BASE PROSPECTUS

TÜRKİYE GARANTİ BANKASI A.Ş.

U.S.$2,500,000,000

Global Medium Term Note Programme

Under this U.S.$2,500,000,000 Global Medium Term Note Programme (the **Programme**), Türkiye Garanti Bankası A.Ş., a Turkish banking institution organised as a joint stock company registered with the Istanbul Trade Registry under number 159422 (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 (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$2,500,000,000 (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 on a continuing basis to one or more of the Dealers specified under "*Overview of the Group and the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. The Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant member state of the European Economic Area) (the **Prospectus Directive**). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (**MiFID**) and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and to trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of MiFID. References in this Base Prospectus to the Notes being **listed** (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the **CMB**), in its capacity as competent authority under Law No. 6362 (the **Capital Markets Law**) of the Republic of Turkey (**Turkey**) relating to capital markets, for the issuance and sale of Notes by the Bank outside of Turkey. The Notes cannot be sold before the necessary approvals and the approved issuance certificate are obtained from the CMB. The CMB

approval relating to the issuance of Notes based upon which any offering of the Notes will be conducted was obtained on 26 February 2013, and the CMB approval for the sale of the Notes and the approved issuance certificate will be obtained from the CMB before any sale and issuance of the Notes.

Under current Turkish tax law, withholding tax may apply to payments of interest on the Notes. See "*Taxation – Certain Turkish Tax Considerations*".

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Central Bank of Ireland. Copies of such Final Terms will also be published on the Issuer's website at http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations.page.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been rated BBB by Fitch Ratings Ltd. (**Fitch**) and Baa2 by Moody's Investors Service Limited (**Moody's** and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited (**S&P**), the **Rating Agencies**). The Bank has also been rated by the Rating Agencies, as set out on page 125 of this Base Prospectus. Each of the Rating Agencies is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated by either Fitch or Moody's or unrated. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by Fitch or Moody's, as the case may be. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger

BofA Merrill Lynch

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.
Citigroup
ING
Morgan Stanley
BofA Merrill Lynch
HSBC
J.P. Morgan
National Bank of Abu Dhabi

The date of this Base Prospectus is 19 April 2013.

This Base Prospectus comprises 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.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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 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 which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated in, and form part of, this Base Prospectus.

To the fullest extent permitted by law, none of the Dealers accept any responsibility for the information contained or incorporated by reference in 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 on its behalf in connection with the Programme. Each Dealer 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.

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 in connection with the Programme or the 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 Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should determine for itself the relevance of the information contained or incorporated in this Base Prospectus and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer based upon such investigation as it deems necessary. Neither this Base Prospectus nor any other information supplied 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 Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof 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. The 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 in the Notes of any information coming to their attention.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In

particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither (i) this Base Prospectus nor (ii) any advertisement or other offering material, may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, Japan and Switzerland, 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 with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which 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. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State of Notes may only do so in circumstances in which no obligation arises for 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, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States and, other than the approvals of the CMB and the Central Bank of Ireland described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in 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 is unlawful.

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

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

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

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

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include 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", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*The Group and its Business*" and other sections of this Base Prospectus 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 may differ materially from those expressed in these forward-looking statements.

The Bank has identified certain of the material 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 believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified

below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

There may be other risks, including some risks of which the Bank is unaware, that could adversely affect the Group's results 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 at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, 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 on which any such forward-looking statement is based.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It 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.

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 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 may be offered or sold within the United States or to, or for the account or benefit of U.S. persons, as defined in Regulation S under the Securities Act *(U.S. person)*, only to QIBs or to Institutional Accredited Investors, in either case in registered form and in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act (*Rule 144A*) or any other applicable exemption. Each purchaser of Registered Notes that is a U.S. Person or is in the United States is hereby notified that the offer and sale of any Notes to it may be being made in reliance

upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Subscription and Sale and Transfer and Selling Restrictions*"). Each purchaser or holder of IAI Registered Notes, Notes represented by 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, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes 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*".

CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 19 April 2013 (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 him, 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 to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the *Exchange Act*) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Though the Group is not required by Turkish law to prepare financial statements in accordance with International Financial Reporting Standards (**IFRS**) as promulgated by the International Accounting Standards Board (**IASB**), as international investors are generally unfamiliar with the Standards Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (the **BRSA**) and also the generally accepted accounting principles under the Turkish Commercial Code and Turkish tax legislation (collectively, **Turkish GAAP**), the Group publishes financial statements in Turkish Lira that have been prepared and presented in accordance with IFRS. The consolidated IFRS Financial Statements incorporated by reference herein for the years ended 31 December 2010, 2011 and 2012 (collectively, the **IFRS Financial Statements**) were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Ltd) (**Deloitte**). The Bank's Board of Directors, in accordance with the requirement for the mandatory rotation of auditors every eight years under Turkish regulations, selected Deloitte to be its external audit firm, effective as of 1 January 2010.

The Group's audit reports for the years ended 31 December 2010, 2011 and 2012 were qualified with respect to general provisions that were allocated by the Group. The provisions were taken in accordance with the

conservatism principle applied by the Group in considering the circumstances that may arise from any changes in the economy or market conditions. These general provisions amounted to TL 360,000 thousand, TL 450,000 thousand and TL 450,000 thousand recorded on the consolidated statements of financial position as of 31 December 2010, 2011 and 2012, respectively, of which TL 90,000 thousand was charged to the 2011 income statement, with the remaining amounts (all incurred before 2010) having been charged as an expense during the applicable periods. Although these provisions did not impact the Group's level of tax or capitalization ratios, if the Group had not established these provisions, then its net income might have been higher in such years. Deloitte has qualified its audit reports in respect of each such year because general provisions are not permitted under IFRS.

While the Group voluntarily prepares its IFRS Financial Statements, the Bank and its Turkish subsidiaries are required to maintain their books of account and prepare statutory financial statements in accordance with Turkish GAAP and to prepare regulatory financial statements in accordance with the requirements of the BRSA (the **BRSA Financial Statements**). The BRSA Financial Statements are filed with the Borsa İstanbul A.Ş. (**Borsa Istanbul**) 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. The BRSA Financial Statements are audited by Deloitte. The unconsolidated BRSA Financial Statements for the years ended 31 December 2010, 2011 and 2012 have been incorporated by reference into this Base Prospectus. See "*Documents Incorporated by Reference*."

Except to the extent stated otherwise, the financial data for the Group for the years ended 31 December 2010, 2011 and 2012 included herein have been extracted from the Group's IFRS Financial Statements without material adjustment. Potential investors in the Notes issued under the Program should note that this Base Prospectus also includes certain financial information for the Bank only, which have been extracted from the unconsolidated BRSA Financial Statements without material adjustment. Such financial information is identified as being of "the Bank" in the description of the associated tables or information (rather than for the Group on a segmented basis). Such Bank-only financial information is (*inter alia*) presented in "*Risk Factors*" and "*The Group and its Business*."

