final Terms;

“*Relevant Period*” means the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date,

“*Specified Time*” means, unless otherwise specified in the applicable Final Terms: (a) 11:00 a.m. (London time, in the case of a determination of LIBOR, Brussels time, in the case of a determination of EURIBOR, Bucharest time, in the case of a determination of ROBOR, Prague time, in the case of a determination of PRIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR and Warsaw time, in the case of a determination of WIBOR), (b) 11:15 a.m. (Hong Kong time, in the case of a determination of CNH HIBOR), (c) 11:30 a.m. (Istanbul time, in the case of a determination of TRLIBOR), and (d) 12:00 noon (Oslo time, in the case of a determination of NIBOR), 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.

7. PAYMENTS

7.1 Method of Payment

Except as provided in this Condition 7 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 Notes will be subject in all cases to: (a) any fiscal or other laws applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9, and (b) any withholding or deduction 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 implementing such an intergovernmental agreement.

7.2 Presentation of Definitive Bearer Notes and Coupons

Notwithstanding any other provision of these Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below in this Condition 7.2) be made in the manner provided in Condition 7.1 only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of such definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes 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)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes) 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 9.2(a)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured 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. A “*Long Maturity Note*” is a Fixed Rate Note (other than a Fixed Rate Note that on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon; *provided* that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid thereon after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Note 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 the relevant definitive Bearer Note.

7.3 Payments in Respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified in Condition 7.2 in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note, where applicable against surrender or, as the case may be, presentation and endorsement, of such Bearer Global Note 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 Note either by the Paying Agent to which it was presented or in the records of Euroclear or Clearstream, Luxembourg, as applicable.

7.4 Payments in Respect of Registered Notes

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar outside of the United Kingdom (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 close of the business day (being for this purpose a day 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 where 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 Designated Account or (ii) the principal amount of the Notes held by a holder 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, “*Designated 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 in respect of a Registered Note (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 where 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 Note 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 where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, such payment will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of such Registered Note 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 Note on redemption will be made in the same manner as the final payment of the principal of such Registered Note as described in the preceding paragraph.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note 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 Notes, save as provided in Conditions 7.8 and 7.11.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent 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 7.11.

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 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General Provisions Applicable to Payments

Except as provided in the Deed of Covenant, the registered holder of a Registered Global Note or, the holder of a Bearer Global Note shall be the only Person entitled to receive payments in respect of the Notes represented by such Global Note 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 nominal amount of Notes represented by such Global Note 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 such Global Note (or the holder of a Bearer Global Note). Except as provided in the Deed of Covenant, no Person other than the registered holder of the relevant Global Note (or the holder of a Bearer Global Note) shall have any claim against the Issuer in respect of any payments due on that Global Note.

Notwithstanding the foregoing provisions of this Condition 7.5, if any amount of principal and/or interest in respect of Bearer Notes 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 Notes 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 law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.6 Payment Business Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, then the holder thereof shall not be entitled to payment until the next Payment Business Day in the relevant place (except in the case of Modified Fixed Rate Notes and Modified Floating Rate Notes where a Payment Business Day Convention is specified in the applicable Final Terms, in which case such holder will be entitled to payment on the Payment Business Day in the relevant place as determined in accordance with the Payment Business Day Convention so specified) and, in any such case, shall not be entitled to further interest or other payment in respect of such delay.

For these purposes:

“*Payment Business Day*” means any day, which (subject to Condition 10) 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) in the case of Notes in definitive form only, the relevant place of presentation, and
 - (ii) any Specified Financial Centre (other than the TARGET 2 System) specified in the applicable Final Terms,
- (b) if the TARGET 2 System is specified as a Specified Financial Centre in the applicable Final Terms, a day on which the TARGET 2 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 TARGET 2 System is open, and
- (d) in the case of any payment in respect of a Global Note, 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).

“*Payment Business Day Convention*” means, if the Payment Business Day Convention is specified in the applicable Final Terms as the:

- (a) Following Business Day Convention, the next following Payment Business Day,
- (b) Modified Following Business Day Convention, the next day that is a Payment Business Day unless it would thereby fall into the next calendar month, in which event the holder shall be entitled to such payment at the place of presentation on the immediately preceding Payment Business Day, or
- (c) Preceding Business Day Convention, the immediately preceding Payment Business Day.

7.7 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of a Note shall be deemed to include, as applicable:

- (a) any additional amounts that may be payable with respect to such principal under Condition 9,
- (b) the Final Redemption Amount of such Note,
- (c) the Early Redemption Amount of such Note,
- (d) the Optional Redemption Amount(s) (if any) of such Note, and
- (e) any premium and any other amounts (other than interest) that may be payable by the Issuer under or in respect of such Note.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts that may be payable with respect to such interest under Condition 9.

7.8 RMB Account

All payments in respect of the Notes in RMB will be made solely by credit to a RMB account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as RMB Settlement Centre(s) in accordance with applicable laws, rules and guidelines issued from time to time (including all applicable laws with respect to the settlement of RMB in Hong Kong or any relevant RMB Settlement Centre).

“*RMB Settlement Centre(s)*” means the financial centre(s) specified as such in the applicable Final Terms in accordance with applicable laws. If no RMB Settlement Centre is specified in the relevant Final Terms, then the RMB Settlement Centre shall be deemed to be in Hong Kong.

7.9 RMB Currency Event

If RMB Currency Event is specified in the applicable Final Terms as being applicable and a RMB Currency Event occurs and is continuing on a date for payment of any amount due in respect of any Note or Coupon, the Issuer’s obligation to make payment in RMB under the terms of the Notes may be satisfied by payment of such amount in U.S. dollars converted using the Spot Rate for the Rate Calculation Date.

Upon the occurrence of a RMB Currency Event that is continuing, the Issuer shall give irrevocable notice to the Noteholders in accordance with Condition 15 not less than five nor more than 30 days before the relevant due date for payment or, if this is not practicable due to the time at which the relevant RMB Currency Event occurs, as soon as practicable following such occurrence, stating the occurrence of the RMB Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 6.4):

“*Governmental Authority*” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong,

“*PRC*” means the People’s Republic of China, which, for the purposes of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan,

“*Rate Calculation 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) in Hong Kong, London and New York City,

“*Rate Calculation Date*” means the day that is two Rate Calculation Business Days before the due date of the relevant payment under the Notes,

“*RMB Currency Event*” means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility,

“*RMB Illiquidity*” means the general RMB exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient RMB in order to make a payment, of any amount, in whole or in part, under the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the RMB exchange market in Hong Kong,

“*RMB Inconvertibility*” means the occurrence of any event that makes it impossible for the Issuer to convert in the general RMB exchange market in Hong Kong any amount, in whole or in part, due in respect of the Notes into RMB on any payment date, other than where such impossibility is due solely to the failure of the Issuer to comply with any law enacted by a Governmental Authority (unless such law is enacted after the Issue Date of the most recently issued Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law),

“*RMB Non-Transferability*” means the occurrence of any event that makes it impossible for the Issuer to deliver RMB between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the RMB clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law enacted by a Governmental Authority (unless such law is enacted after the Issue Date of the most recently issued Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law), and

“*Spot Rate*” means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with RMB in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11:00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall, acting reasonably and in good faith, determine the rate taking into consideration all available information that the Calculation Agent deems relevant, including, among other things, pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

7.10 U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Notes Held other than through DTC

- (a) If “USD Payment Election” is specified as being applicable in the applicable Final Terms, the Specified Currency is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, then a Noteholder (as of, in the case of Registered Notes only, the applicable Record Date) may, not more than 10 and not less than five Business Days before the due date (the “*Relevant Payment Date*”) for the next payment of interest and/or principal on a Note (such period, the “*USD Election Period*”), give an irrevocable election to any Agent to receive such payment in U.S. dollars instead of Turkish Lira (each, a “*USD Payment Election*”). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Noteholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the “*Lira Amount*”) to be paid by the Issuer in respect of the Notes the subject of such USD Payment Elections and that is to be converted into U.S. dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.10 and Clause 7 of the Agency Agreement.

Each USD Payment Election of a Noteholder will be made only in respect of the immediately following payment of interest and/or principal on the Notes 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 Notes, such payments will be made in Turkish Lira.

- (b) Upon receipt of the Lira Amount from the Issuer and by no later than 11:00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall (on or prior to the Relevant Payment Date) 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, commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the “*Applicable Exchange Rate*”). In no event shall any Agent be liable to any Noteholder, the Issuer or any third party for the conversion rate so used.

The Issuer’s obligation to make payments on Notes 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 Notes 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 Applicable Exchange Rate between the due date and the date on which such payment is made in full.

- (c) Following conversion of the Lira Amount into U.S. dollars in accordance with this Condition 7.10 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 and (ii) the Applicable Exchange Rate at which such U.S. dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Noteholders of such U.S. dollar amount and Applicable Exchange Rate in accordance with Condition 15 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer on the Relevant Payment Date by no later than 11:00 a.m. (London time) in the case of a payment of interest or principal becoming due in order to make any payments to Noteholders on such Relevant Payment Date, including any such payments in U.S. dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. dollar amounts) as soon as reasonably practicable thereafter.

- (d) 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 Noteholders of such event in accordance with Condition 15 and all payments on the applicable Notes on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 7, irrespective of any USD Payment Election made.

- (e) To give a USD Payment Election:

- (i) in the case of Notes in definitive form, a Noteholder must deliver at the specified office of any Agent, 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 Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 7.8 accompanied by the relevant Notes or evidence satisfactory to the Agent concerned that such Notes 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) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder's instruction by DTC, Euroclear or Clearstream, Luxembourg or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to DTC, Euroclear or Clearstream, Luxembourg, as applicable, from time to time.

- (f) Notwithstanding any other provision in these Conditions to the contrary: (i) all costs of the purchase of U.S. dollars with the Lira Amount shall be borne *pro rata* by the relevant Noteholders relative to the Notes of such Noteholders the subject of USD Payment Elections, which *pro rata* amount will be deducted from the U.S. dollar payment made to such Noteholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, commissions or expenses or to indemnify any Noteholder against any difference between the U.S. dollar amount received by such Noteholder and the portion of the Lira Amount that would have been payable to the Noteholder if it had not made the relevant USD Payment Election and (iii) the Issuer shall not have any liability or other obligation to any Noteholder 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 Noteholders.

- (g) Notwithstanding any provisions of these Conditions or the applicable Final Terms, in respect of any Notes that are the subject of a USD Payment Election in respect of any payment, the definition of Payment

Business 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 law to be closed in New York City.

7.11 Payments on Notes held through DTC in a Specified Currency other than U.S. Dollars

In the case of any Notes represented by a Registered Global Note registered in the name of DTC or its nominee and denominated in a Specified Currency other than U.S. dollars, payments in respect of such Notes will be made in U.S. dollars unless the participant in DTC with an interest in such Notes has elected to receive any part of such payment in that Specified Currency in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

8. REDEMPTION AND PURCHASE

8.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

8.2 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws of a Relevant Jurisdiction (as defined in Condition 9.2(b)), or any change in the application or official interpretation of the laws of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the most recently issued Tranche of Notes of this Series (which shall, for the avoidance of doubt and for the purposes of this Condition 8.2, 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 9, and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on the date on which agreement is reached to issue the most recently issued Tranche of Notes 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 Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes 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 sub-paragraph (a) above 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.

8.3 Redemption at the Option of the Issuer (Issuer Call)

This Condition 8.3 applies to Notes that are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons pursuant to Condition 8.2), 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 8.3 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 Notes that can be redeemed and the applicable notice periods.

If an 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 Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes 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. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount (if any) and not more than the Maximum Redemption Amount (if any), in each case, as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes under this Condition 8.3, the Notes to be redeemed (“*Redeemed Notes*”) will: (a) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption, and (b) in the case of Redeemed Notes represented by a Global Note, 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 nominal amount, at their discretion) and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

8.4 Redemption at the Option of the Noteholders (Investor Put)

This Condition 8.4 applies to Notes that are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an “*Investor Put*.” The applicable Final Terms contain provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.4 for full information on any Investor Put. In particular, the applicable Final Terms identify any Optional Redemption Date(s), any Optional Redemption Amount and the applicable notice periods.

If an Investor Put is specified as being applicable in the applicable Final Terms, then upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note (or, for Global Notes, the indicated part thereof) on the relevant Optional Redemption Date and at the Optional Redemption Amount together, if applicable, with all interest accrued and unpaid to (but excluding) such Optional Redemption Date. Registered Notes (or, for Global Notes, a nominal amount thereof) may be redeemed under this Condition 8.4 in any Specified Denomination.

To exercise the right to require redemption of this Note (or a portion hereof):

- (a) if this Note is in definitive form and is held outside of a clearing system, then the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or the Registrar, as the case may be, falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or the Registrar, as the case may be, (a “*Put Notice*”) and in which such holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.4 and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2; if this Note is in definitive bearer form, then the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to such Paying Agent’s order or under its control, and
- (b) if this Note is represented by a Global Note or is held through Euroclear or Clearstream, Luxembourg while in definitive form, then the holder of this Note must, within the notice period, give notice to the

Fiscal Agent of such exercise in accordance with the standard procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder's instruction by DTC, Euroclear or Clearstream, Luxembourg or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to DTC, Euroclear or Clearstream, Luxembourg, as applicable, from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear or Clearstream, Luxembourg, as applicable, given by a holder of this Note pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare this Note (or, if a Global Note, a portion hereof) forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Conditions 8.2 and 11, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of Notes of this Series, at the Final Redemption Amount thereof,
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount that is or may be less or greater than the Issue Price of the first Tranche of Notes of this Series, 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 nominal amount, or
- (c) in the case of a Zero Coupon Note, at an Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price,

“AY” means the Accrual Yield expressed as a decimal, and

“y” is the Day Count Fraction specified in the applicable Final Terms, which shall be any of: (i) 30/360 (in which case the numerator shall be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of Notes of this Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360), (ii) Actual/360 (in which case the numerator shall be equal to the actual number of days from (and including) the Issue Date of the first Tranche of Notes of this Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator shall be equal to the actual number of days from (and including) the Issue Date of the first Tranche of Notes of this Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

8.6 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) Notes (or beneficial interests therein) (provided that, in the case of definitive Bearer Notes, all unmatured 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. Such Notes (or beneficial interests therein), and, in the case of definitive Bearer Notes, the related 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 Notes held by it, surrendered to any Paying Agent and/or the Registrar for cancellation; *provided* that any such resale or surrender of a definitive Bearer Note shall include a sale or surrender (as applicable) of all related unmatured Coupons and Talons.

8.7 Cancellation

All Notes that are redeemed will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption or cancellation). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.6 (together, in the case of definitive Bearer Notes, with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent or, as the case may be, the Registrar and cannot be reissued or resold.

8.8 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to this Condition 8 or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, then the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date that is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid, and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15.

9. TAXATION

9.1 Payment without Withholding

All payments in respect of the Notes and Coupons 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 law. In that event, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of the Notes 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 Note or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note 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 (as defined below) except to the extent that a holder of the relevant Note or, as the case may be, 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 Business Day (as defined in Condition 7.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer, any Paying Agent or any other Person be required to pay any additional amounts in respect of the Notes (including on Coupons) for, or on account of, any withholding or deduction required pursuant to FATCA.

9.2 Interpretation

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 relevant Note or Coupon, as the case may be, by the Issuer in accordance with Condition 15, and
- (b) “*Relevant Jurisdiction*” means Turkey or any political subdivision or any authority thereof or therein having power to tax or 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 of principal and interest on the Notes or Coupons.

9.3 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Notes (including principal and interest as provided in Condition 7.7) shall be deemed also to refer to any additional amounts that may be payable under this Condition 9.

10. PRESCRIPTION

The Notes (whether in bearer or registered form) 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.

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 7.2 or any Talon that would be void pursuant to Condition 7.2.