Under IFRS, the Bank's financial statements are consolidated with the financial statements of its affiliates that are companies controlled by the Bank (*i.e.*, the Bank has the power to govern the financial and operating policies of these enterprises so as to obtain benefits from their activities). The entities that were consolidated in the IFRS Financial Statements as of 31 December 2012 were Garanti Bank International NV (**GBI**), Garanti Finansal Kiralama AŞ (**Garanti Leasing**), Garanti Bank Moscow (**GBM**), Garanti Faktoring Hizmetleri AŞ (**Garanti Factoring**), Garanti Emeklilik ve Hayat AŞ (**Garanti Pension and Life**), Garanti Holding BV(*) (**GHBV**), G Netherlands BV (**G Netherlands**), Garanti Bank SA (**Garanti Romania**), Motoractive IFN SA (**Motoractive**), Ralfi IFN SA (**Ralfi**), Domenia Credit IFN SA (**Domenia**), Garanti Yatırım Menkul Kıymetler AŞ (**Garanti Securities**), Garanti Yatırım Ortaklığı AŞ (**GYO**), Garanti Portföy Yönetimi AŞ (**Garanti Asset Management**), Garanti Filo Yönetim Hizmetleri AŞ (**Garanti Fleet**), Garanti Bilişim Teknolojisi ve Ticaret TAŞ (**Garanti Teknoloji**) and Garanti Diversified Payment Rights Finance Company (while not a legal affiliate, the last entity is a special purpose entity established for the purpose of the Bank's "diversified payment rights" program, and is thus required to be consolidated). The IFRS Financial Statements included these same consolidated entities (except that: (a) the Bank began consolidating GHBV, G Netherlands, Garanti Romania, Motoractive, Ralfi and Domenia as of 28 May 2010 as a result of their acquisition as described in "*The Group and its Business – Subsidiaries – Garanti Holding and Romania Businesses*" below), (b) the Bank discontinued consolidating Garanti Financial Services plc and Garanti Fund Management Co. starting from 31 May 2010 following the completion of their liquidations, (c) Leasemart Holding BV had been consolidated from 16 December 2010, the date of its acquisition by the Bank, until 2 August 2011, the date of its merger with GHBV and (d) the Bank discontinued consolidating T2 Capital Finance Company (a special purpose entity established for the purpose of a subordinated debt transaction and thus required to be consolidated) from 6 February 2012 following the repayment of the related subordinated debt.

While Turkish GAAP and BRSA reporting standards have been converging with IFRS over recent years, they still differ in certain respects from IFRS, and the Group does not prepare, and the Bank is not providing in this Base Prospectus, any reconciliation between IFRS and Turkish GAAP or the BRSA Financial Statements.

Non–GAAP Measures of Financial Performance

To supplement the Group's consolidated financial statements presented in accordance with IFRS, the Group uses certain ratios and measures included in this Base Prospectus that would be considered non-GAAP financial measures as these measures are not defined under IFRS, Turkish GAAP or BRSA regulations. A body of generally accepted accounting principles such as IFRS or Turkish GAAP is commonly referred to as "GAAP." A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but that excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility.

For the Group, these non-GAAP measures include (without limitation): net interest margin, adjusted net interest margin, net yield, adjusted net interest income as a percentage of average interest-earning assets, cost-to-income ratio, cost-to-income ratio if income were calculated without subtracting impairment losses, operating expenses as a percentage of total average assets, liquid assets as a percentage of total deposits, non-performing loans to total gross cash loans, free capital ratio, allowance for probable loan losses to non-performing loans, return on average total assets, return on average shareholders' equity, average spread, the amount of net allowances charged to operating expenses, the increase of operating expenses if impairment losses and foreign exchange losses are excluded, average total assets, average shareholders' equity, average shareholders' equity as a percentage of average total assets, total interest income to gross operating income before deducting interest expenses and fee and commission expenses. See *"Summary Financial and Other Data*" and "*The Group and its Business*" for further information on certain such calculations.

The non-GAAP measures included in this Base Prospectus are not in accordance with or an alternative to measures prepared in accordance with GAAP and may be different from similarly titled non-GAAP measures used by other companies. The Bank's management believes that this information, along with comparable GAAP measures, is useful to investors because it provides a basis for measuring the organic operating performance in the years presented. These measures are used in internal management of the Group, along with the most directly comparable GAAP financial measures, in evaluating the Group's operating performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable to similarly titled amounts reported by other companies.

The Bank's management believes that these non-GAAP measures, when considered in conjunction with GAAP measures, enhance investors' and management's overall understanding of the Group's current financial performance. In addition, because the Group has historically reported certain non-GAAP results to investors, the Bank's management believes that the inclusion of non-GAAP measures provides consistency in the Group's financial reporting.

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

- **U.S. Dollars**, **U.S.$** and **$** refer to United States dollars;
- **Turkish Lira** and **TL** refer to the lawful currency for the time being of the Republic of Turkey;
- **Sterling** and **£** refer to pounds sterling; and

- **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.

No representation is made that the Turkish Lira or Dollar amounts in this Base Prospectus could have been or could be converted into 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 which are used but not defined in any particular section of this Base Prospectus will 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 Garanti Bankasi A.Ş. on a standalone basis and **Group** means the Bank and its subsidiaries (and with respect to accounting information, its consolidated entities).

In this Base Prospectus, any reference to Euroclear and/or Clearstream, Luxembourg and/or DTC (each as defined under "*Form of the Notes*") 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.

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

In this Base Prospectus, all average balance sheet amounts are derived from the average of the opening and closing balances for the applicable period except to the extent specifically set forth herein.

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 Issuer 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 reproduction of this 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 party.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In particular, but without limitation, the titles of Turkish legislation and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translation 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 BRSA's website at www.bddk.org.tr, the Banks Association of Turkey's website at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararasi Kart Merkezi*), and all data relating to the Turkish economy, including statistical data, has 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 Cumhuriyeti Merkez Bankası*) (the **Central Bank**) at www.tcmb.gov.tr, the Turkish Treasury's website at www.hazine.gov.tr or the European Banking Federation's website at www.ebf.fbe.eu. Such data has been

extracted from such websites without material adjustment, but may 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 may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may 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 regarding the Bank's shareholders (including ownership levels and agreements) in "*Overview of the Group and the Programme– The Group*", "*The Group and its Business*" and "*Ownership*" has been based upon public filings and announcements by such shareholders.

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may 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, may be ended 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.

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

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

The following is a description of the principal risks associated with the Notes and the Group's business as of the date of this Base Prospectus; *however*, the Bank does not represent that the risks set out in the statements below are exhaustive.

Political, Economic and Legal Risks relating to Turkey

Most of the Bank's and its Turkish subsidiaries' operations are conducted, and substantially all of their customers are located, in Turkey. In addition, much of the business of the Group's non-Turkish subsidiaries is related to Turkey. Accordingly, the Group's ability to recover on loans, and its general financial condition and results of operations, are substantially dependent upon the economic conditions prevailing in Turkey. The proportion of the Group's net income derived from its Turkish operations was 97.8%, 90.7% and 94.2% in 2010, 2011 and 2012, respectively.

Turkish Economy – The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macro-economic risks and has been dependent upon the support of the IMF in times of economic crisis

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has experienced severe macro-economic imbalances and has frequently resorted to support from the International Monetary Fund (the **IMF**). While the Turkish economy has been significantly stabilized due, in part, to IMF support, Turkey may experience a further significant economic crisis in the future. If support from the IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on the Group's business, financial condition and/or results of operations. Investors should note that notwithstanding the Turkish economy's past resort to the IMF in times of macro-economic imbalance, the government decided that IMF support was not required in connection with the recent global financial crisis.

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, devaluation of the Turkish Lira, inflation or an increase in domestic interest rates, then a greater portion of the Group's customers may not be able to repay loans when due or meet their other debt service requirements to the Group, which would

increase the Group's past due loan portfolio and could materially reduce its net income and capital levels. In addition, a downturn in the Turkish economy would likely result in a decline in the demand for the Group's products. The occurrence of any or all of the above could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Global Financial Crisis and Eurozone Crisis – The Group has been, and will likely continue to be, significantly negatively affected by the recent global financial crisis and continuing Eurozone crisis

The ongoing global financial crisis and related economic slowdown that has impacted the Turkish economy and economies around the world, including the principal external markets for Turkish goods and services may have a significant negative impact on the business, financial condition and/or results of operations of the Group. Factors such as levels of unemployment, inflation rates and the availability of credit have been significantly negatively affected by the crisis. The fiscal deterioration of Cyprus, Greece, Ireland, Italy, Portugal, Spain and other European countries, the recent credit rating downgrades of many other European countries and the development of broader concerns about the liquidity and even solvency of certain countries and their banking systems may accentuate the impact of the global financial crisis or increase the risk of economies entering further periods of downturn or recession.

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. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.7% in 2009. In response to the financial crisis, the Turkish government announced stimulus measures, including tax cuts in the housing and automotive sectors, financial support to SMEs and export credits. In addition, the Central Bank cut interest rates, reducing its overnight reference interest rate in a number of steps from 15.0% as of 31 December 2008 to 6.5% as of 31 December 2009. Following the implementation of fiscal and monetary measures during 2009 and improvement in global financial markets, the Turkish economy began to recover in the fourth quarter of 2009. According to TurkStat, Turkey's real GDP grew by 9.2% in 2010, 8.8% in 2011 and 2.2% in 2012. Despite weaker economic growth in 2012, exports performed strongly with external demand driving economic growth while contracting domestic demand led to a decline in imports. In 2013, however, the Bank's management expects domestic demand, assisted by the Central Bank's economic stimulus measures undertaken in the second half of 2012, to stimulate growth, which may lead to an increase in Turkey's current account deficit.

As a result of the global financial crisis and related economic volatility, the Group's ability to access the financial markets may be restricted at a time when it would need financing, which could have an impact on its flexibility to react to changing economic and business conditions. The continuing impact of the financial crisis and economic volatility could have a material adverse effect on the Group's customers as well as the Group and therefore could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, the Group operates in countries outside of Turkey (such as Romania and Russia). Such jurisdictions have been adversely impacted by the global financial crisis. The Group's intention is to continue growing its operations in such jurisdictions (particularly in Romania), and in the event there are further financial crises affecting such jurisdictions, this may result in the Group's foreign operations not growing or performing at the same rate or levels as they had prior to the recent global crisis. Should the Group's non-Turkish operations fail to grow at past rates, perform at past levels or meet growth expectations, the Group's business, financial condition and/or results of operations could be materially adversely affected.

Although there have been indications that the global economy has begun to recover from the economic deterioration of recent years, the recovery may not continue and concerns about the liquidity, the extent of budgetary deficits and, in some cases, even the solvency of countries such as Cyprus, Greece, Ireland, Italy, Portugal and Spain could adversely affect the global economic recovery. The possibility of a default and/or exit from the Euro by Greece, for example, has contributed to the weakening of the Euro, and although the Greek government, the EU and the IMF have proposed measures to resolve Greece's solvency concerns, such

measures may not succeed in averting further restructuring of Greece's debt. A relapse in the global economy or continued uncertainty around the potential for such a relapse could have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, any significant changes to the structure of the European Monetary Union or any uncertainty as to whether such a withdrawal or change may occur may have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

In 2010, the Turkish current account deficit was US$45.4 billion, which increased to US$75.1 billion in 2011 before decreasing to US$46.9 billion in 2012, according to the Central Bank. The decline in the growth of the current account deficit in 2012 was largely the result of coordinated measures initiated by the Central Bank, the BRSA and the Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures was to slow growth in the current account deficit by controlling the rate of loan growth; *however*, as a result of steps taken by the Central Bank during the second half of 2012 to reduce the banks' effective funding rate to a level close to the policy rate in order to support economic growth, the growth rate in loans accelerated. In reaction, the Central Bank has announced a 15% benchmark for the annual growth rate in loans (which would support price and financial stability while supporting a sustainable course in the country's current account balance) and, starting in late 2012, it started to take steps to lower credit growth (such as tightening through reserve requirements).

Should the authorities take further measures against rapid loan growth, these measures are likely to reduce economic growth and might adversely affect the Group's business, financial condition and/or results of operations. Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, could 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. A decline in demand for imports from the EU could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. In 2012, year-on-year imports into Turkey decreased by 2.0% due, in large part, to reduced domestic demand.

In early 2011, the Turkish government declared its intention to take additional measures to decrease the current account deficit, and in this regard it identified the high growth rate of loans as one of the target areas. On 18 June 2011, the BRSA introduced new regulations to further control loan growth that will, among other things: (a) increase Turkish banks' general provision requirements in the event such banks': (i) total consumer loans to total loan amount exceed 20% or (ii) non-performing consumer loans (excluding auto and housing loans) to total consumer loans (excluding auto and housing loans) exceed 8%, and (b) increase the risk-weighting for certain consumer loans in calculating capital adequacy ratios. See "*Turkish Regulatory Environment*." Further regulations may be introduced by the BRSA or the Central Bank with respect to loan growth ratios that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The decline in the current account deficit experienced in 2012 is expected by the Bank's management to come to an end by early 2013 and, if so, financial stability in Turkey might erode. Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey. Any such difficulties may lead the Turkish government to seek to raise additional revenue to finance the current account deficit or to seek to stabilize the Turkish financial system, and any such measures might adversely affect the Group's business, financial condition and/or results of operations.