11. EVENTS OF DEFAULT

11.1 Events of Default

The holder of any Note may give notice to the Issuer that such Note is, and it shall accordingly forthwith become, immediately due and repayable at its Early Redemption Amount, together with all interest accrued and unpaid to (but excluding) the date of repayment, if any of the following events (each, an “*Event of Default*”) shall have occurred and be continuing:

- (a) if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest,
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied,
- (c) 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 sub-paragraphs (i), (ii) and/or (iii) above, and/or (B) the maximum amount payable by the Issuer or such Material Subsidiary under such guarantee and/or indemnity of the Issuer or such Material Subsidiary in the case of sub-paragraph (iv) above, exceeds US\$50,000,000 (or its equivalent in other currencies),

(d) 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 ceases or threatens to cease to carry on the whole or a substantial part, or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries suspends or threatens to suspend 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, declared or found by a competent authority to be (or becomes) bankrupt or insolvent,
- (iii) 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
- (iv) the Issuer or any of its Material Subsidiaries: (A) takes any corporate action or other steps are taken or legal proceedings are started: (1) for its winding-up, dissolution, administration, bankruptcy or re-organisation (other than for the purposes of and followed by a reconstruction while solvent upon terms previously approved by an Extraordinary Resolution of Noteholders) 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 propose to make a general assignment for the benefit of its creditors or shall enter into any general arrangement or composition with its creditors,

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

(e) if the banking licence of the Issuer is temporarily or permanently revoked or the Issuer is transferred to the Savings Deposit Insurance Fund under the provisions of the Banking Law (Law No. 5411) of Turkey.

11.2 Interpretation

For the purposes of this Condition 11:

“Indebtedness for Borrowed Money” 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,
- (b) any borrowed money, or

- (c) any liability under or in respect of any acceptance or acceptance credit.

12. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, 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 Notes, Coupons or Talons) or the Registrar (in the case of Registered Notes) 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 Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. 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 and/or to appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts; *provided that*:

- (a) there will at all times be a Fiscal Agent and a Registrar,
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be, in the case of Bearer Notes, a Paying Agent (which may be the Fiscal Agent) and, in the case of Registered Notes, a Transfer Agent (which may be the Registrar) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority,
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in the United States, and
- (d) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated.

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 7.5. Notice of any variation, termination, appointment or change in Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

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 Noteholder, Receiptholder or Couponholder. 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.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised 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 Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

15. NOTICES

All notices to Noteholders regarding the Bearer Notes 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 Notes (if any) are for the time being listed or by which they have been admitted to trading, including publication on the website of the relevant stock exchange or 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 Noteholders regarding the Registered Notes 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 Notes 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 Notes are listed on a stock exchange or are 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.

So long as any Global Notes representing the Notes are held in their entirety 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 the applicable Notes and, in addition, for so long as any Notes are listed on a stock exchange or are 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 Notes 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 Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relevant Note(s), with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any Notes are represented by a Global Note, such notice may be given by any holder of an interest in such Global Note 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.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATIONS

16.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes (including any of these Conditions), 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 if required in writing by Noteholders holding not less than five *per cent.* in nominal amount of the Notes for the time being outstanding. 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 Noteholders in accordance with Condition 15. The quorum at any such meeting for passing an Extraordinary Resolution is one or more Person(s) holding or representing not less than 50 *per cent.* in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more Person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions, the Notes or the Coupons (including modifying the

Maturity Date of the Notes 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 Notes, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more Person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more Person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders shall be binding upon all the Noteholders, whether or not they are present at any meeting and whether or not they vote on the resolution, and on all Couponholders.

The Agency Agreement provides that: (a) a resolution in writing signed on behalf of the Noteholders of not less than 75 *per cent.* in principal amount of the Notes for the time being outstanding (whether such resolution in writing is contained in one document or several documents in the same form, each signed on behalf of one or more Noteholders) or (b) consent given by way of electronic consents through the relevant clearing systems by or on behalf of Noteholders of not less than 75 *per cent.* in principal amount of the Notes for the time being outstanding will, in each case, take effect as if it were an Extraordinary Resolution and shall be binding upon all Noteholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned in Condition 16.1) of any of these Conditions, the Deed of Covenant or the Agency Agreement that is, in the opinion of the Issuer, either: (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (b) following the advice of an independent financial institution of international standing, not materially prejudicial to the interests of the Noteholders. Any such modification shall be binding upon the Noteholders and Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders and Couponholders as soon as practicable thereafter in accordance with Condition 15.

Notwithstanding any other provision of these Conditions or the Agency Agreement, the consent or approval of the Noteholders or the Couponholders shall not be required in the case of amendments to these Conditions pursuant to Condition 6.7 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 Notes or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 6.7, where the Issuer has delivered to the Calculation Agent a certificate pursuant to Condition 6.7(e).

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having terms and conditions the same as those of this Series of Notes, or the same in all respects save 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 Notes; *provided* that the Issuer shall ensure that such further notes will be fungible with such outstanding Notes 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 Notes were, and such further Notes 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.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No Person shall have any right to enforce any term or condition of this Note 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.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with any of them, are and shall be governed by, and construed in accordance with, English law.

19.2 Submission to Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the 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 disputes that arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) 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).

The Issuer waives any objection to 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) on the grounds that it is an inconvenient or inappropriate forum.

To the extent allowed by applicable law, the Noteholders and the Couponholders may take any suit, action or proceedings arising out of or in connection with the Notes and the Coupons (together referred to as “*Proceedings*”) (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 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 Notes 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 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).

19.4 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 that it ceases to have an office in England, it shall promptly appoint another Person as its agent for that purpose. This Condition does not affect any other method of service allowed by applicable law.

19.5 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.

USE OF PROCEEDS

The Bank will incur various expenses in connection with the issuance of each Tranche of the Notes, including (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes 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 Notes 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 DATA

The following tables set forth, for the periods indicated, selected historical consolidated financial and other information about the Group. The following selected consolidated financial and other information should be read in conjunction with, and is qualified in its entirety by reference to, the BRSA Financial Statements and other relevant information included elsewhere in this Base Prospectus. The BRSA Financial Statements are presented in Turkish Lira and have been prepared in accordance with the BRSA Accounting and Reporting Principles described in more detail in the accounting principles included in the notes to the BRSA Financial Statements incorporated by reference into this Base Prospectus and in "Presentation of Financial and Other Information."

The BRSA Financial Statements as of and for the year ended 31 December 2016 have been audited by KPMG and as of and for the years ended 31 December 2017 and 2018 have been audited by EY. Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements incorporated by reference herein and have been extracted from the BRSA Financial Statements without material adjustment.

	As of 31 December 2018
	<i>(TL thousands)</i>
Balance Sheet Data:	
Financial Assets (Net)	140,370,991
<i>Cash And Cash Equivalent</i>	56,134,488
<i>Financial Assets at Fair Value Through Profit or Loss</i>	1,079,518
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i> ...	47,849,702
<i>Financial Assets Measured at Amortised Cost</i>	29,013,507
<i>Derivative Financial Assets</i>	6,337,975
<i>Expected Credit Loss (-)</i>	44,199
Loans (Net)	303,756,933
<i>Loans</i>	295,386,127
<i>Lease Receivables</i>	5,379,789
<i>Factoring Receivables</i>	2,729,973
<i>Non-Performing Loans</i>	12,492,038
<i>Expected Credit Loss (-)</i>	12,230,994
Assets Held For Sale And Discontinued Operations (Net)	283,138
Equity Investments	9,418,560
<i>Investments in Associates (Net)</i>	212,705
<i>Subsidiaries (Net)</i>	9,202,767
<i>Joint Ventures (Net)</i>	3,088
Tangible Assets (Net)	7,104,041
Intangible Assets (Net)	883,541
Investment Property (Net).....	3,704,581
Current Tax Asset	170,828
Deferred Tax Asset	1,543,870
Other Assets.....	32,670,874
Total Assets	499,907,357
Deposits	248,981,402
Funds Borrowed.....	72,582,007
Money Markets	11,980,587
Securities Issued (Net).....	40,642,271
Funds	32,529
Derivative Financial Liabilities.....	4,558,286
Provisions	15,161,685
Current Tax Liability	1,728,531
Deferred Tax Liability	80,066
Subordinated Debts.....	12,708,575
Other Liabilities	35,836,525
Total Liabilities	444,293,464
Shareholders' Equity.....	55,614,893
Total Liabilities and Shareholders' Equity	499,907,357

	As of 31 December	
	2016	2017
Balance Sheet Data:	<i>(TL thousands)</i>	
Cash and balances with the Central Bank	33,233,131	36,829,512
Financial assets at fair value through profit or loss (net)	3,435,744	3,678,346
Banks	9,257,793	10,739,002
Money Market Placements	466,838	465,012
Financial Assets Available For Sale (Net)	51,770,372	55,871,376
Loans	225,295,662	268,022,666
Factoring Receivables	2,985,557	4,207,335
Held To Maturity Investments (Net)	6,757,758	9,193,175
Investments In Associates (Net)	176,074	197,053
Investments In Subsidiaries (Net)	5,831,815	7,187,875
Investments in Joint Ventures (Net)	2,260	2,527
Lease Receivables	3,802,242	4,411,766
Derivative Financial Assets Held for Risk Management	272	-
Tangible Assets (Net)	5,861,299	5,921,020
Intangible Assets (Net)	579,483	782,053
Investment Property (Net)	3,373,451	3,454,409
Tax Assets	637,605	577,663
Assets Held For Sale And Discontinued Operations (Net)	106,814	184,644
Other assets	20,246,094	26,031,981
Total Assets	373,820,264	437,757,415
Deposits from the Bank's Risk Group	3,881,747	3,634,717
Other deposits	175,277,691	204,245,775
Derivative Financial Liabilities Held for Trading	1,305,085	1,572,598
Funds Borrowed	52,166,079	63,457,788
Money Market Funds	24,974,003	24,575,223
Marketable Securities Issued (Net)	28,660,681	33,016,744
Funds	5,317	12,901
Sundry creditors	22,393,901	28,240,817
Other liabilities	3,010,243	3,267,710
Derivative Financial Liabilities Held for Risk Management ..	51,433	78,682
Provisions	14,813,554	17,044,695
Tax liabilities	539,347	1,050,933
Subordinated Loans	4,930,016	9,434,217
Total Liabilities	332,009,097	389,632,800
Paid-in Capital	4,500,000	4,500,000
Share Premium	33,941	40,921
Marketable Securities Revaluation Reserve	1,415,547	(1,197,222)
Tangible Assets Revaluation Reserve	2,669,508	3,693,107
Bonus Shares obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	(1,179)	(1,179)
Hedging Reserves (Effective Portion)	-	(73)
Other Capital Reserves	1,585,875	1,482,577
Profit Reserves	21,380,383	25,631,973
Profit or Loss	5,157,004	8,766,299
Minority Shares	5,070,088	5,208,212
Total Equity	41,811,167	48,124,615
Total Liabilities and Equity	373,820,264	437,757,415

	2018
Income Statement Data:	<i>(TL thousands)</i>
Interest Income	44,078,656
Interest Expense	(24,492,384)
Net Interest Income	19,586,272
Net Fees and Commissions Income	3,756,035
Personnel Expense	(4,501,780)
Dividend Income	19,655
Trading Income/(Loss) (net)	(2,293,686)
Other Operating Income	8,120,963
Gross Operating Income	24,687,459
Expected Credit Loss	(7,012,853)
Other Operating Expenses	(10,154,346)
Net Operating Income/(Loss)	7,520,260
Profit/Loss from Associates Accounted for using the Equity Method .	1,569,036
Profit/Loss on Continuing Operations before Tax	9,089,296
Tax Provision for Continuing Operations	1,517,912
Net Period Profit/Loss	7,571,384

	2016	2017
Income Statement Data:	<i>(TL thousands)</i>	
Net Interest Income	12,421,765	14,831,670
<i>Interest Income</i>	25,061,299	31,108,967
<i>Interest Expense</i>	(12,639,534)	(16,277,297)
Net Fees and Commissions Income	2,148,533	2,733,423
Dividend Income	318,223	18,258
Trading Income (net)	(417,002)	(946,253)
Other Operating Income	6,716,704	6,765,642
Total Operating Income	21,188,223	23,402,740
Provision for Loans and Other Receivables	(2,835,495)	(3,016,417)
Total Operating Expenses	(11,314,488)	(12,862,111)
Net Operating Income	7,038,240	7,524,212
Profit/Loss from Associates Accounted for using the Equity Method	12,871	842,068
Profit/Loss on Continuing Operations before Tax	7,051,111	8,366,280
Tax Provision for Continuing Operations	(1,353,214)	(1,660,614)
Net Period Profit/Loss	5,697,897	6,705,666

	As of (or for the year ended) 31 December		
	2016	2017	2018
Key Ratios:			
Return on average shareholders' equity excluding minority interest.....	14.5%	13.9%	14.6%
Net interest margin	4.5%	4.6%	5.1%
Cost-to-income ratio	42.2%	42.2%	35.9%
NPL ratio	2.3%	2.1%	4.1%
Cost to average total assets	2.1%	2.0%	1.9%
Capital Adequacy:			
Tier 1 ratio ⁽¹⁾	12.4%	12.4%	12.3%
Capital adequacy ratio ⁽²⁾	14.3%	15.2%	15.3%
Other Information:			
Average employees during the period	24,934	24,774	24,730
Branches at period end	1,374	1,364	1,355
Inflation rate/GDP %:			
Producer price index inflation ⁽³⁾	9.9%	15.5%	33.6%
Gross Domestic Product (% change) ⁽³⁾	3.2%	7.4%	2.6%

(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:

	2016	2017	2018
	<i>(TL thousands, except percentages)</i>		
Total Operating Expenses.....	11,314,488	12,862,111	14,656,126
Insurance and Reinsurance Companies' Expenses	(4,101,873)	(4,556,418)	5,652,737
Costs.....	7,212,615	8,305,693	9,003,389
Total Operating Income.....	21,188,223	23,402,740	29,189,239
Profit/loss from associates accounted for using the equity method.....	12,871	842,068	1,569,036
Insurance and Reinsurance Companies' Expenses	(4,101,873)	(4,556,418)	(5,652,737)
Income	17,099,221	19,688,390	25,105,538
Cost-to-Income Ratio	42.2%	42.2%	35.9%

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 thereto) incorporated by reference into this Base Prospectus.

	As of 31 December	
	2016	2017
	<i>(TL thousands)</i>	
Paid-in Capital	4,500,000	4,500,000
Capital Reserves.....	5,703,692	4,018,131
Profit Reserves	21,380,383	25,631,973
Prior Years' Profit/Loss	146,523	2,698,654
Capital stock; legal reserves, retained earnings and other equity accounts	31,730,598	36,848,758
Current period net income attributable to equity holders of the Bank.....	5,010,481	6,067,645
Total shareholders' equity	36,741,079	42,916,403
Long-term debt ⁽¹⁾	70,985,496	91,786,217
Total capitalisation	107,726,575	134,674,380

- (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	
	<i>(TL thousands)</i>	
Paid-in Capital	4,500,000	
Capital Reserves.....	1,129,862	
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss.....	4,734,287	
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(112,960)	
Profit Reserves	29,037,168	
Capital stock; legal reserves, retained earnings and other equity accounts	39,288,357	
Profit or Loss	10,303,541	
Total shareholders' equity	49,591,898	
Long-term debt ⁽¹⁾	110,958,963	
Total capitalisation	160,550,861	

- (1) Long-term debt includes the funds borrowed (including subordinated loans and debt securities in issue) with an original maturity over one year.

BUSINESS OF THE GROUP

Türkiye İş Bankası A.Ş. is a Turkish banking institution organised as a joint stock company under the Turkish Commercial Code (No. 6102).