Political Developments – International investors consider Turkey to be an emerging economy

Turkey has been a parliamentary democracy since 1923, although the military has in the past played a significant role in politics and the government, intervening in the political process through *coups d'état* in 1960, 1971 and 1980. Unstable coalition governments have been common and in the almost 90 years since its formation Turkey has had numerous, short-lived governments. National elections held on 4 November 2007 resulted in victory for the Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the **AKP**), which is led by Prime Minister Recep Tayyip Erdoğan. The AKP, which has been in power since 2002, is the first party since 1987 to have a parliamentary majority and thus to be able to govern without reliance upon a coalition partner, and the party's continued strength was reflected in the 58% approval rate of the 12 September 2010 referendum on various amendments to Turkey's constitution. Turkey's most recent general election was held on 12 June 2011. The AKP won another absolute parliamentary majority that has supported a single party government.

While in recent years Turkey has undergone significant political and economic reform, which has sought to increase domestic political and economic stability and contributed to economic growth, Turkey is nonetheless considered by international investors to be an emerging market. In general, investing in the securities of issuers with substantial operations in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the European Union or other similar jurisdictions. Accordingly, investors' perception of Turkey as an emerging economy and actual or perceived political instability could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes. See also "*Emerging Market Risks*."

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

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

Investors' interest in Turkey may be negatively affected by events in other emerging markets or the global economy in general, which could 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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 68.6% in the early 2000s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.4% at the end of 2010, the lowest level in many years. According to TurkStat, consumer price inflation was 6.4%, 10.5% and 6.2% in 2010, 2011 and 2012, respectively, while producer price inflation was 8.9%, 13.3% and 2.5%, respectively, in the same periods. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Terrorism and Conflicts – Turkey is subject to external and internal unrest and the threat of terrorism

Political uncertainty within Turkey and in certain neighbouring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks associated with investment in Turkish companies. Political instability in the Middle East and elsewhere remains a concern, most recently exemplified by the internal conflict in Syria and tensions between Iran and Israel. Turkey has also experienced problems with domestic terrorism and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organization that is listed as a terrorist organization by states and organizations including Turkey, the EU and the United States). The issue of civil rights for Kurdish citizens remains a potential source of political instability, which may be exacerbated by continuing instability in Iraq. On 1 February 2013, a suicide bomber attacked the U.S. Embassy in Ankara killing himself and others. Such circumstances and domestic terrorist attacks have had and could continue to have a material adverse effect on the Turkish economy and on the Group's business, financial condition and/or results of operations.

Regional Risks – Recent developments in the Middle East and North Africa may create regional volatility affecting the Turkish economy

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Libya, Tunisia, Egypt, Syria, Jordan, Bahrain and Yemen. Unrest in those countries may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. For example, heightened tensions between Turkey and Iran could impact the Turkish economy, could lead to higher global energy prices and further negatively affect Turkey's current account deficit.

Such impacts could occur (*inter alia*) through a lower flow of foreign direct investment into Turkey, capital outflows and 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 and North Africa and may experience material negative effects. It is unclear what impact these recent activities may have on Turkey and thus on the Group's business, financial condition and/or results of operations.

Earthquakes – Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. As recently as 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 Bank 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. In the event of future earthquakes, effects from the direct impact of such events on the Group and its employees, as well as measures that could be taken by the government (such as the imposition of taxes), could have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, an earthquake or other large-scale disaster may have an adverse impact on the Group's customers' ability to honour their obligations to the Group.

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

The Group has a significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2012, 87.5% of the Group's total securities portfolio (19.9% of its total assets and equal to 161.2% of its shareholders' equity) was invested in securities issued by the Turkish government. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by the Turkish government in making payments on its securities or the possible downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government securities held in the Group's securities portfolio and the Turkish banking system generally and may have a material adverse effect on the Group's business, financial condition and/or results of operations.

Combating the Financing of Terrorism – The Financial Action Task Force may call upon its members to take measures against Turkey

Although Turkey has a high-level political commitment to work with the Financial Action Task Force (the **FATF**) to seek to address Turkey's deficiencies in combating the financing of terrorism, the FATF requested that Turkey make progress in implementing its action plan. In particular, Turkey: (a) is required to make sufficient progress in adequately criminalizing terrorist financing and (b) was required, before 23 February 2013, to implement an adequate legal framework for identifying and freezing terrorist assets. If sufficient progress is not realized, the FATF has advised that it might call upon its members to apply countermeasures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Turkey were introduced with the entry into force of the Law on Combating the Financing of Terrorism on 16 February 2013 (the **CFT Law**). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduces an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On 22 February 2013, due to the implementation of the CFT Law, the FATF decided not to recommend the application of the above-mentioned countermeasures; *however*, the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with FATF requirements. In the event that the FATF finds the new measures introduced with the CFT Law to be insufficient, then FATF measures as described above may be imposed on Turkey and this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks Relating to the Turkish Banking Industry

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

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. According to the BRSA, as of 31 December 2012, the top seven banking groups in Turkey (including the Group), three of which were state-controlled, held in the aggregate approximately 78.8% of the Turkish banking sector's total loan portfolio, approximately 79.3% of total banking assets in Turkey and approximately 79.9% of total deposits in Turkey. State-controlled banks in Turkey have historically had access to very inexpensive funding in the form of very significant Turkish

government deposits, which has provided a competitive advantage over private banks. This competitive advantage has often resulted in such banks adopting aggressive pricing strategies on both deposit and loan products, particularly in 2011.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredit, BNP Paribas, the National Bank of Greece, Sberbank, Citigroup, ING and Bank Hapoalim are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. More recently, certain of such institutions have (or may) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances (for example, in 2012 Dexia sold its interest in DenizBank to Sberbank) and thus the banking and competitive landscape after the date of this Base Prospectus may change from what was the case over recent years. The entry into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, has increased competition in the market, and further entry by foreign competitors is likely to increase competition, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks. Competition has been particularly acute in certain sectors where state-controlled banks and foreign-owned banks have been active, such as general purpose loans, for which state-controlled banks have lent funds at rates below those considered commercially viable by the Group. Competitors may direct greater resources and be more successful in the development and/or marketing of technologically-advanced products and services that may compete directly with the Group's products and services, adversely affecting the acceptance of the Group's products and/or leading to adverse changes in the spending and saving habits of the Group's customer base. The Group may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with the competitors' development of new products and services. Increased competition may affect the Group's loan growth, reduce the average interest rates that the Group can charge its customers or otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

Banking Regulatory Matters – The Group is subject to numerous banking and other laws and regulations that are subject to change and such changes may have a material adverse effect on the Group

The Group is subject to a number of banking, consumer protection, antitrust and other laws and regulations designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic and other obligations, limit their exposure to risk and restrict their operations. These laws and regulations include Turkish laws and regulations (in particular those of the BRSA), as well as laws and regulations of other countries in which the Group operates. Additionally, the implementation process of the Directives of European Community numbered 2006/48/EC and 2006/49/EC (the **CRD**) is still ongoing. In order to monitor the implementation process of the CRD by the banks, a progress survey on the adaptation of the CRD is requested from banks by the BRSA every six months. These laws and regulations 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. In addition, a breach of any of these laws and regulations could expose the Group to potential liabilities or sanctions and damage its reputation.