As of 31 December 2018, 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 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 2018 (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 2018, the Group had total assets of TL 499,907 million, an increase of 14.2% from TL 437,757 million as of 31 December 2017, itself an increase of 17.1% from TL 373,820 million as of 31 December 2016. As of 31 December 2018, the Group had total deposits of TL 248,981 million, an increase of 19.8% from TL 207,880 million as of 31 December 2017, itself an increase of 16.0% from TL 179,159 million as of 31 December 2016.

As of 31 December 2018, the Group had total shareholders' equity of TL 55,615 million, an increase of 15.6% from TL 48,125 million as of 31 December 2017, itself an increase of 15.1% from TL 41,811 million as of 31 December 2016.

In 2018, the Group's net profit was TL 7,571 million, a 12.9% increase from TL 6,706 million in 2017, itself an 17.7% increase from TL 5,698 million for 2016. In 2018, the Group's net interest income was TL 19,586 million, a 32.1% increase from TL 14,832 million as of 31 December 2017, itself a 19.4% increase from TL 12,422 million in 2016.

As of the date of this Base Prospectus, the Bank's shares are quoted on the Borsa İstanbul (which replaced the former İstanbul Stock Exchange and Gold Exchange) operating as the stock exchange as well as the gold exchange in Turkey 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 2018, 40.47% 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 31.44% was traded publicly on the Borsa İstanbul and the London Stock Exchange.

As of 31 December 2018, the Bank had the largest network of branches among private sector banks in Turkey, with 1,333 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 each of The Netherlands and France; through Moscow based JSC İşbank, a wholly-owned subsidiary with three branches in Russia; and through Tbilisi-based JSC İsbank 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 2018, the Bank had a direct equity interest in 23 companies, six 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 it to compete effectively in the Turkish banking sector:

Market Leader in Turkish Banking Sector in Size and Scope of Operations

As noted above, as of 31 December 2018, 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 7.9 billion (source: Central Registry İstanbul). As of 31 December 2018, the Bank supported its market-leading position by having the largest nationwide branch and ATM network among private sector banks in Turkey, with 1,333 domestic branches, 22 international branches and 6,560 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 opened two domestic branches in 2018 (11 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 90 branches during 2019.

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 203,144 million as of 31 December 2016 to TL 239,409 million as of 31 December 2017 and TL 260,316 million as of 31 December 2018, a compound annual growth rate ("CAGR")¹⁰ of 13.2%. The Bank's total deposits grew from TL 177,360 million as of 31 December 2016 to TL 203,752 million as of 31 December 2017 and TL 245,269 million as of 31 December 2018, resulting in a CAGR of 17.6%.

Strong Liquidity and Capital Structure with Conservative Funding Policy

The Group has a strong capital structure, with shareholders' equity of TL 55,615 million and a capital adequacy ratio of 15.3% as of 31 December 2018 (under BRSA) (12.3% calculated using Tier 1 capital only). The cash loan-to-deposit ratio of the Group was 118.6% as of 31 December 2018 (128.5% as of 31 December 2017 and 125.0% as of 31 December 2016). 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 7.3 years as of 31 December 2018).

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 245,269 million as of 31 December 2018, an increase of 20.4% from TL 203,752 million as of 31 December 2017, itself an increase of 14.9% from TL 177,360 million as of 31 December 2016. Overall, the Bank's total assets grew from TL 311,626 million as of 31 December 2016 to TL 362,244 million as of 31 December 2017 and TL 416,388 million as of 31 December 2018, resulting in a CAGR of 15.6%. The Bank's return on average total assets was 1.6%, 1.6% and 1.7% for 2016, 2017 and 2018 (compared to 1.5%, 1.7% and 1.6%, respectively, for the sector, according to figures published by the BRSA) and the return on its average shareholders' equity was 13.7%, 13.4% and 14.8% for 2016, 2017 and 2018 (compared to 13.3%, 14.9% and 14.3%, 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.

¹⁰ 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 10.9 million retail customers, nearly 8,000 corporate customers and over 1.3 million commercial customers as of 31 December 2018. The Bank had the largest deposit base among private sector banks with TL 245.3 million in deposits as of 31 December 2018 (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 2018, 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 2018, the Bank's customers have held deposit accounts with the Bank for an average of 7.3 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 (ten as of 31 December 2018), one specialised branch for multinationals operating in Turkey and specialised commercial branches (53 as of 31 December 2018). The Bank has developed numerous targeted products and services, ranging from tailor-made solutions for large corporations to sector-specific service packages, such as for energy efficiency and the environment and support for the exports, plastics, logistics, machinery production, automotive by-products and tourism sectors.

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 2018 at a CAGR of 20.6%. 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 2018, 54.9% of the Bank's total loan portfolio was comprised of loans to corporate (as defined by the Corporate Definition) customers, with 22.8%, 5.1% and 17.3% 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 52.8%, 45.4% and 1.7% of total consumer loans, respectively, as of 31 December 2018. The Bank's loan portfolio is also diversified among sectors, with the largest share (in energy) representing no more than 20.93% of the Bank's loan portfolio as of 31 December 2018. In addition, the Bank has sought to limit exposure to any single borrower and no exposure to a single borrower was greater than 1.30% 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 36.06% as of 31 December 2018. Moreover, as of 31 December 2018, 48.4% 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. During 2018 the Bank grew its loan portfolio by 8.7% (total loans increased by 17.9% in 2017) and maintained NPL ratios of 2.4%, 2.2% and 4.1% as of 31 December 2016, 2017 and 2018, respectively, as compared to the Turkish banking sector's NPL ratios of 3.2%, 3.0% and 3.9%, 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 2% during 2018). 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" each year, which is a report 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. The Bank has also provided its customers with the opportunity to merge their Facebook and/or Twitter accounts with their banking customer accounts via the Bank’s social media application “Firsatla.” This application makes it easier for customers to take advantage of the Bank’s special campaigns and promotions via their Facebook and/or Twitter accounts.

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 Isbank”) answers frequently asked banking questions and has over 500 questions and answers. Through 31 December 2018, 440,000 users had asked 860,000 questions to the chatbot.

In November 2018, the Bank launched (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. The Bank seeks to continuously improve the capabilities of “Maxi” with new features and, in 2019, intends to integrate “Maxi” with the Bank’s other channels and assistants.

Also in November 2018, the Bank located “Pepper,” a humanoid robot, in its domestic branches in order to improve customer experience. 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” and to enhance and differentiate the customer experience.

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 four domestic branches in 2016 (seven branches were consolidated with other branches during 2016), 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 the first quarter of 2019 (19 domestic branches were consolidated with other branches in the first quarter of 2019). The Bank plans to consolidate approximately 90 domestic branches in total in 2019 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 2018 of 64.7% compared to the eurozone average of 162.4% and a total assets-to-GDP ratio as of such date of 104.5% compared to the eurozone average of 266.9% (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 retail, the Bank has introduced a range of new deposit products, such as "Maksimum Vadelî Hesap" (which includes both an automatic payment function as well as an automatic investment opportunity in term deposits), "Çeyiz Hesabı" (which is a regular savings account that addresses certain customers spending needs before getting married, which is supported with a government incentive) and "Konut Hesabı" (which is a regular savings account that enables the customers to save money to buy a house, which is also supported with a government incentive). In its SME business, the Bank offers over 100 products, including a specialised website (www.istikobi.com.tr) that includes current news, articles and industry-specific and economic reports for SMEs and the SUNUMATİK (sunumatik.com.tr), an application that allows non-English-speaking owners of SMEs to produce their company's presentations.

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 2018, 7.2 million customers were actively using the Bank's digital banking channels and 10.0 million customers used ATMs during 2018. Non-branch channels accounted for 88.5% of the Bank's total banking transactions during 2018.

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 cards, exporter card, 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, letters of credit, letters of guarantee, bank payment obligations, point-of-sales agreements, automatic payment instructions, tax collection, internet banking, mobile banking, entrepreneurial banking, women entrepreneurial banking, foreign trade operations, sector-specific packages, cash management, payment system facilities and packages of tariffs for certain banking transactions,
- *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 "Business of the Group – 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 2018, 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 2018, the Corporate Banking business unit accounted for TL 98.0 billion (38.5% of the Group’s total loans) and TL 40.3 billion (16.6% of the Group’s total deposits). As of 31 December 2018, 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 2018, 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 ten projects with an estimated total loan value of US\$1.1 billion in 2018 (20 and US\$1.7 billion in 2016 and 17 and US\$1.5 billion in 2017).

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 2018, the Bank had more than 1.3 million commercial banking customers.

As of 31 December 2018, the Commercial Banking business unit accounted for TL 102.9 billion (or 40.4%) of the Group’s total loans and TL 54.5 billion (or 22.4%) 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 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 23.0% as of 31 December 2018 (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 2018, 53 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 2018, the Bank supported its agricultural banking activities with its (as of 31 December 2018) 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 also launched packages of tariffs that allow SMEs to choose a tariff that best suits their banking transaction mix in exchange for a single fixed fee, which also led to an increase in the Bank’s commission income.

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 - SME/Retail Concentration Risk”). 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 “Women in Business” (WIB) and “The Finance and Advice for Woman in Business” programmes.

Retail Banking

As of 31 December 2018, the Bank had approximately 10.9 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 2018, the Retail Banking business unit accounted for TL 50.1 billion (or 19.7%) of the Group's total loans and TL 115.3 billion (or 47.3%) 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 three 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 uses a platform called "Marketing Optimisation" that aims to deliver the best offers based upon a mathematical analysis of different constraints and decision variables, such as channel capacities, propensities, customer contact rules, customer preferences and business objectives to be achieved.

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 over-the-counter ("OTC") securities and foreign exchange transactions.

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 over 31,000 employers providing for the direct deposit of paychecks to over one million employee accounts maintained with the Bank, as of 31 December 2018. 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 8,711 million during 2018. 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 2018, the value of funds held in the Bank's retail overdraft accounts was TL 1,068 million.

Consumer Lending. As of 31 December 2018, the Group's total consumer loans, which are composed of general purpose loans, auto loans and housing loans, amounted to TL 45,236 million. General purpose loans (including overdrafts) amounted to TL 24,007 million (53.1%), auto loans amounted to TL 783 million (1.7%) and housing loans amounted to TL 20,445 million (45.2%).

As of 31 December 2018, according to BRSA data, on a bank-only basis, the Bank's market share of the consumer loan market was 11.7%, with a market share of 11.6% related to housing loans, 13.7% related to auto loans and 11.7% related to other loans.

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 248,981 million as of 31 December 2018. Deposits accounted for 49.8% of the Group's total liabilities as of 31 December 2018. As of 31 December 2018, Turkish Lira-denominated deposits accounted for approximately 44.7% 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. Fixed accounts and floating accounts provide liquidity 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. The Bank also offers its "Automatic Deposit Order" service to facilitate customers' propensity to save, which service permits customers to set up automatic periodic transfers from their current accounts to interest-earning term deposit accounts.

As of 31 December 2018, the Bank had the largest market share among private sector banks in Turkey in terms of total deposits, Turkish Lira deposits, demand deposits and Turkish Lira savings deposits, with market shares of 12.1%, 11.1%, 13.8% and 11.2%, 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 2018, the total value of the Group's deposits reached TL 248,981 million, with demand deposits accounting for 24.8% and all other deposits accounting for the remaining amounts. In terms of Turkish Lira-

denominated saving deposit accounts, the Bank's market share was 11.2% as of 31 December 2018 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 14.5% as of 31 December 2018, 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 2018, 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, HCE services, credit cards that enable customers to earn miles and credit and debit cards specifically issued for university students. 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 of 31 December 2018, the Bank had more than: (a) 7.7 million credit cards in issue to its own customers, representing approximately 14.4% of the total Turkish credit card market by total issuance volume and approximately 11.7% by number of cards outstanding, (b) 10.5 million debit cards, representing approximately 7.2% of the Turkish debit card market and (c) 349,733 Bank-owned point-of-sale terminals, representing approximately 12.2% of the total Turkish market, each according to the Interbank Card Centre. As of 31 December 2018, the Bank, with a 15.2% 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 2018, cardholders were able take advantage of the Maximum loyalty programme at over 392,000 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 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 41.3%, 39.3% and 43.6% of total net fees and commissions income in 2016, 2017 and 2018, respectively.

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 2018, the Private Banking business unit accounted for TL 0.2 billion (or 0.1%) of the Group's total loans and TL 18.7 billion (or 7.7%) 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 2018, the total value of the securities portfolio that the Bank manages for its customers was valued at TL 36,175 million (TL 38,612 million as of 31 December 2017).

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 2018, the Bank had 11.2 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 2018, with 4.9% of the Turkish market on a bank-only basis, totalling TL 10,707 in Turkish Lira-denominated sovereign and corporate bonds under custody (source: BRSA). According to Borsa İstanbul data, as of 31 December 2018, the Bank held third place in the Borsa İstanbul, with a 12.2% market share in transaction volume.

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 2018 with a market share of 16.22%, the net asset value of mutual funds distributed totaling TL 7.9 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 2018, the Bank had over 544,000 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 Depositary 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 2018, 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 2018, the Bank held a total of approximately TL 6.2 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 2018, 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 2018, the Bank's representative offices are located in Cairo and Shanghai.

As of 31 December 2018, the Bank's network of correspondent banks is comprised of over 1,090 banks in 122 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\$175.7 billion and outgoing foreign currency transfers of US\$115.7 billion during 2018. 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 12.5% according to December 2018 data from TurkStat. As part of its international banking activities, the Bank acted as the financial intermediary in connection with approximately US\$25.0 billion of import and US\$24.0 billion of export transactions in 2018. 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 2018, the Group's total securities portfolio was valued at TL 77,943 million. As of such date, the Bank's securities portfolio was comprised of Turkish Lira-denominated floating rate securities (48.8%), Turkish Lira-denominated discount and fixed securities (30.3%), foreign currency-denominated discount and fixed securities (20.9%) and foreign currency-denominated floating securities (0.02%). Turkish government bonds and Turkish government treasury bills constituted 98.1% of the Bank's total securities portfolio as of such date. Moreover, 59.9% 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 2018, the Bank's direct equity interests were in companies operating in finance, glass and other industrial and services sectors, of which the shares in six companies were classified as available-for-sale securities. As of 31 December 2018, 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 17,921 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 2018:

Group Company	Field of Activity	Bank's Direct Share	Group's Share	Assets ⁽¹⁾	Shareholders' Equity	Market Share
(TL thousands)						
Türkiye Sınai Kalkınma Bankası A.Ş. ⁽²⁾	Investment					
İşbank AG ⁽¹⁴⁾	Banking	40.52%	50.00%	38,269,440	4,184,076	14.9% ⁽¹⁾
JSC İşbank ⁽¹⁴⁾	Banking	100.00%	100.00%	10,796,298	1,168,358	N/A
JSC İşbank Georgia	Banking	100.00%	100.00%	1,115,371	303,851	N/A
Anadolu Anonim Türk Sigorta Şirketi ⁽²⁾	Non-Life Insurance	-	64.31%	524,557	157,912	N/A
Anadolu Hayat Emeklilik A.Ş. ⁽²⁾	Life Insurance &			7,576,988	1,319,162	11.9% ⁽³⁾
	Private Pension	62.00%	83.00%	20,229,978	949,081	9.2% ⁽³⁾
Milli Reasürans T.A.Ş. ⁽⁶⁾	Reinsurance	76.64%	77.06%	4,173,951	2,172,009	18.6% ⁽⁵⁾
İş Yatırım Menkul Değerler A.Ş. ⁽²⁾	Brokerage House	65.65%	70.69%	6,370,683	1,085,092	6.3% ⁽⁷⁾⁽⁸⁾
Yatırım Finansman Menkul Değerler A.Ş. ⁽²⁾	Brokerage House	-	98.42%	580,870	100,318	7.8% ⁽¹²⁾
İş Yatırım Ortaklığı A.Ş.	Securities					3.7% ⁽¹²⁾
	Investment Trust	-	38.66%	241,840	241,030	50.4% ⁽¹⁰⁾
İş Portföy Yönetimi A.Ş.	Asset Management	-	100.00%	114,256	106,128	19.1% ⁽¹¹⁾
İş Leasing ⁽²⁾	Leasing	27.79%	57.39%	8,681,660	1,150,580	8.6% ⁽⁴⁾
İş Faktoring A.Ş.	Factoring	-	100.00%	2,770,654	301,123	8.6% ⁽⁹⁾
İş REIT ⁽²⁾	REIT	47.44%	63.24%	5,222,333	3,556,939	5.6% ⁽¹³⁾
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Venture Capital					
	Inv.Trust	-	57.67%	262,226	259,965	N/A
Total				106,191,246	16,838,697	

⁽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 2018.

⁽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).

⁽¹⁴⁾ Financial information is preliminary and thus subject to change.

Insurance. The Group provides its customers non-life and life insurance services through the Bank's insurance subsidiaries, Anadolu Anonim Türk Sigorta Şirketi ("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 2018, 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 11.9% market share in terms of gross written premiums in the non-life insurance market as of 31 December 2018 (source: The Insurance Association of Turkey). Anadolu Sigorta had gross written premiums of TL 5,701 million, TL 4,671 million and TL 4,484 million for 2018, 2017 and 2016, respectively.

For 2016, 2017 and 2018, Anadolu Sigorta recorded net profit of TL 102 million, TL 202 million and TL 325 million, respectively, on a consolidated basis. Anadolu Sigorta's products are distributed through its over 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 2018, Anadolu Hayat Emeklilik was the second largest life insurance company in Turkey, holding a 9.2% 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 18.6% 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 2018. For 2018, Anadolu Hayat Emeklilik had gross written premiums of TL 640.2 million (TL 576 million and TL 501 million, respectively, for 2017 and 2016). For 2018, Anadolu Hayat Emeklilik collected TL 1,112 million in net pension contributions (TL 1,459 million and TL 1,358 million, respectively, for 2017 and 2016). For 2016, 2017 and 2018, Anadolu Hayat Emeklilik recorded a net profit of TL 191 million, TL 227 million and TL 254 million, respectively, on a consolidated basis. Anadolu Hayat Emeklilik insurance and pension products are distributed through its approximately 230 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 6.3% of the domestic industry's need for reinsurance coverage as of 31 December 2018 (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 2018, the Bank owned a 76.64% 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 1,320 million for 2018, TL 1,086 million for 2017 and TL 930 million for 2016. For 2018, the company recorded net profit of TL 126 million on an unconsolidated basis (TL 104 million and TL 144 million, respectively, for 2017 and 2016). In August 2018, A.M. Best affirmed Milli Reasürans' financial strength rating as "B+" and its outlook as negative, while S&P lowered Milli Reasürans' national scale rating from "trAA-" to "trA+" in February 2017.

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 2018. 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 2018, 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 38,269 million and total equity of TL 4,184 million as of 31 December 2018. 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 47.44% as of 31 December 2018. 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\$993 million as of 31 December 2018. The real estate portfolio of İş REIT, from which the company earns rental income, is comprised of office space, hotels 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 İnistanbul 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 2018, 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 2018, the consolidated total assets and equity of İş Leasing amounted to TL 8,682 million and TL 1,151 million, respectively. Net current leasing receivables amounted to TL 5,435 million as of the same date. As of 31 December 2018, 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 (30%), machinery (24%), construction equipment (19%) and other sectors (27%).

Brokerage and Custody. The Bank owned 65.65% of the share capital of İş Yatırım as of 31 December 2018, 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 2018, according to data provided by the Borsa İstanbul, İş Yatırım had the following market shares in organised exchange transactions: 7.8% in Borsa İstanbul equity transactions, 2.6% in the "Outright Purchases and Sales" market of the "Bills & Bonds" market among brokerage houses and 12.2% in the stock futures market of the VIOP. According to data provided by the Borsa İstanbul, İş Yatırım was the second largest licensed brokerage firm in Turkey in terms of equity trading volume as of 31 December 2018. İş Yatırım was one of the founding partners of the VIOP, which commenced its operations in February 2005, and as of 31 December 2018 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 2018 were TL 45 billion and TL 234,3 million, respectively, while its consolidated assets and equity amounted to TL 6.4 billion and TL 1,085 million, respectively. In addition, as of 31 December 2018, 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 Ratings Ltd. 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 2018, preliminary total assets and equity figures for İşbank AG were €1,791 million and €194 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 2018, the bank had 127 employees and its preliminary total assets and equity amounted to 15,061 million Russian Rubles and 4,106 million Russian Rubles, respectively according to the bank's financials for 2018. 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 260 million Georgian Lari and 75 million Georgian Lari, respectively, according to the bank's financials for 2018.

Other Financial Participations. The following table sets forth certain information, as of 31 December 2018, 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 2018, which also indicates the Group's share in the bank. As of 31 December 2018, consolidated total assets and equity of the bank amounted to TL 6,330 million and TL 883 million, respectively.

Factoring. The Bank had a 100% indirect group share in İş Faktoring A.Ş. ("İş Faktoring") as of 31 December 2018. The company had TL 2,771 million in total assets and TL 301 million in equity as of 31 December 2018, while its net factoring receivables amounted to TL 2,725 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 2018) 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 2018, the Bank held a group share of 57.67% in the company through its subsidiaries, holding a paid-in capital amount of TL 74.7 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 2018 was TL 3.1 million (for 2016 and 2017, a net profit of TL 1.1 million and TL 1 million, respectively). The company's assets and equity as of 31 December 2018 amounted to TL 262million and TL 260 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 33 billion as of 31 December 2018. As of such date, İş Portföy managed 31 mutual funds from various risk categories and had a market share of assets under management of 19.1% in a market size of TL 173 billion according to the CMB. İş Portföy managed (as of such date) 39 pension funds and

captured a 17.4% market share (of pension assets under management) out of a market size of TL 88.5 billion according to the CMB.

İş Portföy's operating income and net profit figures for 2018 were TL 17.1 million and TL 26.3 million, respectively (TL 18.5 million and TL 23.9 million, respectively, for 2017 and TL 9.9 million and TL 16.4 million, respectively, for 2016). The company's assets and equity as of 31 December 2018 amounted to TL 114.3 million and TL 106.1 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 50.4% in 2018 according to data derived from the Public Disclosure Platform of the Borsa İstanbul, and the company had a net asset value of TL 242 million as of 31 December 2018. İş Yatırım Ortaklığı's net profit for 2018 was TL 31.4 million (TL 25.2 million and TL 19.2 million, respectively, for 2017 and 2016) while, as of 31 December 2018, its assets and equity amounted to TL 241.8 million and TL 241 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 1.8%, 2.1% and 2.2% of its total assets as of 31 December 2016, 2017 and 2018, respectively. For 2016, 2017 and 2018, total dividend income received from its non-financial participations constituted 6.5%, 5.7% and 3.2%, respectively, of the Bank's net income. As of 31 December 2018, 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 2018, the Bank held a 66.30% stake in Şişecam, which was founded in 1935. With total assets of TL 27,768 million and total equity of TL 16,727 million as of 31 December 2018, 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 2018, 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 0.13% 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.	-	99.77%	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

Channel Management

As of 31 December 2018, the Bank, with its 1,333 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 2018:

Regions	Branches
Marmara	511
Central Anatolia	237
Aegean.....	207
Mediterranean	153
Black Sea.....	113
South East Anatolia	66
Eastern Anatolia	46
Foreign Branches.....	22
Total	1,355

The Bank opened four domestic branches in 2016 (seven branches were consolidated with other branches during 2016), 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 the first quarter of 2019 (19 domestic branches were consolidated with other branches in the first quarter of 2019). The Bank plans to consolidate approximately 90 domestic branches in total in 2019 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 2019.

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 – ten specialised corporate branches and one specialised branch for multinationals operating in Turkey as of 31 December 2018.* These branches provide specialised services to companies that meet the corporate qualification and size criteria determined by the Bank's head office.

- *Commercial Branches – 53 branches as of 31 December 2018.* 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 2018.* 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 – 1,252 branches as of 31 December 2018.* 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 2018.* 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 6,560 domestic ATMs as of 31 December 2018. Based upon data provided by the Interbank Card Centre, as of 31 December 2018, the Bank maintained the largest ATM network in Turkey among private commercial banks, with a market share of 12.6%. 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 2018, over 489,500 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:

	2016	2017	2018
Branches	16.2%	13.8%	11.5%
Non-branch	83.8%	86.2%	88.5%
ATMs	25.1%	22.6%	18.4%
Internet and Mobile	54.8%	59.7%	66.5%
Telephone and Call Centre	3.9%	3.9%	3.6%

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 7.0 million in 2018.

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 2018, customers could perform more than 600 transactions through the internet branch and more than 270 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 703 personnel, including approximately 400 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 March 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 operation centres in İstanbul, which are used for certain business operations and a call centre.

The Bank has a contract with IBM to provide a disaster recovery solution for the Bank's critical systems. The IBM-operated centre is located in İzmir, Turkey. In the event of a disaster, natural or otherwise, whereby the Bank cannot operate its technology infrastructure, the IBM system is designed to act as a surrogate technology backbone providing all of the Bank's services to the branches and electronic banking systems. The IBM system is designed to allow the Bank to operate under as close to normal conditions as possible during such a disaster, although this system has never been required to date.

IBM Mainframe is 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. 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.

The Bank has established a programme that focuses on simplifying the information architecture and standardising technology stacks, improving applications and maintenance and increasing the usability of systems and platforms. A new data centre process that increases IT flexibility is also used by the Bank. The Bank has continued to invest in IT and new technologies to maintain its competitive position in the Turkish banking sector. The Bank cooperates with high tech start-ups in Silicon Valley and Shanghai in order to seek to accelerate the digital evolution of the Bank. The Bank's IT infrastructure is being continuously improved.

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
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 110,000 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, which is derived monthly from the separate behavioural and application rating systems. SME and micro-enterprises are scored with integrated SME and micro scorecards that incorporate customer characteristics, financial ratios and internal and external behavioural information in different modules. Both of the scorecards are divided into three score bands according to the following levels of risk potential: (a) insufficient, (b) moderate and (c) high. 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 loan loss reserves. See "Turkish Regulatory Environment – Loan Loss Reserves." 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, 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 2016, 2017 and 2018 totaled TL 29.8 million, TL 113.4 million and TL 56.7 million, respectively. The ratio of restructured NPLs to total NPLs as of 31 December 2016, 2017 and 2018 was 0.60%, 2.10% and 0.51%, respectively. Other loans that are not classified as NPLs may also be restructured. As of 31 December 2018, restructured performing loans constituted 3.48% 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		
	2016	2017	2018
	(TL millions)		
Balance at the beginning of the period	3,920	5,273	5,799
Additions ⁽¹⁾	3,411	2,805	14,187
Recoveries ⁽²⁾	1,615	1,913	6,328
Portfolio sale.....	403	363	64
Write-off ⁽²⁾	40	3	1,102
Balance at the end of the period	5,273	5,799	12,492

⁽¹⁾ Including foreign currency effect and NPL accruals.

⁽²⁾ Excluding portfolio sales.

The following table sets forth details of the Group's renewed and restructured loan accounts as of the indicated dates before the adoption of TFRS 9.

	As of 31 December	
	2016	2017
	(TL millions)	
Renewed and restructured loan accounts	7,708	10,096

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
	(TL millions)
Restructured loan accounts, loans with revised contract terms and refinanced.....	10,511

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		
	2016	2017	2018
Total NPL (TL million).....	4,944	5,404	11,192
Coverage Ratio.....	77.5%	86.0%	58.7%
NPL Ratio	2.4%	2.2%	4.1%

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		
	2016	2017	2018
Consumer loans ⁽¹⁾	2.2%	1.9%	2.3%
Credit card loans	5.0%	4.4%	4.9%
Total Loans	2.4%	2.2%	4.1%

⁽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 2018,

the Bank's total net exposure to its risk group totalled TL 3,662 million, an amount corresponding to 6.25% 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 2018, the Bank was well within the limits set by the BRSA.

Employees and Benefits

As of 31 December 2018, the Bank had 24,570 employees. The following table sets forth the number of employees as of the indicated dates.

	Employees
31 December 2016	24,756
31 December 2017	24,868
31 December 2018	24,570

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 2018, 16.37% of the Bank's employees had only a secondary school education, 2.23% were graduates of two or three years at college, 71.88% were graduates of universities relating to the banking industry, 5.08% were graduates of other universities and 4.44% 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 11.81% of all banking industry employees in Turkey as of 31 December 2018 according to the Banks Association of Turkey. The Bank's personnel turnover rate (*i.e.*, resignations excluding retirees) has been very low, amounting to 2.2%, 1.8% and 2.0% in 2016, 2017 and 2018, respectively. As of 31 December 2018, the Bank's employees (excluding security guards) had, on average, approximately 12.6 years of experience in the Bank and an average age of 37.8 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 May 2018 and is effective until 31 December 2019. 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 will decide on the provisions, allocated for the periods starting with 2012, considering the upcoming developments. As of 31 December 2018, the Group’s allocated provisions amounted to TL 63.3 million (TL 50.7 million as of 31 December 2017 and TL 44.2 million as of 31 December 2016).

Anti-Money Laundering and Combating the Financing of Terrorism Policies

Turkey is a member country of 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, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported to the Turkish Financial Intelligence Unit, the Financial Crimes Investigation Board (the “*FCIB*”). 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.

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.

To ensure that the Bank and its financial subsidiaries are not used as an intermediary in money laundering and other criminal activities, a programme of compliance with the obligations of anti-money laundering and combating the financing of terrorism rules, which is to be followed by all employees, has been implemented throughout the Bank and its financial subsidiaries. This programme includes written policies and procedures, assigning a compliance officer to monitor this matter, an audit and review function to test the robustness of anti-money-laundering policies and procedures, monitoring and auditing customer activities and transactions in accordance with anti-money laundering laws and employee training.

Compliance with OFAC Rules

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, Sanction Targets. 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 daily transactions are further reviewed for compliance with OFAC rules by the Bank. 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 are set out below. Each of these rating agencies is established in the EU and is registered under Regulation (EU) No. 1060/2009, as amended. A credit 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.

S&P (17 August 2018)

Long-Term Foreign Currency / Local Currency Issuer Credit Ratings/Outlook	B+/ (Negative)
Short-Term Foreign Currency / Local Currency Issuer Credit Ratings	B
Long-Term/Short-Term Turkish National Scale	trA+ / trA-1

Moody's (28 August 2018)

Long-Term Foreign Currency Deposit Rating/Outlook	B2 / Negative
Long-Term Foreign Currency Issuer Rating/Outlook	B2 / Negative
Long-Term Local Currency Deposit Rating/Outlook	B2 / Negative
Short-Term Foreign Currency / Local Currency Deposit Rating	Not-Prime / Not-Prime
Foreign Currency Subordinated Debt	Caa1 / Caa2 (hyb)
BCA (Baseline Credit Assessment)	b3

Fitch (1 October 2018)

Long-Term Foreign Currency Issuer Default Rating/Outlook	B+ / Negative
Long-Term Local Currency Issuer Default Rating	BB-/ Negative
National Long Term Rating/Outlook	A+(tur) / Stable
Short-Term Foreign Currency / Local Currency Issuer Default Rating	B / B
Viability Rating	b+
Support Rating	4
Support Rating Floor	B

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. 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 focuses on the internal control system of the Bank, which is structured within the BRSA framework.