As applicable to all other enterprises in Turkey, the Bank is also subject to competition and antitrust laws. In November 2011 the Turkish Competition Board initiated an investigation against the Bank (and two of its subsidiaries) and 11 other banks operating in Turkey with respect to allegations of acting in concert regarding interest rates and fees on deposits and loans. On 8 March 2013, the Competition Board ruled that the economic group comprised of the Bank and two of its subsidiaries (*i.e.*, Garanti Payment Systems and Garanti Mortgage) was to be fined TL 213 million in connection with this investigation, and on 11 March 2013 the Bank announced that (in accordance with the provisions of law permitting a 25% reduction if paid within 30 days) it would pay three quarters of this administrative penalty (*i.e.*, TL 160.04 million). Notwithstanding this payment, the Bank has the right to object to this decision through proceedings in the administrative courts and the Bank's management has indicated that it intends to explore options to object to this decision through such proceedings. In addition to the monetary fines imposed by the Competition Board, the Bank, pursuant to articles 57 and 58 of the Law on the Protection of Competition, may face claims from individual customers on the grounds that such customers have suffered damages and could sue

the Bank. So far, only one case has been filed against 12 banks (including the Bank) in this respect; *however*, there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are no resolved cases opened by any customers against the Bank. While the burden of proof lies with the customers and the Bank's management is of the view that no real damage was caused, there can be no guarantee that the Turkish courts would agree with such analysis and the number of such claims may increase depending upon the outcome of the initial law suit. See "*The Group and its Business – Litigation and Administrative Proceedings*."

As a result of the recent 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 regulations, including those that limit the interest rates, fees and/or commissions that banks may charge their customers. Examples of such rule changes include the imposition of ceilings on mutual fund fees and decreases in ceiling rates that may be charged on credit cards. Other regulatory changes can affect the pricing of the Group's business - one example of such a change is the Central Bank's September 2010 announcement that, as with foreign currency reserves, it would no longer pay interest on reserve accounts kept in Turkish Lira (which had until such time been interest-bearing), which change caused Turkish banks to revisit the pricing of their products and services in order to minimize the impact of this change. The BRSA or the government might introduce certain new laws and regulations that impose limits or prohibitions on interest rates, fees and/or commissions charged to customers or otherwise affect payments received by the Group from its customers. Fees and commissions represented 21.5% of the Group's total operating income in 2012. Any failure by the Group to adopt adequate responses to these or other future changes in the regulatory framework could have a material adverse effect on the Group's business, financial condition and/or results of operations.

In order to curb loan growth and slow down domestic demand, the Central Bank and other Turkish authorities revise laws and regulations frequently. Examples of such revisions have included significant increases in reserve requirement ratio, imposition of taxes on consumer loans and limits on loan-to-value ratios. Further such regulation may be introduced, any of which could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Political, Economic and Legal Risks relating to Turkey – High Current Account Deficit*" above.

Turkish Banking System – The Turkish banking sector has experienced significant volatility in the past

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 Türkiye Halk Bankası (**Halkbank**), Türkiye Vakıflar Bankası T.A.O. (**Vakıfbank**) and T.C. Ziraat Bankası (**Ziraat**) (which remain three of the top 10 banks in the Turkish market based upon total assets as of 31 December 2012 according to the Banks Association of Turkey). Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, this may result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Changes to Capital Adequacy Requirements – Changes in the Turkish banking regulatory framework may require the Group to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all

In June 2004, the Basel Committee on Banking Supervision (the **Basel Committee**) published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework," which set out a new capital adequacy framework (commonly referred to as **Basel II**) to replace the Basel

Capital Accord issued in 1988. Basel II was implemented in Turkey in stages and was fully adopted during the second half of 2012. The Group began reporting under Basel II in August 2012 and the implementation of Basel II has had a negligible effect on the Group's Tier I capital adequacy ratio.

The Basel Committee recently adopted further revisions (**Basel III**), which are expected to be implemented between 2013 and 2019. At this stage, the BRSA has announced its intention to adopt the Basel III requirements and a draft Regulation on the Equity of Banks as well as a draft regulation amending the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were made available by the BRSA for public review on 4 February 2013. In addition to these implementations, a draft Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was prepared and delivered to the banks for their review. All such three draft regulations imply possible implementation of Basel III by the end of 2013. In the future, Turkish banks' capital adequacy requirement may be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. If these or any other capital adequacy-related revisions are adopted and the Bank or the Group is unable to maintain its capital adequacy ratios above the minimum levels required by the BRSA (whether due to its 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 could have a material adverse effect on the Group's business, financial condition and/or results of operations. Please see "Turkish Regulatory Environment" below for further discussion on Basel III.

Pressure on Profitability – The Group's profitability and profitability growth in recent years may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector

The Group's profitability may be negatively affected in the short-term and possibly in future periods as a result of a number of factors that are generally impacting the Turkish banking sector, including a slowdown of economic growth in Turkey from the high levels of recent years and a low interest rate environment in Turkey in 2012 and 2013 (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*")) and Central Bank and BRSA regulatory actions that seek either: (a) to limit the growth of Turkish banks through various conventional and unconventional policy measures, including increased reserve requirements, increased general provisioning requirements and higher risk-weighting for general purpose loans, or (b) 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*" and "*High Current Account Deficit*").

Dependence upon Banking and Other Licenses – Group members may be unable to maintain or secure the necessary licenses for carrying on their business

All banks established in Turkey require licensing by the BRSA. The Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable license for all of its banking and other operations. The Bank believes that it and each of its subsidiaries is currently in compliance with its existing material license and reporting obligations; *nevertheless*, if it is incorrect, or if any member of the Group were to suffer a future loss of a license, breach the terms of a license or fail to obtain any further required licenses, then this could have a material adverse effect on 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 exposed to its counterparties' credit risk

As a large and diverse financial organization, the Group is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Group. 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, lack of liquidity, economic downturns, operational failures or other reasons. See "*Risk Management*."