The Internal Control division aims to examine, monitor, design and co-ordinate the Bank's internal control activities to enable banking activities to be carried out along the objectives, principles and provisions laid down by the Bank's management, and the legislation and regulations in effect, in a secure and efficient manner. Controls on compliance with the relevant laws, controls on assets, limits, approval and authorisation, IT controls and controls on financial reporting systems are implemented in accordance with the charter of the Internal Control division, with the objective of achieving a strong and efficient internal control system in relation to the Bank's banking operations.

The Internal Control Division monitors the design and effectiveness of the operating process of the internal control activities carried out by the relevant units. For this purpose, the Internal Control Division performs onsite and/or remote controls with a risk-focused approach, covering the Bank's branches in Turkey and abroad, financial reporting and information systems, head office divisions and all subsidiaries that are subject to consolidation.

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, Validation unit, Asset Liability Management Risk unit, Operational Risk unit and Subsidiary Risk 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 and Combating Financing of Terrorism 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 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 2018, the Group's total assets increased to TL 499,907 million from TL 437,757 million as of 31 December 2017, itself an increase from TL 373,820 million as of 31 December 2016. 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					
	2016		2017		2018 ⁽²⁾	
	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)	(TL)	(Foreign Currency)
<i>Assets</i>						
Cash and Banks.....	21.3%	78.7%	15.0%	85.0%	15.1%	84.9%
Loans.....	55.7%	44.3%	56.6%	43.4%	50.3%	49.7%
Securities Portfolio.....	76.5%	23.5%	78.9%	21.1%	76.7%	23.3%
Total Assets	58.5%	41.5%	59.0%	41.0%	54.3%	45.7%
<i>Liabilities</i>						
Deposits	48.7%	51.3%	46.0%	54.0%	44.7%	55.3%
Funds Borrowed ⁽¹⁾	31.5%	68.5%	28.6%	71.4%	16.5%	83.5%
Total Liabilities	53.5%	46.5%	51.5%	48.5%	47.8%	52.2%

(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 are not comparable to the ratios as of 31 December 2016 and 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 2018:

	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	51,809,786	1,654,760	1,911,773	-
Loans ⁽¹⁾⁽²⁾	49,024,626	21,863,475	74,658,593	157,949,195
Securities Portfolio	3,119,467	4,383,773	9,482,508	67,294,954
Total Assets⁽²⁾	129,016,987	28,126,803	86,232,690	225,649,247
<i>Liabilities</i>				
Deposits	189,700,314	36,387,105	14,965,034	2,381,020
Funds Borrowed ⁽³⁾	18,468,656	11,101,254	34,466,778	79,424,681
Total Liabilities⁽⁴⁾	246,752,227	49,581,730	50,711,134	82,901,036

Notes: Derivative Financial Assets Held for Trading amounting to TL 6,337,975 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 two separate methods known as the "Standard Method" and the "Value at Risk ("VaR") 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 Method is 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. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A positive gap 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" gap, which is the difference between the interest rate sensitivity of assets and the interest rate sensitivity of liabilities, as of 31 December 2018:

	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
	(TL thousands)					
Cash balances and balances with the Central Bank.....	20,424,342	-	-	-	20,497,900	40,922,242
Balances with banks	7,805,173	1,654,760	1,911,774	-	3,082,370	14,454,077
Trading securities ⁽¹⁾	1,958,464	1,481,836	2,799,345	756,006	421,842	7,417,493
Interbank funds sold	538,934	174,121	451,114	-	-	758,169
Securities available for sale loans.	10,150,841	6,484,009	8,558,347	21,930,232	726,273	47,849,702
Loans ⁽²⁾	65,289,619	35,889,261	86,780,121	120,937,918	(5,139,986)	303,756,933
Securities held to maturity	3,641,791	4,775,152	10,344,451	10,252,113	-	29,013,507
Other assets	4,239,609	12,865	100,989	27,431	51,354,340	55,735,234
Total assets	114,048,773	50,472,004	110,540,141	153,903,700	70,942,739	499,907,357
Bank deposits	2,382,200	1,271,190	717,521	524,500	652,518	5,547,929
Other deposits.....	128,697,570	36,390,167	14,969,154	2,373,378	61,003,204	243,433,473
Interbank funds borrowed.....	9,671,115	723,891	1,585,581	-	-	11,980,587
Miscellaneous payable.....	1,342,100	2416	7,411	4,670	29,242,964	30,599,561
Marketable securities issued ⁽³⁾	3,451,365	5,333,079	6,357,959	38,208,443	-	53,350,846
Funds borrowed from other financial institutions	12,411,048	31,017,155	19,481,875	9,671,929	-	72,582,007
Other liabilities	1,633,353	1,213,467	1,440,413	519,879	77,605,842	82,412,954
Total liabilities.....	159,588,751	75,951,365	44,559,914	51,302,799	168,504,528	499,907,357
Asset/liability gap.....	(45,539,978)	(45,539,978)	65,980,227	102,600,901	(97,561,789)	-
Off-balance sheet gap.....	2,288,187	3,831,055	-	3,253,073	-	9,372,315
Total gap.....	(43,251,791)	(21,648,306)	62,311,530	102,206,079	(97,561,789)	2,055,723
Cumulative gap.....	(43,251,791)	(64,900,097)	(2,588,567)	99,617,512	2,055,723	-

(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 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 47.9%, 47.5% and 49.8% of total liabilities as of 31 December 2016, 2017 and 2018, 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 2018, the Group's demand deposits, of which 36.3% were Turkish Lira-denominated, constituted 24.8% of total deposits. As of the same date, time deposits represented 75.2% of total deposits, with Turkish Lira-denominated deposits constituting 47.5% of the total time deposits.

The following table sets forth the original maturity profile of the Group's deposits (including accrued interest that may be payable thereon) as of each of the indicated dates:

	As of 31 December				
	2016	Change	2017	Change	2018
	(TL millions)	(%)	(TL millions)	(%)	(TL millions)
No term	44,602	22.70%	54,724	12.67%	61,656
Turkish Lira-denominated	21,247	16.23%	24,695	(9.36)%	22,384
Foreign currency-denominated	23,355	28.58%	30,029	30.78%	39,272
Up to three months	109,769	13.10%	124,154	16.03%	144,061
Turkish Lira-denominated	61,278	5.69%	64,766	8.30%	70,145
Foreign currency-denominated	48,491	22.47%	59,388	24.46%	73,916
Greater than three months and less than or equal to 12 months	12,022	23.74%	14,876	94.60%	28,948
Turkish Lira-denominated	4,240	32.57%	5,621	201.53%	16,949
Foreign currency-denominated	7,782	18.93%	9,255	29.65%	11,999
Over 12 months	12,766	10.65%	14,126	1.35%	14,316
Turkish Lira-denominated	511	(10.76)%	456	308.11%	1,861
Foreign currency-denominated	12,255	11.55%	13,670	(8.89)%	12,455
Total deposits	179,159	16.03%	207,880	19.77%	248,981
Turkish Lira-denominated	87,276	9.47%	95,538	16.54%	111,339
Foreign currency-denominated	91,883	22.27%	112,342	22.52%	137,642

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 10% weakening of the Turkish Lira against foreign currencies as of 31 December 2016, 2017 and 2018 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			
	2016	2017	2018
	<i>(TL thousands)</i>		
US\$.....	(33,417)	351,106	(94,827)
Euro.....	(457,163)	(583,747)	(85,804)
Other currencies	(7,082)	36,380	47,083
Total.....	(497,662)	(196,261)	(133,548)

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 "Business of the Group – Lending Policies and Procedures" and "Business of the Group – 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 2018, 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, the CFT Law was introduced on 16 February 2013. The CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The law includes further criminalising terrorist financing and implementing an adequate 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 become 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. See “Risk Factors –Risks Relating to Turkey – Combating the Financing of Terrorism.” 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.

Also in October 2014, the Organisation for Economic Co-operation and Development (the “OECD”) 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 enforcements 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. The software also 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 49.8% share in total liabilities as of 31 December 2018. As of 31 December 2018, according to the consolidated financial statements, 49.8%, and according to the Bank-only financial statements, 58.9%, 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 2018, the balance of the two syndicated term loan facilities obtained by the Bank was approximately US\$2.5 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					
	2016	% Change	2017	% Change	2018
	<i>(TL millions, except percentages)</i>				
Deposits.....	179,159	16.0%	207,880	19.8%	248,981
Repos & Money Market.....	24,974	(1.6%)	24,575	(51.2)%	11,981
Funds Borrowed ⁽¹⁾	85,757	23.5%	105,909	18.9%	125,933
Other ⁽²⁾	42,119	21.7%	51,268	12%	57,398
Equity	41,811	16.6%	48,125	15.6%	55,615
Total	373,820	17.3%	437,757	14.2%	499,907

⁽¹⁾ Including debt issuances and subordinated loans.

⁽²⁾ Due to accounting policy changes, “Tax Liabilities” and “Provisions” figures (included in the calculation of “Other”) as of 31 December 2016 were restated in the Group’s BRSA Financial Statements as of and for the year ended 31 December 2017 (see “Presentation of Financial and Other Information - Accounting Policy Changes in Insurance Companies” and the table below for details).

	As of 31 December		
	2016	2017	2018
		<i>(% of Total Liabilities)</i>	
Deposits.....	47.9%	47.5%	49.8%
Repos & Money Market.....	6.7%	5.6%	2.4%
Funds Borrowed ⁽¹⁾	22.9%	24.2%	25.2%
Other ⁽²⁾	11.3%	11.7%	11.5%
Equity.....	11.2%	11.0%	11.1%
Total	100.0%	100.0%	100.0%

⁽¹⁾ Including debt issuances and subordinated loans.

⁽²⁾ Due to accounting policy changes, “Tax Liabilities” and “Provisions” figures (included in the calculation of “Other”) as of 31 December 2016 were restated in the Group’s BRSA Financial Statements as of and for the year ended 31 December 2017 (see “Presentation of Financial and Other Information - Accounting Policy Changes in Insurance Companies” and the table below for details).

Due to accounting policy changes, financial information regarding “Tax Liabilities” and “Provisions” (which are included in the calculation of “Other” in the table above) as of 31 December 2016 were restated in the Group’s BRSA Financial Statements as of and for the year ended 31 December 2017 (see “Presentation of Financial and Other Information - Accounting Policy Changes in Insurance Companies”). Financial information regarding these as of 31 December 2016 are set forth below:

	As of 31 December
	2016
	<i>(TL millions)</i>
Derivative financial liabilities held for trading	1,305
Funds	5
Borrower funds	5
Miscellaneous payables	22,394
Other Liabilities	3,010
Derivative financial liabilities held for risk management	51
Fair Value Hedges	51
Provisions	14,814
General Loan Loss Provisions	3,286
Reserves for Employee Benefits	699
Insurance Technical Reserves (Net)	6,836
Other Provisions	3,993
Tax Liabilities	539
Current Tax Liabilities	495
Deferred Tax Liabilities	44
Other	42,119

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 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 2018, the Bank’s regulatory capital adequacy ratio was 16.49% and the Group’s regulatory capital adequacy ratio was 15.33%, each significantly exceeding the minimum legal ratio of 8.0%.

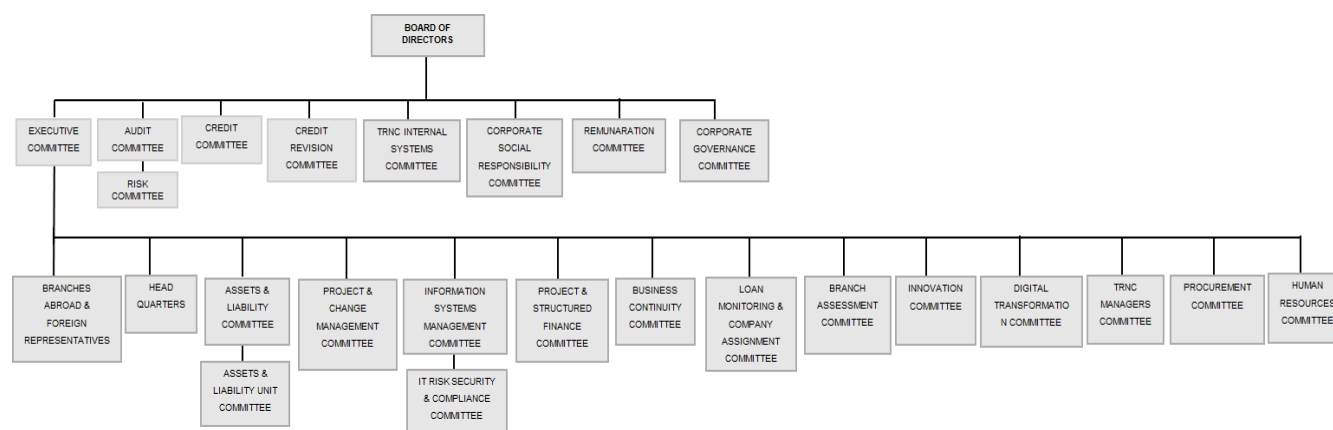
Within the context of the implementation of the Basel III framework in Turkey, the 2006 Equity Regulation was replaced by the Equity Regulation as noted above. As a result, the calculations regarding capital adequacy for periods from 1 January 2014 are performed in accordance with the Equity Regulation 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 2018:



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 these rules, the BRSA's Board has issued a decision prohibiting the appointment of a legal entity as a member of the board of directors of any joint stock company that it regulates, and thus members of the Bank's Board of Directors can still 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
Ertuğrul Bozgedik	Vice Chairman ⁽¹⁾	2017
Adnan Bali.....	Director & CEO	2011
Prof. Dr. Turkey Berksoy	Independent Director	2014
Feray Demir.....	Director	2016
Ersin Önder Çiftçioğlu	Director	2017
Murat Karayalçın.....	Director	2017
Özcal Korkmaz.....	Director	2017
Rahmi Aşkın Türeli	Director	2017
Fazlı Bulut	Director	2019
Sezgin Yılmaz	Director	2019

⁽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.

Füsun 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 and 31 March 2017 and was appointed as the Chairman of the Bank's Board of Directors on 1 April 2019. Ms. Tümsavaş has been serving as the Chairman of the Risk Committee, Audit Committee and the TRNC Internal Systems Committee since 30 May 2011, an alternate member of the Credit Committee since 4 April 2017 and the Chairman of the Remuneration Committee since 1 April 2019.

In addition to her duties at the Bank, Ms. Tümsavaş has been serving as the Vice Chairman of the Board of Directors of the İşbank Personnel Supplementary Pension Fund.

Ertuğrul Bozgedik (Vice Chairman)

Born in Kayseri in 1964, Mr. Bozgedik graduated from the Economics Department of the Faculty of Political Science at Ankara University. Mr. Bozgedik joined the Bank in 1986 as an Assistant Inspector on the Board of Inspectors and was appointed as an Assistant Manager of the II. Loans Department in 1995, Regional Manager of the I. Loans Department in 1999, Regional Manager at Non-Performing Loans Department in 2002 and Head of the Corporate Loans Department in 2004. Mr. Bozgedik was elected as the Chairman of the Board of Inspectors in 2008 and a Deputy Chief Executive in 2011. Mr. Bozgedik was elected to the Bank's Board of Directors on 31 March 2017. He was also elected as a member of the Credit Committee on 4 April 2017. As of 1 April 2019, Mr. Bozgedik has been serving as the Vice Chairman of the Board of Directors, Chairman of the Corporate Governance Committee as well as a member of the Audit Committee and the T.R.N.C. Internal Systems 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 Global Relations Forum (GRF), The Banks Association of Turkey, the Turkish Industry and Business Association (TÜSİAD), 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.

Prof. Dr. Turkey Berksoy (Independent Director)

Born in Elazığ in 1951, Prof. Dr. Turkey Berksoy graduated from the İstanbul Academy of Economic and Commercial Sciences. He completed a master's degree at Boğaziçi University and obtained a doctorate at Marmara University. He worked as a faculty member and held administrative duties at various universities in Turkey, as well as being a visiting lecturer at the University of East Anglia School of Development Studies.

Prof. Dr. Berksoy, who is also a chartered accountant, has served as Chairman of the Board at the Finance Research Centre of the Faculty of Economics and Administrative Science of Marmara University, adviser at several banks, the Auditor to the Board of Directors of the Bank, member of the board of the Tax Reform Commission, The Union of Chambers and Commodity Exchanges of Turkey Private Specialisation Commission, Güneş Hayat Sigorta A.Ş., Petkim A.Ş., Ataköy Otelcilik A.Ş., Türkiye Maritime Facilities Inc. and Paşabahçe Cam Sanayi ve Ticaret A.Ş., member of the Ministry of Finance Tax Council and independent member of the board at Anadolu Anonim Türk Sigorta Şirketi, Trakya Cam Sanayii A.Ş. and Türkiye Şişe ve Cam Fabrikaları A.Ş. He was retired from his faculty member position at Marmara University Public Finance Department of the Faculty of Economics as of April 2018.

Prof. Dr. Berksoy was elected as a member of the Bank's Board of Directors on 28 March 2014. He has been serving as a member of the Audit Committee and the TRNC Internal Systems Committee since 31 March 2014. Prof. Dr. Berksoy was elected as an Independent Director of the Bank's Board of Directors, which election was approved by the Bank's shareholders at its annual General Assembly meeting on 31 March 2015 and 31 March 2017.

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. 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. She has been serving as a member of the Corporate Social Responsibility Committee since 28 March 2016, a member of the Credit Committee since 4 April 2017 and a member of the Remuneration Committee since 1 April 2019. 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 Yenışehir/Ankara Branch in 1985 and was later appointed as an Assistant Section Head, Section Head, Sub-Manager and Assistant Manager in the same branch. In 2007, he was appointed as an Assistant Manager at the Bank's Başkent Corporate/Ankara Branch and Regional Manager of the SME Loans Underwriting Division of Adana Region, and subsequently served as the Ankara 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 has been serving as a member of the Corporate Governance Committee since 4 April 2017.

Murat Karayalçın (Director)

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

Mr. Karayalçın served as the Mayor of Ankara Metropolitan Municipality from 1989 to 1993, the Chairman of the Social Democratic People's Party from 1993 to 1995, the Deputy Prime Minister and Minister of State from 1993 to 1994 and the Deputy Prime Minister and Minister of Foreign Affairs from 1994 until 1995. Mr. Karayalçın was elected as a member of parliament from Samsun for the CHP in 1995 and served as the Chairman of the Committee of Foreign Affairs of the Turkish parliament from 1997 to 1999. He served as the İstanbul Provincial Head of the CHP from 2014 to 2015 and as a member of the CHP Party Council from 1999 to 2001 and from 2012 to 2014. Mr. Karayalçın is also a faculty member at Girne American University and T.C. İstanbul Kültür University. Mr. Karayalçın was elected to the Bank's Board of Directors on 31 March 2017.

Özcal Korkmaz (Director)

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

Rahmi Aşkın Türeli (Director)

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

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

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 some published books.

Mr. Bulut was appointed as a member of the Bank's Board of Directors on 29 March 2019 and has been serving as a member of the Corporate Governance Committee and the Corporate Social Responsibility Committee since 1 April 2019.

Sezgin Yılmaz (Director)

Born in Kırcaali in 1975, Mr. Sezgin Yılmaz graduated from Uludağ University, Faculty of Economics and Administrative Sciences, Department of Economics.

Mr. Sezgin Yılmaz began his career as an officer at the Bank's Bursa Branch in 1997. He served as the Section Head in Delikliçınar/Denizli Branch in 2001, the Sub-Manager in Ege II. Regional Directorate in 2006 and the Assistant Manager of SME Loans Underwriting Division of Denizli Region in 2008. Mr. Yılmaz was promoted as the Regional Manager of SME Loans Underwriting Division of Kayseri Region in 2012. He was appointed as the Regional Manager of the İzmir Central I. Region SME Loans Underwriting Division in 2015 and the Regional Sales Manager of the İzmir Central II. Region Sales Division in 2016. Mr. Yılmaz was promoted to be the Head of Support Services and Purchasing Department of the Bank in 2017 and was appointed as the Head of Purchasing Department of the Bank in 2018. Mr. Yılmaz also serves as an Auditor of İşbank Personnel Supplementary Pension Fund. Mr. Yılmaz was appointed as a member of the Bank's Board of Directors on 29 March 2019 and has been serving as an alternate member of the Credit Committee since 1 April 2019.

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:

Name	Position
Adnan Bali.....	Chief Executive Officer
Senar Akkuş	Deputy Chief Executive
Hakan Aran	Deputy Chief Executive
Yılmaz Ertürk	Deputy Chief Executive
Mehmet Şencan	Deputy Chief Executive
Ömer Karakuş.....	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.

Yılmaz Ertürk

Born in İstanbul in 1964, Mr. Yılmaz Ertürk is graduated from the Faculty of Economics at İstanbul University and received his master's degree from the same university, Institute of Social Sciences. In 1987, he joined the Bank as an Assistant Specialist in Economic Research Division. He became an Assistant Specialist at the Treasury Department in 1990, an Assistant Manager in 1996 and a Unit Manager in 1998 at the same department. Mr. Ertürk became the Head of the Economic Research Division in 2003, Head of the International Banking Division in 2006 and Manager of the Kozyatağı Corporate Branch in 2011. Mr. Ertürk was appointed as a Deputy Chief Executive on 30 January 2013.

Mehmet Şencan

Born in Adapazarı in 1964, Mr. Mehmet Şencan graduated from the Management Engineering Department of İstanbul Technical University. He began his career at the Bank as an Officer in the Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. He was appointed to the Bursa Branch as an Assistant Manager in 1997. Mr. Şencan served as the Manager of the Antakya, Gebze, Denizli and Bursa Branches, and was appointed as the Manager of the Bursa Corporate Branch in 2011 and the Başkent Corporate Branch in 2016. Mr. Şencan was appointed as a Deputy Chief Executive on 27 April 2017.

Ömer Karakuş

Born in Gümüşhane in 1965, Mr. Ömer Karakuş graduated from the Public Administration Department of Gazi University's Faculty of Administrative Sciences. He joined the Bank as an Assistant Inspector on the Board of Inspectors in 1989. He then became an Assistant Manager in the Accounting Division in 1988 and continued as a Unit Manager in the same division. Mr. Karakuş was appointed as the Head of the Accounting Division in 2005, the manager of the Yenışehir Ankara Branch in 2007, the Head of the Human Resources Management Division in 2008 and the Chairman of the Board of Inspectors on 15 January 2016. Mr. Karakuş was appointed as a Deputy Chief Executive on 27 April 2017.

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-Maximillians 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 Yenışehir/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 60, 85 and 49 credit files, respectively, in 2016, 2017 and 2018.

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 2018, 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 2018 was TL 28.2 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

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which 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. In case of any non-compliance with any of the non-mandatory principles applicable to the Bank under the Corporate Governance Communiqué, the Bank will explain such non-compliance in its annual Corporate Governance Compliance Report, which is published as part of its annual report and also on the Public Disclosure Platform.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board 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 price of their free-float shares, subject to recalculation on an annual basis. The Bank is classified as a “1st Group” company.

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 ensure 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 these 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 2018: (a) the major shareholder of the Bank, with a 40.47% shareholding, was the İşbank Personnel Supplementary Pension Fund, which acts on behalf of both active and retired employees of the Bank, (b) 31.44% 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 2018, 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:

Shareholder	Shares⁽¹⁾	Percentage
Pension Fund		
Class A Shares	35,532	0.0%
Class B Shares.....	948,830	0.0%
Class C Shares.....	45,525,976,467	40.47%
Sub-total	45,526,960,829	40.47%
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.....	35,369,924,767	31.44%
Sub-total	35,371,089,068	31.44%
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.

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 2019, the Bank did not distribute any dividends for 2018 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).

	2016	2017
	<i>(TL, except percentages)</i>	
Class A Shares	2,388	7,780
Class B Shares	10,645	16,509
Class C Shares	1,175,280,733	1,326,941,928
Total	1,175,293,766	1,326,966,217
Payout ratio (%)	24.9%	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 "Risks Relating to the Group and its Business - Large Shareholders."

Other Shareholders

The remaining shares are on free float held by other individual or institutional shareholders who together owned 31.44% of the Bank's shares as of 31 December 2018.

RELATED PARTY TRANSACTIONS

The Bank and its qualified shareholders, Board of Directors (including the Chief Executive Officer) and the undertakings that they control individually or jointly, directly or indirectly, or in which they participate with unlimited responsibility or where they are members of board of directors or general manager are considered and referred to as related parties. The Bank 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 "Business of the Group – 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 2018, the Bank's total net exposure to its risk group totalled TL 3,662 million, an amount corresponding to 6.25% 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					
	2016		2017		2018	
	Amount	Percentage of Related Item	Amount	Percentage of Related Item	Amount	Percentage of Related Item
	<i>(TL thousands, except percentages)</i>					
Cash loans	221,231	0.10%	239,504	0.09%	447,548	0.15%
Non-cash loans	3,048,854	4.62%	4,400,706	5.19%	6,361,016	6.80%
Deposits	3,881,747	2.17%	3,634,717	1.75%	3,356,693	1.35%
Derivatives	26,465	0.02%	–	N/A	123,480	0.04%

TURKISH BANKING SYSTEM

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, 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, although such acquisition has not been finalised as of the date of this Base Prospectus.

As of 28 December 2018, 47 banks (including domestic and foreign banks but excluding the Central Bank) were operating in Turkey (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Thirty-four 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, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

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 17.6% from 31 December 2010 to 31 December 2018, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 20.4% and 15.9%, respectively, during such period, in each case according to 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 65.7% and 58.4%, respectively, as of 31 December 2018 according to BRSA and Turkstat data, whereas 19 countries in the eurozone's banking sector had average loan and deposit penetration ratios of 162.4% and 156.3%, 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				
	2014	2015	2016	2017	2018
	(TL millions, except percentages)				
Balance sheet					
Loans ⁽¹⁾	1,118,887	1,339,149	1,558,034	1,869,476	2,116,409
Total assets	1,805,427	2,130,602	2,455,261	2,922,704	3,403,339
Customer deposits	987,463	1,171,251	1,372,359	1,605,926	1,899,352
Shareholders' equity	201,117	228,140	262,391	314,934	367,782
Income statement					
Net interest income	59,705	70,409	83,488	103,385	133,019
Net fees and commissions income	19,351	21,037	22,761	27,167	34,866
Total income	86,500	97,784	119,410	137,884	208,32
Net Profit	22,936	23,885	34,224	44,593	47,71
Key ratios					
Loans to deposits	113.3%	114.3%	113.5%	116.4%	110.0%
Net interest margin	4.2%	4.2%	4.5%	4.6%	4.0%
Return on average shareholders' equity	12.5%	11.3%	13.9%	15.4%	14.9%
Capital adequacy ratio	15.7%	15.0%	15.1%	16.5%	16.9%

Source: BRSA monthly bulletin (www.bddk.org.tr)

(1) Prior to the implementation of TFRS 9 as of 1 January 2018, "Loans" in the financial statements of banks consisted of "performing loans" and "net NPLs." After the implementation of TFRS 9, "Loans" in the financial statements of banks consists of "performing loans" and "net NPLs" excluding "Group I and Group II provisions."

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top ten deposit-taking banks accounting for 90.3% of total assets of deposit-taking banks as of 31 December 2018 according to the BRSA. Among the top ten Turkish banks, there are three state-controlled banks - Ziraat, Halkbank and Vakıfbank, which were ranked first, third and sixth, respectively, in terms of total assets as of 31 December 2018 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 40.4% of deposit-taking Turkish banks' performing loans and 40.0% of customer 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 42.2% of deposit-taking Turkish banks' performing loans and 45.0% of customer 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 QNB, Sberbank (expected to be replaced by 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. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

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.

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. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. 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. The ICAAP is required to be designed in accordance with the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. 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. An ICAAP Report helps a bank in constructing and operating an ICAAP compatible with its risk profile, activity environment and strategic plans. An ICAAP Report prepared both on an unconsolidated and consolidated basis for any given year is required to be submitted annually by the end of March of the following year together with the stress test report, data, system and process verification research and internal model validation reports. The board of directors of a bank is responsible for maintenance of adequate capital to ensure establishment and implementation of the ICAAP Report.

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. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

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 BRSB 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 BRSB. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares. 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 BRSB'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 BRSB's permission might be given on the condition that the Person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in which such shares of a bank are transferred without the permission of the BRSB, the voting and other shareholder rights of the legal Person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

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 BRSB. 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.

In addition to the above-noted BRSB authorisation, any direct or indirect acquisition by an enterprise of shares that represent 5%, 10%, 20%, 25%, 33%, 50%, 67% or 100% of the share capital of an entity, or any decrease in shareholding triggering these percentages, is required by the Turkish Commercial Code (Law No. 6102) to be notified by such acquiring enterprise to such entity. Following the target entity's receipt of such notice, it is required to notify this change to the respective Trade Registry for registration.

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. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from a natural person or legal entity in a risk group for the security of loans extended to that risk group are not taken into account in calculating loan limits.

(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. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. 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 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 BRSB's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Natural and legal Persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

(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.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

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 and the Housing Development Administration of Turkey 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.

Loan Loss Reserves

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, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside.

Procedures relating to loan loss reserves 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 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.

(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 credit standing of the debtor has not weakened in comparison with its credit standing 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 credit standing,

(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.

(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.

(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 credit standing 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 decision of the BRSA dated 15 November 2018 and numbered 8095, KGF-guaranteed loans (which are supported by the Turkish Treasury) will not be classified as an NPL unless there is an overdue amount for more than 90 days following the due date. As per the BRSA regulation published in the Official Gazette dated 27 March 2018 and numbered 30373, banks may choose to not classify any receivable up to TL 100 as an NPL.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view to whether such loans are to be reclassified under different groups, which evaluation is to be made at least

once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments in macroeconomic circumstances or the sector in which the respective debtor operates that pose risk on such debtor's performance of its obligations. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

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.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist 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. 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. The 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 sub-paragraphs (C) and (D) above (regardless of the conditions under sub-paragraphs (A) and (B) stated above). For Group I loans whose debtors are not in financial distress, amendments to the conditions of the loan agreement and/or partial or full refinancing of the loan are not considered to be within the scope of restructuring and banks may continue to monitor such loans under Group I.

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.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the Classification of Loans and Provisions Regulation. In this respect, such banks 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 2015 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 governmental entities and 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 and the Central Bank are not 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.

According to amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation that will be effective as of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

Previous Rules

For periods before 1 January 2018, the previous “Regulation on Provisions and Classification of Loans and Receivables” provided that banks were required to classify their loans and 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 receivables monitored in this group could be modified if such loans and 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 credit standing 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 receivables monitored in this group could be modified if such loans and 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 credit standing 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 Suspicious 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. For payment obligations arising from the relevant law in relation to each check slip that was delivered by a bank at least five years previously, 25% of the non-cash rates referred to above were applied.

On 14 December 2016, the BRSA published amendments to the previous rules, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional Article 12 stated that (among other things) the loans and other receivables classified as NPLs by the banks could be restructured up to two times until 31 December 2017. Such restructured loans could be classified under Group II if: (a) in the first restructuring, there was no overdue debt as of the date of the reclassification and the last three payments prior to the date of the reclassification have been made in a timely manner and in full, and (b) in the second restructuring, there was no overdue debt as of the date of the reclassification and the last six payments prior to the date of the reclassification had been made in a timely manner and in full. Banks must continue to reserve the required provisions for the groups they are classified in during such restructuring period. Loans and other receivables classified under Group II after the restructuring were monitored under the “Renewed/Restructured Loans Account.” Information regarding renewed/restructured loans and other receivables was required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional Article 13 (which entered into force retroactively as of 21 July 2016) stated (among other things) that the delay periods of payments stipulated for the loans defined in Groups II, III, IV and V could be counted as of 21 January 2017 for: (i) the obligations of the credit debtors that had been liquidated, assigned to the Directorate General of Foundations or the Turkish Treasury or to which the SDIF was assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016, (ii) public officials who had been discharged from their positions within the scope of the state of emergency and (iii) natural persons and legal entities the assets of which were subject to injunctions within the scope of the state of emergency.