As of 31 December 2012, 11.1% and 10.5% of the Group's performing cash loans were credit card and general purpose consumer loans, respectively, which historically have had among the highest rate of payment default and are uncollateralized. The percentage of non-performing loans (**NPLs**) decreased to 2.3% as of 31 December 2011 from 3.5% as of 31 December 2010, but increased to 2.8% as of 31 December 2012. The decrease in 2011 resulted from the deceleration in new NPLs and strong collection performance combined with the 29.8% and 30.3% growth during 2010 and 2011, respectively, in the amount of cash loans. As of 31 December 2012, the percentage of NPLs increased due to new non-performing loan inflows, particularly from commercial and consumer loans. The level of NPLs might continue to rise as the Group rebalances its lending growth toward higher yielding consumer and SME loans.

Credit Risk Assessment – The Group might not correctly assess the creditworthiness of credit applicants or other counterparties

The Group might not correctly assess the creditworthiness of credit applicants or other counterparties (or their financial conditions may change) and, as a result, the Group could suffer material credit losses. While the Group seeks to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, such efforts may be insufficient to protect the Group against material credit losses. For example, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk and an increased risk of non-recovery if any credit exposure fails to perform. Estimates of the value of non-cash collateral are inherently uncertain and are subject to change as a result of market and other conditions, and may lead to increased risk if such values decline. In addition, determining the amount of provisions and other reserves for probable credit losses involves the use of estimates and assumptions and an assessment of other factors that involve a great deal of judgment. As a result, the level of provisions and other reserves that the Group has set aside (which take account of collateral where loans are secured) may not be sufficient and the Group may have to create significant additional provisions for probable credit losses in future periods.

The Group has a significant position in the still-developing mortgage market in Turkey and continues to seek to expand its lending activities, including in the expanding energy sector. The growth in these or other business lines, or in the Group's credit portfolio generally, could have a negative impact on the quality of the Group's assets. Failure to maintain the Group's asset quality could result in higher loan loss provisioning and higher levels of write-offs or defaults, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Loan Growth – The rapid growth of the Group's loan portfolio subjects it to the risk that it may not be able to maintain asset quality

The Group's total performing loans were TL 101,407,821 thousand as of 31 December 2012 compared to TL 91,641,788 thousand as of 31 December 2011 and TL 70,167,244 thousand as of 31 December 2010. The significant and rapid increase in the Group's loan portfolio (including a significant portion of unseasoned loans) has increased the Group's credit exposure and requires continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management program. The Group further intends to increase its loan portfolio, particularly with retail customers and SMEs, and any such increase could further increase the credit risk faced by the Group. Negative developments in the Turkish economy could affect these borrowers more than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by the Group to manage the growth, within prudent risk parameters, of its loan portfolio or the credit quality of its creditors

or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

Interest Rate Risk – Changes in interest rates could lead to a deterioration of the Group's net interest margin and increase mark-to-market losses

The Group's interest spread (which is the difference between the interest rates that the Group earns on its interest-earning assets and the interest rates that it pays on its interest-bearing liabilities) as well as the Group's net interest margin (which is its net interest income *divided by* its total average assets) will be affected by changes in market interest rates. Sudden changes in interest rates or significant volatility in interest rates could result in a decrease in the Group's net interest income and net interest margin. As a result of declining market interest rates, a globalization of markets after the recent global financial crisis and increased competition, the Group's net interest margin declined in recent years. Although the Group's strategy of concentrating on profitable products and the repricing of loans resulted in slightly improved net interest margins in 2012, such margins may decline in subsequent years. This trend will require the Group to develop and enhance continuously its risk management systems.

The degree of the Group's exposure to interest rate risk is largely a function of the relative tenors of its interest-earning assets and interest-bearing liabilities, its ability to reprice (and the timing of any such repricing of) its interest-earning assets and interest-bearing liabilities (*e.g.*, whether their interest rates are determined on a fixed or floating basis) and its ability to hedge against interest rate risk. As of 31 December 2012, the weighted average life of certain of the Bank's fixed rate assets and liabilities in Turkish Lira and foreign currency (respectively) were as follows: fixed rate cash loans, 1.5 years and 4.1 years; fixed rate securities holdings, 1.3 years and 3.9 years; and fixed rate borrowings, 1.9 years and 1.9 years. In addition, the weighted average maturities of the Bank's Turkish Lira and foreign currency interest-earning assets and Turkish Lira and foreign currency interest-bearing liabilities as of 31 December 2012 were 1.5 years, 4.1 years, 0.2 years and 1.7 years, respectively. See "*Risk Management*."

An increase in interest rates may reduce the demand for loans from the Group and may result in mark-to-market losses on certain of its securities holdings, reducing net income or shareholders' equity. A decrease in the general level of interest rates may affect the Group through, among other things, increased pre-payments on its fixed rate loan portfolio and increased competition for deposits. As interest rates are highly sensitive to many factors beyond the Group's control, including national monetary policies and domestic and international economic and political conditions, the Group may be unable to mitigate effectively the adverse effect of such movements.

If the Group is unable for any reason to re-price its interest-earning assets and interest-bearing liabilities in a timely or effective manner, or if interest rates rise as a result of economic conditions or other reasons, and its interest-earning assets and interest-bearing liabilities are not appropriately match-funded or hedged, then the Group's net interest margin will be affected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the US Dollar and Euro, which can have an impact on its financial position and/or results of operations. These risks are both systemic (*i.e.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and unique to the Group (*i.e.*, due to the Group's own net currency positions). For example, from a systemic perspective, if the Turkish Lira were to depreciate materially against the US Dollar or the Euro (which represent a significant portion of the foreign currency borrowings 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 loans. As of 31 December 2012, 46.5% of the Group's total loans and advances to customers and banks (of which share

63.6% was in US Dollars and 33.1% in Euro), as well as a significant portion of its off-balance sheet commitments such as letters of credit, were foreign currency risk-bearing.