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. An amount equal to 25% of the specific provisions set forth in the preceding sentence was required to be set aside for each check slip of customers who had loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; *however*, if a bank set aside specific provisions at a rate of 100% for NPLs, then it did not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter had been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

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. Banks also could classify any receivable up to TL 100 as an NPL.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA was entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

When calculating the special reserve 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	<u>Discount Rate</u>
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. After the lapse of such six month period, if total collections reached at least 15% of the total receivable for restructured loans for such borrower, then the remaining receivables from such borrower were reclassified under the "Renewed/Restructured Loans Account." A bank could refinance such a borrower for a second time if the borrower failed to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables were collected on a yearly basis.

In addition to the general provisioning rules, the BRSA from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

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.

In order to implement the rules of the report titled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "*Basel Committee*") in December 2010 and revised in June 2011 (*i.e.*, Basel III) into Turkish law, the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette No. 28756 dated 5 September 2013 and entered into force on 1 January 2014. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. The 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 2015 Capital Adequacy Regulation: (i) both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratio 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 Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, included revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 in replacement of the 2012 Capital Adequacy Regulation. The 2015 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 2015 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 2015 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.

On 11 July 2017, clause 9(8)(b) of the 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. The BRSA has published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks’ exposures in Turkey was initially set at 0% of a bank’s risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

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. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied.

Pursuant to the 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 Principles regarding the 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 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 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*): (a) between 12 September 2010 and 1 January 2013 (so long as they satisfied the New Tier 2 Conditions other than the condition stated in sub-clause (i) of the New Tier 2 Conditions (*i.e.*, the condition regarding the loss absorption due to the cancellation of a bank’s licence or transfer of the bank’s management to the SDIF pursuant to Article 71 of the Banking Law)) are included in Tier 2 calculations after being reduced by 20% for the period between 1 January 2014 and 31 December 2014 and have been (and will be) included in Tier 2 Calculations after being reduced by 10% for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013) and (b) after 1 January 2013 are included in Tier 2 calculations only if they satisfy all of the New Tier 2 Conditions. As a result of the Issuer having outstanding Tier 2 debt falling within these categories, these changes had (as of 31 March 2016) a negative impact on the Issuer’s capital adequacy ratio.

New Tier 2 Rules. According to the 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 2015 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).

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates, are determined by the BRSA.

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 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 (as the case may be, depending upon the method used by the bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that 1.25% of the risk-weighted sum of the receivables in calculating the credit risk exposure by using the standardised approach is taken into consideration; *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 2020, 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 will no longer be 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.

Applications to include debt instruments or loans into Tier 2 capital are required to be accompanied by the original copy or a notarised copy of the applicable agreement(s) or the CMB's letter and text confirming the registration of such debt instrument or, if an applicable agreement is not yet signed, then a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five İstanbul business days following the signing date of such agreement). The Equity Regulation provides that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect the Tier 2 capital qualifications is required to be submitted to the BRSA within five İstanbul business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such 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. Additionally, pursuant to the BRSA's Communiqué on Debt Instruments to be Included in the Equity Calculation of Banks, published in the Official Gazette dated 7 June 2018 and numbered 30444, a locally licensed independent auditor is required to provide an opinion confirming the existence of conditions to be accepted as Tier 2 capital as per the requirements of the Equity Regulation.

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 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 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, each entering into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 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 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 2015 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.

The reserve requirements also apply to gold deposit accounts. Furthermore, 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. 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 January 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 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 reserve ratios for: (i) 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.

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%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

According to the Regulation on Liquidity Coverage Ratios, a bank is required to maintain 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. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60% and 40%, respectively, and (in the absence of any new arrangement) 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.

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. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, 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, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. 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. 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. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. 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)

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. 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, savings deposits (except for commercial deposits) held with banks 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 BRSB 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 BRSB.

(b) *Borrowings of the SDIF.* The SDIF: (i) may incur indebtedness with authorisation from the Turkish Treasury or (ii) the Turkish Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Turkish Treasury, are to be determined together by the Turkish Treasury and the SDIF.

(c) *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.

(d) *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.

(e) *Savings Deposits that are not subject to Insurance.* Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the BRSB are not covered by the SDIF's insurance.

(f) *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.

(g) *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.

(h) *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 15 February 2013, up to TL 100,000 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) ensuring the enforcement of the SDIF board's decisions,

- (b) establishing the human resources policies of the SDIF,
- (c) 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,
- (d) insuring the savings deposits and participation accounts in the credit institutions,
- (e) 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,
- (f) 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,
- (g) 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,
- (h) 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,
- (i) requesting from public institutions and agencies, natural persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,
- (j) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and
- (k) fulfilling the other duties that the Banking Law and other related legislation assign to it.

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,
- (b) the bank is not complying with liquidity requirements,
- (c) 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,
- (d) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,
- (e) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,
- (f) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSB,
- (g) 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, or

(h) 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,

then the BRSA may require the board of directors of such bank:

- (i) to increase its equity capital,
- (ii) not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- (iii) to increase its loan provisions,
- (iv) to stop extension of loans to its shareholders,
- (v) to dispose of its assets in order to strengthen its liquidity,
- (vi) to limit or stop its new investments,
- (vii) to limit its salary and other payments,
- (viii) to cease its long-term investments,
- (ix) to comply with the relevant banking legislation,
- (x) to cease its risky transactions by re-evaluating its credit policy,
- (xi) 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, and/or
- (xii) to take any other action that the BRSA 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 BRSB may require such bank 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 BRSB,
- (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,
- (e) limit or prohibit extension of any cash or non-cash loans to certain third Persons, risk groups or sectors,
- (f) 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,

(g) implement short-, medium- or long-term plans and projections that are approved by the BRSB 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, and/or

(h) to take any other action that the BRSB 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 BRSB 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 BRSB 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 BRSB 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 the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank 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 approve 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 also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them 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 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 Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (*i.e.*, additional Tier 1 capital) and supplementary capital (*i.e.*, Tier 2 capital), on the bank's website. 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. In this respect, banks are required to adopt a written policy in relation to their internal audit and internal control processes.

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 TCC, 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 TCC 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

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which 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 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" and "2nd 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. The Bank is classified as a "1st Group" company.

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

Turkey is a member country of the FATF and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such laws include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

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 of TL 1,000 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. On 6 September 2016, the BRSA increased the credit limit from TL 1,000 to TL 1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30%, 35% and 40% for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40% for newly-issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75% irrespective of their tenor, which was in a range of 100% to 250% depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or purchases of goods or services, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on the length of the periods of instalment payments on credit cards. On 11 January 2019, the Regulation on Bank Cards and Credit Cards was amended and the BRSA was empowered to determine (in consultation with the Presidency of Turkey Strategy and Budget Directorate, the Turkish Treasury and the Ministry of Trade) instalment periods for goods and services and cash withdrawals, which had previously been regulated under this regulation. On 11 January 2019, the BRSA issued a decision (as amended on 25 February 2019 and 27 March 2019) providing that the instalment payment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals (including for computer purchases, expenditures relating to travel, domestic expenditures relating to travel agencies, health and social services) is not permitted to exceed 12 months ; *provided* that such limit is only three months for electronic appliance purchases, four months for jewellery expenditures (except for pressed and bullions jewellery), six months for payments made to clubs and associations, travel agencies assisting with international travel, transportation and accommodation and nine months for the purchase of televisions up to TL 3,000, domestic expenditures relating to airlines and accommodation, purchases of health products and tax payments. In addition, credit card instalment payments (except for corporate credit cards) are not allowed for pressed and bullion jewellery expenditures, telecommunication related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No: 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In April 2019, the Central Bank amended the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions (which it had originally published in November 2016), replacing the then-existing rates applicable from April until June 2019. Accordingly, the maximum contractual interest rates for Turkish Lira and foreign currency credit card transactions are 2.15% and 1.72%, respectively, until the end of June 2019. The monthly maximum default interest rates are 2.65% and 2.22% for credit card transactions in Turkish Lira and foreign currency, respectively, until the end of June 2019. The Central Bank might announce new interest rates to be applied after June 2019.

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). The BRSA further determined the minimum loan-to-value requirement for houses that have an energy identification document within the scope of Energy Efficiency Law No. 5627 and are classified within group A as 90% and those classified within group B as 85%. 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%.

As for limitations regarding instalments, save for loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and for student loans, financing of debts owed to public institutions where the loan amount is directly deposited into the relevant public institution's account and any refinancing of the same, the maturity of consumer loans and auto loans for autos final invoice amount of which are TL 120,000 or less are not permitted to exceed 60 months, whereas such limit is 48 months for auto loans extended for the purchase of autos final invoice amount of which are more than TL 120,000 and loans secured with autos, 12 months for loans granted for purchases of computers, 6 months for loans granted for purchases of tablets, 12 months for mobile phones that cost up to TL 3,500 and six months for loans granted for purchases mobile phones that cost more than TL 3,500.

Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans (which include loans provided for durable and semi-durable consumer goods, weddings, education and health) utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of the restructuring). 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 non-performing as of 10 February 2019 may be restructured upon the request of the borrower for a period of up to 60 months. In addition, debt balances of individual loans utilised before 26 February 2019 may be restructured upon the request of the borrower for a period of up to 60 months.

On 25 January 2019, the Regulation on Loan Transactions of Banks was further amended. Accordingly, the board of directors of a bank must determine, in writing, the procedures for assessment, approval and workflow in respect of loan transactions, service agreements, purchase agreements for goods or such other agreements to be entered into with: (a) the risk group that such bank is involved in (*i.e.*, 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 and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers) or (b) individuals or legal entities specified in Article 50(1) of the Banking Law. In addition, such transactions exceeding the materiality threshold to be determined by the board of directors of a bank shall be subject to board of directors' approval. The BRSA is also entitled to introduce restrictions on the materiality thresholds that banks determine.

In addition, such amendments: (a) require that a credit rating note from an authorised institution be obtained prior to extension of certain loans, the scope of which will be determined by the BRSA, and (b) have exempted from the lending limits set forth in Article 54 of the Banking Law the loans extended to banks that are majority-owned, jointly or solely, by the Turkish Treasury, the Privatisation Administration, the Turkish Wealth Fund or other public institutions within the central administration.

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. The charge of any other fees and commissions by Turkish banks is subject to the BRSA's approval.

Foreign Currency Restrictions

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 and also imposed restrictions on Corporate Borrowers utilising foreign currency loans (the "*F/X Loan Restriction*").

Accordingly, a Corporate Borrower is only permitted to utilise foreign currency loans if: (a) it generates foreign currency-denominated income (which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities" and activities that are accepted as foreign currency income and other activities to be approved by the relevant Ministry) (the "*F/X Income Exemption*"), (b) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the "*Activity Exemption*") or (c) if the unpaid outstanding balance of its total foreign currency loans ("*Loan Balance*") is more than US\$15 million.

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*). In order for a Corporate Borrower to benefit from the Activity Exemption summarised in clause (d), it must not have had any foreign currency revenue within the last three financial years (which otherwise would be subject to the F/X Income Exemption) and the maximum amount of foreign currency loans that such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign revenue. 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.

The Turkish Treasury is entitled to extend the scope of the Activity Exemption and has exercised such authority in respect of, among others, privatisation tenders, public tenders awarded with a foreign exchange consideration, unlicensed electricity generation projects within this scope and foreign currency loans to be used by fully owned (directly or indirectly) Turkish subsidiaries of foreign companies from other group companies resident abroad.

On 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in certain contracts executed between Persons residing in Turkey, which (as of the date of this Base Prospectus) include the sale, purchase and leasing of vehicles. 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 Notes issued directly to Turkish investors)

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.

A communiqué numbered 2018-32/48 regarding export prices was published in the Official Gazette dated 4 September 2018 and numbered 30525. This communiqué requires exporters to sell 80% of their foreign currency export revenues to Turkish banks within 180 days following the date of the export. This obligation applies to all Turkish resident exporters and the exporters are liable for fulfillment of those obligations, which the intermediary banks are required to monitor. The BRSA extended the application of this provision to one year from the effect date of the requirement (*i.e.*, until 4 September 2019).

In addition, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25% of a bank's regulatory capital. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 25% 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. Separately, when calculating the transactions falling within the scope of the 25% threshold, local banks are to consider transactions having a maturity of: (a) 90 to 360 days at 75% of their amount and (b) no less than 360 days at 50% of their amount.

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*") pursuant to which a framework agreement (the "*Framework Agreement*") was drafted by the Banks Association of Turkey. On 19 September 2018, the Banks Association of Turkey announced that Turkish banks (including the Bank) and other financial institutions, whose shares correspond to approximately 90% of the total loans in the market, executed the Framework Agreement, which entered into force on the same date following the approval of the BRSA. The main aim of the regulation is to enhance the repayment ability of debtors in repaying their debts to the financial sector in order for these companies to sustain their operations and contribute to the employment in Turkey. The Framework Agreement determined: (a) the scope of debts to be restructured, (b) the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor's eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. According to the Framework Agreement, debtors that have a principal debt of more than TL 100 million (including cash and non-cash debt) are eligible to apply to restructure their debts. According to the Framework Agreement, the eligible debtor(s) and the applicable credit institutions may sign a restructuring agreement at any time through 19 September 2020. As such, certain borrowers of the Bank might apply for restructuring of their debt.

The Restructuring Regulation was further amended on 21 November 2018 to enable foreign credit institutions to participate in the restructuring process under the Framework Agreement. According to the Restructuring Regulation, only debtors that are expected to gain the financial ability to repay their obligations in a reasonable period of time are allowed to benefit from financial restructuring. To this end, the solvency of such debtors that would like to benefit from a restructuring scheme is to be determined by the entities specified in the Framework Agreement. The Framework Agreement was approved by the BRSA on 5 February 2019. Furthermore, a draft law on restructuring (the "*Draft Restructuring Law*") was circulated to Turkish banks for their review and the Banks Association of Turkey sent the banks' input to the BRSA on 25 September 2018. The Draft Restructuring Law contemplates certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring.

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. 6670 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. The KGF can provide guarantees from 80% to 100% of the sum of interest, dividend and rent payments except for the default interest and principal balance on the date of loan payment for both SMEs and non-SMEs.

Pursuant to Presidential Decree No. 162 dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured from their initial maturities of 36 months 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.

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 Notes 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 Notes of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

Book-entry Systems

DTC

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

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “*DTC Rules*”), DTC makes book-entry transfers of securities among Direct Participants on whose behalf it acts with respect to notes accepted into DTC’s book-entry settlement system (“*DTC Notes*”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes (“*DTC Beneficial Owners*”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold interests in DTC Notes 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 Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each 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 Notes. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the 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 Notes 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 Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Notes will be made to DTC or its nominee. DTC's practice is to credit 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 Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and that will be legended as described in "Subscription and Sale and 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 Notes to Persons that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to effect such pledge through DTC and its Participants or, if not possible to so effect it, to withdraw its securities from DTC as described below.

The 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 Notes represented by a Registered Global Note to such Persons might depend upon the ability to exchange such interest for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a Person having an interest in Notes represented by a Registered Global Note 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 Notes may depend upon the ability to exchange such interest for Notes in definitive form. The ability of any holder of an interest in Notes represented by a Registered Global Note 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 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 Note 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 note for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions might require that certain Persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such Persons might be limited. In addition, beneficial owners of Notes held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Notes only through Clearstream, Luxembourg 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 Note 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 note for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The laws of some jurisdictions might require that certain Persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Notes to such Persons might be limited. In addition, beneficial owners of Notes held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Notes only through Euroclear participants.