A portion of the Group's financial assets and liabilities is denominated in, or indexed to, foreign currencies, primarily US 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 US 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 could adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. As of 31 December 2012, the Group's foreign currency risk-bearing liabilities exceeded its foreign currency assets (including off balance sheet items) by TL 529,857 thousand, which was 0.3% of the Group's total liabilities and 2.4% of total shareholders' equity. 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 on the Group's foreign currency-denominated (or indexed) assets. A significant devaluation or depreciation may affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies and could have a material adverse effect on 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 material volatility in exchange rates could lead to operating losses, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Liquidity risk is the risk that a company will be unable to meet its obligations, including funding commitments, as they fall due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance upon a particular source of funding (such as short-term funding), changes in credit ratings or market-wide dislocation. Credit markets worldwide experienced a severe reduction in liquidity during the recent global financial crisis and, with the exception of certain funding provided by the European Central Bank and other central banks, liquidity remains more difficult to obtain on favourable terms. Perceptions of counterparty risk between banks also increased significantly, which led to further reductions in banks' access to traditional sources of liquidity such as the debt markets and asset sales. The Group's access to these wholesale sources of liquidity may be restricted or available only at a high cost and the Group may have difficulty extending and/or refinancing its existing wholesale financing such as syndicated loans. In addition, the Group's significant reliance upon deposits as a funding source makes it susceptible to changes in customer perception of the strength of the banking sector in general and the Group in particular, and the Group could be materially and adversely impacted by substantial customer withdrawals of deposits.

The Group's customer deposits are its primary source of funding, although the Group also obtains funding through loans from other banks and through the sale of securities in the capital markets. The Bank relies primarily on short-term liabilities in the form of deposits (typically deposits with terms of less than three months) 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 may result in asset versus liability maturity gaps and ultimately liquidity concerns in the event of a banking crisis or similar event. See Note 26.3 of the

IFRS Financial Statements. Notwithstanding the above, the rate of growth of loans and advances to the Group's customers has in recent years outpaced the rate of growth of deposits from the Group's customers, leading to an increase in loan-to-deposit ratios from 93.2% as of 31 December 2010 to 110.9% as of 31 December 2012. Accordingly, as the growth in loans has outpaced deposit growth, the Group has funded this growth through the sale of securities and the use of borrowing facilities in addition to deposits and it may do so in the future.

If deposit growth does not keep close to loan and asset growth (for example, due to competition), then the Group would be increasingly dependent upon other sources of financing, including long-term funding via "future flow" transactions and eurobonds. If any member of the Group were to seek to raise long-term financing, then funds that it might have raised through those channels might either be unobtainable at an acceptable price, or at all, and would need to be raised in the short-term money market, thereby reducing the Group's ability to diversify funding sources and adversely affecting the length of the Group's funding profile.

The Group may expand its activities in commercial banking, which is constituted in considerable part by project financing and granting commercial loans. Project financing loans may be denominated in foreign currency and may have longer maturities compared to funding provided to corporations. Such longer maturities may exacerbate any liquidity mismatch between the Group's funding and its loans. The need to rely upon shorter-term funds, or the inability to raise financing via the capital or loan markets, may adversely impact the Group's liquidity profile and could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Risk Management*."

In the event of a liquidity crisis affecting the Group, any liquidity mismatch (that is, a mismatch between the maturities of the Group's assets and liabilities) may require the Group to liquidate some of its assets. Any liquidation of the Group's assets in such circumstances may be executed at prices below what the Group believes to be their intrinsic values (as certain of those assets would have been accounted for at their current, no-stress-market values, accrual values or amortized costs).

A rising interest rate environment could 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 recent global crisis, competition among banks and other borrowers for the reduced global liquidity might result in increased costs of funding. This and other factors could 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 may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption 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 could have a material adverse effect on 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 may adversely affect borrowing using certain capital market instruments (such as Eurobonds and "future flow" financings). See also "*Foreign Currency Borrowing and Refinancing Risk*" below.

Securities Portfolio Risk – Members of the Group invest in securities for long- and medium-term periods, which could lead to significant losses

In addition to trading activities, members of the Group invest in securities for long- or medium-term periods for their own account, including investments in Turkish government securities and securities issued by Turkish and foreign corporations. The Group has made significant investments in high-yielding Turkish government securities, leading to a material and higher-than-normal percentage of the Group's net income in 2010, 2011 and 2012 being derived from these investments. As of 31 December 2012, 25.5% of the Group's interest-earning assets consisted of securities, a slight increase from 24.4% as of 31 December 2011 (itself a decrease from 32.1% as of 31 December 2010), with the significant decline from 2010 largely a result of the accelerating growth in cash loans during 2011 and 2012. In addition to the credit risks of its investments in securities, the value of the portfolio is subject to market risks, including the risk that possible declines in

interest rates may reduce interest income on any new investments whereas possible increases in interest rates may result in a decline in the market value of the securities held by the Group, whether or not the Group is required to record such losses in its financial statements, either of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

While securities issued by the Turkish government represented 87.9%, 86.9% and 87.5% of the Group's securities portfolio as of 31 December 2010, 2011 and 2012, respectively, and the Group thus does not have significant direct exposure to the credit risk of foreign governments, the on-going disruptions to the capital markets caused by investors' concerns over the fiscal deficits in certain countries such as Cyprus, Greece, Ireland, Italy, Portugal and Spain have had and may continue to have a material negative impact on the valuation of securities and thus on the market value of the Group's securities portfolio.

Foreign Currency Borrowing and Refinancing Risk – The Group relies to an extent on foreign currency-denominated borrowings, which may result in difficulty in refinancing or may increase its cost of funding, particularly if the Group suffers a ratings downgrade

While the Group's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Group to match fund its long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Group has raised (and likely will seek to increase its raising of) longer term funds from syndicated loans, "future flow" transactions, bond issuances, bilateral loans and other transactions, much of which have been denominated in foreign currencies. As of 31 December 2012, the Group's total foreign currency-denominated loans and advances from banks and subordinated liabilities constituted 13.1% of its consolidated liabilities and equalled 53.0% of its foreign currency-denominated assets with maturities of one year or more, and approximately 93.8% of the Group's foreign currency-denominated borrowing (including subordinated liabilities) was sourced from international banks, multilateral institutions and "future flow" transactions. 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. 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 devaluations 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 materialize, these circumstances could 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 may increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness raised in the international financial markets, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt, resulting in an increase in the cost of such financings provided by the Group's creditors.

These risks may increase as the Group seeks to increase 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. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Reduction in Earnings on Securities Portfolio – The Group may be unable to sustain the significant level of earnings from recent years on its securities portfolio

The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2010, 2011 and 2012 accounting for 37.8%, 32.3% and 29.0%, respectively, of its total interest income (and 29.3%, 24.0% and 22.8%, respectively, of its gross operating income before deducting interest expense and fee and commission

expense). The Group also has obtained large realized gains from the sale of securities in the available-for-sale portfolio.