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

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Note(s) accepted in its book-entry settlement system. Upon the issue of any such Global Note, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal amounts of the interests represented by such Global Note to the accounts of Persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Interests in such a Global Note 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 Note will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of 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 Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note 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 Note will be limited to Direct Participants and Indirect Participants, including, in the case of any Regulation S Registered Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants 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 Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. 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 Note 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 Note will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Note. 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 Notes to a Clearing System (or its nominee) are the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note 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 Notes described in "Subscription and Sale and 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 Notes have been deposited.

On or after the Issue Date for any Tranche, transfers of Notes of such Tranche between participants in Clearstream, Luxembourg and Euroclear and transfers of Notes 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 Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg 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 Notes 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 Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

This is a general summary of certain Turkish tax laws and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of such laws and considerations, or the laws of other jurisdictions (such as tax-related laws in the United Kingdom or the United States). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective investors in the Notes are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction of their respective citizenship, residence or domicile, including (but not limited to) the consequences of receipt of payments on the Notes and the disposal of investments in the Notes.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Notes 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 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 Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a Person in the Notes where the Notes 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 the 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 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 notes (such as the Notes) issued abroad by a Turkish corporation is subject to withholding tax, which tax would be paid by the Bank in Turkey. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- (a) 7% withholding tax for notes with an original maturity of less than one year,
- (b) 3% withholding tax for notes with an original maturity of at least one year and less than three years,
- and
- (c) 0% withholding tax for notes 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 40,000 for 2019 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 Notes may be subject to declaration; *however*, pursuant to Provisional Article 67 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 notes 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 Notes 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 Notes, 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 Notes (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 periods of 2018, 2019 and 2020. The current rate for individuals ranges from 15% to 35% 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 Turkish laws, interest payments on notes 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 notes 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 referred to in Article 3 of the Treaty is required, together 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 Notes, 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 Notes 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 filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date; *however*, if additional Notes (see Condition 17) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents might treat all Notes, including Notes 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 Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, 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 Notes (including secondary market transactions) in certain circumstances.

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

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

Subject to the following discussion, the Notes (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 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 may result in an excise tax or other penalties and liabilities under ERISA and the Code for such Persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are 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 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 Notes by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank, an Arranger, a Dealer, an 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 Notes by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest 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 Notes, and prospective investors that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any such exemption.

By acquiring a Note (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 Note (or a beneficial interest therein) will not be, acquiring or holding a Note (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 Note (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 Notes are advised to consult their advisers with respect to the matters discussed above and other applicable legal requirements.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 30 April 2019 (such agreement as amended, supplemented and/or restated from time to time, 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 Notes (or beneficial interests therein). Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes.” 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 Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Dealers may be required to make because of those liabilities. The Programme Agreement provides that the obligation of any Dealer to purchase Notes under any agreement for the issue and purchase of such Notes is subject to certain conditions. Unless otherwise specified in the relevant Final Terms, any Notes 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 Notes, the offering price may be changed.

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase securities that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase Notes (or beneficial interests therein) that may be offered or sold by other underwriters in the United States. ICBC Standard Bank Plc shall offer and sell the Notes (or beneficial interests therein) constituting part of its allotment solely outside the United States.

Any offers and sales of the Notes 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. One or more Dealers participating in the offering of any Tranche of Notes may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such Persons may overalloc or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such Persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the market price of an investment in the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of an investment in the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the market price of an investment in the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under English law, 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 Notes.

Investors in the Notes who wish to trade interests in Notes 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 Notes.

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 Restrictions

As a result of the following restrictions, investors in the Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale, pledge or other transfer of such Notes.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of Registered Notes (or a beneficial interest therein) (other than a Person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or Person wishing to transfer an interest from one Registered Global Note 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 Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes (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) it is an Institutional Accredited Investor that has delivered a duly executed investment letter from the relevant transferee to the Issuer substantially in the form set out in the Agency Agreement (an “*IAI Investment Letter*”) or (iii) it is not a U.S. person and is purchasing or acquiring the Notes (or a beneficial interest therein) in a transaction pursuant to an exemption from registration under the Securities Act,

(b) that the Notes (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 Notes (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 Note and is not a U.S. person, if in the future it decides to offer, resell, assign, transfer, pledge, encumber or otherwise dispose the Notes (or beneficial interests therein), it will do so, prior to the date that is one year after the later of the last Issue Date for such Notes and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes 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,

(d) it will, and will require each transferee from it to, notify any transferee of the Notes (or a beneficial interest therein) from it of the resale restrictions, if then applicable,

(e) that Notes (or beneficial interests therein) initially offered to QIBs pursuant to Rule 144A will be represented by one or more Rule 144A Global Note(s), that Notes (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 Notes or one or more IAI Global Note(s) and that Notes (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 Note(s),

(f) that each Note issued pursuant to Rule 144A will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions) unless otherwise agreed by the Issuer:

“THIS NOTE 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 NOTE OR A BENEFICIAL INTEREST HEREIN, EACH HOLDER OF THIS NOTE (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 NOTE (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 NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (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) 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, (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, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS NOTE IS TRANSFERRED 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 NOTE.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (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 NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (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 NOTE (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 NOTE 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 NOTE (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 NOTE (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 NOTE (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 NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREOF, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”

(g) that each IAI Note will bear a legend in the following form (with, if an IAI Definitive Note, appropriate revisions) unless otherwise agreed to by the Issuer:

“THIS NOTE 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 REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS NOTE (OR OF A BENEFICIAL INTEREST HEREIN), THE HOLDER THEREOF: (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 (AN “*INSTITUTIONAL ACCREDITED INVESTOR*”), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, ASSIGN, PLEDGE, ENCUMBER OR OTHERWISE TRANSFER THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT, THE TERMS OF THE IAI INVESTMENT LETTER IT EXECUTED IN CONNECTION WITH ITS PURCHASE OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES OF WHICH THIS NOTE FORMS 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) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER 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; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO (iii) OR (iv) 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 DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED 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 RESALES OF THIS NOTE.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (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 NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (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 NOTE (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 NOTE 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 NOTE (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 RESALES AND OTHER TRANSFERS OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE (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 NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREOF, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).",

(h) if such investor holds a Definitive Regulation S Registered Note or a beneficial interest in a Regulation S Registered Global Note, that if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Note (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 Notes (with appropriate revisions) will bear a legend in the following form unless otherwise agreed to by the Issuer:

"THIS NOTE 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 WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES

ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER OF THIS NOTE (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 NOTE (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) SHALL BE MADE TO A U.S. PERSON PRIOR TO THE EXPIRATION OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (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 NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (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 NOTE (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 NOTE 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 NOTE (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 RESALES AND OTHER TRANSFERS OF THIS NOTE (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE (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 NOTE (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREOF, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).", and

(i) 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 shall promptly notify the Issuer and the applicable Dealer(s); and if it is acquiring any Notes (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.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of a Note (or a beneficial interest therein) will be deemed to represent, warrant and agree that either: (a) it is not, and for so long as it holds

a Note (or a beneficial interest therein) will not be, acquiring or holding such Note (or beneficial interest) 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 such Note (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.

Institutional Accredited Investors who invest in IAI Notes 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 Notes (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 Notes have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Notes (or beneficial interests therein) is subject to certain restrictions and conditions set forth in this Base Prospectus and such Notes (including those set out above) and that it agrees to be bound by, and not to reoffer, resell, pledge or otherwise transfer such Notes (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 Notes,

(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 Notes, 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 Notes for an indefinite period of time,

(e) that such Institutional Accredited Investor is acquiring such Notes (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 Notes (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 Notes (or beneficial interests therein), it will acquire Notes (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 Notes (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 Note 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 Notes (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 Notes (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 Notes (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 BRSA or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and should transfer the purchase price through such licensed banks.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme. Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and its related law, the Capital Markets Law and its related law and the Debt Instruments Communiqué. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Programme Approvals. The Notes issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

Under the Programme Approvals, the BRSA and CMB have authorised the offering, sale and issue of any Notes within the scope of the Programme Approvals on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision 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 Notes (or beneficial interests therein) so long as they comply with the restrictions described in the last paragraph of “-Transfer Restrictions” above.

To the extent (and in the form) required by applicable law, an approval from the CMB in respect of each Tranche of Notes is required to be obtained by the Issuer prior to the Issue Date of such Tranche of Notes.

Monies paid for investments in the Notes are not protected by the insurance coverage provided by the SDIF.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons 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 laws. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes 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 Notes, 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 Notes (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 Notes (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 Notes 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 Notes (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 Notes (or beneficial interests therein) to QIBs pursuant to Rule 144A and each such purchaser of Notes (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 Notes 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 Notes (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 Notes 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 Directive and, where applicable, Prohibition of Sales to EEA 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 Notes specifies the “Prohibition of Sales to EEA 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 Notes (or beneficial interests therein) to any EEA Retail Investor, and

2. “Not Applicable,” then, in relation to each Relevant Member State with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”), it (with respect to such Notes) has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive,

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in sub-paragraphs (a) to (c) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of part 2, the expression “*an offer of Notes to the public*” in relation to any Notes (which shall also include beneficial interests therein where applicable) in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe the Notes (or beneficial interests therein), as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

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 Notes 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 Notes in, from or otherwise involving the United Kingdom.

Belgium

Other than in respect of Notes 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 of Notes (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 Notes (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 Notes, directly or indirectly, to any Belgian Consumer.

People’s Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes (or beneficial interests therein) to any person for reoffering or resale, or redelivery, in any such case, directly or indirectly, in the PRC (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (or beneficial interests therein) other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “*SFO*”) and any rules made under the SFO or (ii) in other circumstances that do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “*C(WUMP)O*”) or that do not constitute an offer to the public within the meaning of the C(WUMP)O, and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes (or beneficial interests therein) that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

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 Notes (or beneficial interests therein) or caused the Notes (or beneficial interests therein) to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes (or beneficial interests therein) or cause any Notes (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 Notes (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 Notes (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 Notes (or beneficial interests therein) pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person as defined in Section 275(s) 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 Notes 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 Notes pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Notes 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 Notes 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 Notes (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 Notes (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 Notes (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 Notes 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 Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority. The Notes 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 Notes will not benefit from protection or supervision by any Swiss regulatory authority.

Thailand

This Base Prospectus has not been approved by or filed with the Securities and Exchange Commission or any other regulatory authority of the Kingdom of Thailand. Accordingly, the Notes may not be offered or sold, nor may this Base Prospectus or any other documents in relation to the offer of the Notes be distributed, directly or indirectly, to any person in Thailand except under circumstances that will result in compliance with all applicable laws and guidelines promulgated by the Thai government and regulatory authorities in effect at the relevant time.

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 securities laws in force in any jurisdiction in which it purchases, offers, sells or delivers Notes 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 Notes under the 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 Notes 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.

OTHER GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors dated 26 December 2018.

Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) of the Issuer is 789000FIRX9MDN0KTM91.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to Euronext Dublin for Notes issued through the date that is 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 Notes 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 Notes initially representing the Notes of such Tranche; *however*, no assurance can be given that any such admission will occur. If a Tranche of Notes 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 Notes to the Official List or to trading on the Regulated Market for the purposes of the Prospectus Directive.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will be available in physical form for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

- (a) the articles of association (with a certified English translation thereof) of the Issuer,
- (b) the independent auditor's audit reports and audited consolidated BRSA Financial Statements of the Group as of and for the years ended 31 December 2016 (excluding comparative information for 2015), 2017 and 2018,
- (c) the independent auditor's audit reports and audited unconsolidated BRSA Financial Statements of the Bank as of and for the years ended 31 December 2016 (excluding comparative information for 2015), 2017 and 2018,
- (d) when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Accounting and Reporting Principles on an annual basis, audited consolidated and unaudited unconsolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Accounting and Reporting Principles on a quarterly basis and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis (although the IFRS Financial Statements are not, and shall not be deemed to be, included in (or incorporated by reference into) this Base Prospectus),

(e) the Agency Agreement, the Deed of Covenant and the Deed Poll, and the forms of the Global Notes and the Notes in definitive form,

(f) a copy of this Base Prospectus, and

(g) when published, any future base prospectus, prospectus, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note 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 Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus and each document (or portion thereof) incorporated by reference herein will also be available in electronic format on the Issuer's website (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). See "Documents Incorporated by Reference" above. Each Final Terms relating to Notes that are admitted to trading on Euronext Dublin's regulated market will also be available on the Issuer's website. Such website is not, and should not be deemed to constitute, a part of (or be incorporated into) this Base Prospectus.

Clearing Systems

The Notes 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 Notes 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 Notes to be accepted for trading in book-entry form by DTC. To the extent applicable, the ISIN, Common Code, CUSIP, CINS, CFI and/or FISN for each Tranche of Notes will be specified in the applicable Final Terms. If the Notes 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 Note will be paid only to the Person in whose name such Registered Note was registered at the close of business on the Record Date. Notwithstanding the Record Date established in the Conditions for any Series of Registered Notes, 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 Notes 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 Notes (or beneficial interests therein) to be issued to one or more Dealer(s), the price and amount of such Notes (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 Notes (or beneficial interests therein) to be issued to one or more investor(s) purchasing such Notes (or beneficial interests therein) directly from the Issuer, the price and amount of such Notes (or beneficial interests therein) will be determined by the Issuer and such investor(s).

No Significant or Material Adverse Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 December 2018 and (b) no material adverse change in the financial position or prospects of the Bank since such date.

Litigation

Neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the 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 financial position or profitability of the Bank or the Group.

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 Notes has an interest, including a conflicting interest, that is material to the issue of the Notes.

Independent Auditors

The BRSA Financial Statements as of and for the year ended 31 December 2016 have been audited by KPMG and the BRSA Financial Statements as of and for the years ended 31 December 2017 and 2018 have been audited by EY, in each case, 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, as stated in KPMG's and EY's respective independent auditor's reports incorporated by reference herein. KPMG and EY are each an independent auditor in Turkey and authorised by the BRSA to conduct independent audits of banks in Turkey. KPMG is located at İş Kuleleri, Kule 3, Kat: 2-9, 34330, Levent, İstanbul, Turkey and EY is located at Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No:27 Kat: 2-3-4 Daire: 54-57-59 34485 Sarıyer, İstanbul, Turkey.

KPMG's and EY's audit reports included in the BRSA Financial Statements include a qualification (see "Risk Factors – Risks Relating to the Group and its Business – Audit Qualification" for further information).

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 Notes.

Dealers and Arrangers transacting with the Issuer

Certain of the Dealers, the Arrangers 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 Notes. Any such short positions might adversely affect future trading prices of an investment in the Notes. 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.

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APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND THE BRSA ACCOUNTING AND REPORTING PRINCIPLES

The financial statements and financial information included in this Base Prospectus have been prepared in accordance with BRSA Accounting and Reporting Principles. The BRSA Accounting and Reporting 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 summarise certain areas in which the BRSA Accounting and Reporting Principles and IFRS differ from each other.

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, and factoring and leasing services, which are subject to BRSA policies/requirements.

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 and 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 may 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, and factoring or leasing services, which are subject to specific BRSA policies/requirements.

Basis for Consolidation

Consolidation principles under the BRSA Accounting and Reporting 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 Accounting and Reporting Principles, whereas other associates are recorded according to the equity method. The BRSA Accounting and Reporting 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 2016 AND 2017

Allowance for Loan Losses

Under the BRSA Accounting and Reporting 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 Accounting and Reporting Principles have prescribed certain minimum provisioning rates for groups comprising non-performing loans 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 Accounting and Reporting 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.

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FOR 2017 AND 2018

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