Approximately 41.2% of the Group's securities portfolio as of 31 December 2012 was scheduled to mature during 2013. Another 43.7% of the Group's other securities was scheduled to mature in the next five years. As such maturing securities were largely issued when market interest rates were higher than they are in the current market, the Group might not be able to re-invest in assets with a comparable return. While the trend has been for the Group to allocate higher percentages of its assets to making loans, such re-positioning might not result in the same returns as have been received under the maturing securities and, from a credit risk perspective, an increase in loans results in increased exposure to the credit risk of the Group's borrowers.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income may not be as large in coming years. In particular, the robust trading gains earned during the global financial crisis as a result of the high level of volatility in financial markets might not continue. In addition, the recent trend towards lower interest rates may result in lower nominal earnings on the Group's holdings of securities. As such, high levels of earnings from the Group's securities portfolio may not be sustainable in future periods. If the Group is unable to sustain its high levels of earnings from its securities portfolio, then this could have a material adverse effect on its business, financial condition and/or results of operations.

Trading Activities Risk – Members of the Group engage in market trading activities, including hedging, that could lead to significant losses

Members of the Group engage in various trading activities, as both agent and (to a limited extent) principal. In 2012, the Group incurred a net gain of TL 170,409 thousand from trading activities, of which TL 610,310 thousand was attributable to trading gains on securities, offset by TL 439,901 thousand attributable to trading losses on derivative transactions. The Group's proprietary trading involves a degree of risk and future results will in part depend largely upon market conditions that are outside of the Group's control. Trading risks include (among others) the risk of unfavourable market price movements relative to the Group's long or short positions, a decline in the market liquidity of such instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Group chooses to hedge certain positions do not track the market value of those positions and exchange rates. The Group could incur significant losses from its trading activities, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

By law, each of the Bank and the Group is required to maintain certain capital levels and capital ratios in connection with its banking business. Such capital ratios depend in part upon the level of risk-weighted assets. The Group expects that improving economic conditions will result in increased lending (both in absolute terms as well as proportionately in comparison to the Group's zero risk-weighted investment in Turkish government securities). As a result, the Bank's management expects there to be a continuing increase in the Group's risk-weighted assets, which may adversely affect the Group's capital ratios. Potential changes relating to Basel III (if implemented by the BRSA in Turkey) may also impact the manner in which the Group calculates its capital ratios and may even impose higher capital requirements. Additionally, it is possible that the Group's capital levels could decline due to, among other things, credit losses, increased credit reserves, currency fluctuations or dividend payments. In addition, the Group may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets. Should the Group desire or be required to raise additional capital, that capital may not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks materialize, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Correlation of Financial Risks – The occurrence of a risk borne by the Group could exacerbate 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, could 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 could rise sharply while its access to liquidity and/or capital could be impaired. In addition, in conjunction with a market downturn, the Group's customers could 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 particular combination of risks, or any others, occur, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Operational Risk – The Group may 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 or third parties, failure of internal processes and systems, unauthorized transactions by employees and 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, which are beyond the Group's control. Such interruptions may result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and prevent these or any other operational risks, or obtain sufficient insurance to cover these risks, then this could have a material adverse effect on the Group's 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.

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, which could have a material adverse effect on the Group

The Group is required to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations and has adopted various policies and procedures, including internal control and "know-your-customer" procedures, aimed at preventing use of the Group for money laundering and terrorist financing. In addition, while the Group reviews its correspondent banks' internal policies and procedures with respect to such matters, the Group to a large degree relies upon its correspondent banks to maintain and properly apply their own appropriate anti-money laundering and anti-terrorist financing procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its correspondent banks) as a conduit for money laundering (including illegal cash operations), terrorist financing or other criminal activities without the Group's (and its correspondent banks') knowledge. If the Group is associated with, or even accused of being associated with, money laundering, terrorist financing or similar criminal activities, then its reputation could suffer and/or it could become subject to criminal or regulatory fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The non-deposit obligations of the Group are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or the Group in particular. Investors in the Notes should not place any reliance on 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 SDIF*" for information on the limited government support available for the Bank's deposit obligations.

Leverage Risk – The Group may become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive levels 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 debtor'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 may be unable to satisfy its obligations in times of financial stress, and such failure could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Personnel – The Group's continued 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, particularly in the Group's Istanbul headquarters, is very high and requires the Group to continually re-assess its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group may not continue with the Group. In addition, the Group's continuing 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 could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Information Technology Systems – The Group's operations are highly dependent upon its information technology systems

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

Any failure, interruption or breach in security of the Group's information technology systems could result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organization and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and may continue some of its operations through the Bank's branches in case of emergency, if the Group's information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thus lose business. Likewise, a temporary shutdown of the Group's information systems could result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing information systems as effectively as its competitors may result in a loss of the competitive advantages that the Group believes its information systems provide. Such failures or interruptions may occur and/or the Group may not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's information technology systems, delays or other problems in increasing the capacity of the information technology systems or increased costs associated with such systems could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risk Management Strategies – The Group's efforts to control and manage risk may be inadequate

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk and operational risk. See "*Risk Management*." Although the Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon its use of historical market behaviour, which methods may not predict future risk exposures that could be significantly greater than historical measures indicate. If its measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses that could have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Group calculates using mathematical models and the deterioration of assets like these could lead to losses that the Group has not anticipated.

The Bank's subsidiaries have their own risk management teams and procedures, which (in the context of their respective businesses and regulatory environment) are generally consistent with those of the Bank. The Bank's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Bank's subsidiaries. Such coordination and monitoring may not be sufficient to ensure that the subsidiaries' respective risk management teams and procedures will be able to manage risks to the same degree as the Bank's risk management team and procedures. Any failure of a subsidiary's risk management procedures to manage risk effectively may have a material adverse impact on the Group's reputation, together with its business, financial condition and/or results of operations.

This risk factor should not be taken as implying that the Bank or any other member of the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

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

While a substantial majority of the Group's operations are in Turkey, it also maintains operations in countries such as Romania, the Netherlands and Russia. 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 Russian Ruble. Adverse changes in the regulatory environments, economic conditions, relevant exchange rates and/or other circumstances in the jurisdictions

in which the Group operates could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks relating to the Group's Relationship with the Bank's Principal Shareholder – The Group intends to continue its dealings with the Doğuş Group and other shareholders although these may give rise to apparent or actual conflicts of interest

The Turkish Banking Law No. 5411 of 2005, as amended (the **Banking Law**), places limits on a Turkish bank's exposure to related parties. The Group is within the limits of the Banking Law in terms of its exposure to its related parties (including the Doğuş Group). As of 31 December 2012, the Group's total exposure to its related parties (if computed in accordance with the Banking Law and considered as one corporate group) was the Group's seventh largest exposure to any one corporate group. All credits with respect to and services provided to members of the Doğuş Group (such as Garanti Teknoloji's provision of IT services to the Doğuş Group) and the BBVA Group are made on an arm's-length basis and all credit decisions with respect to the members of the Doğuş Group and the BBVA Group are required to be approved by the affirmative vote of two-thirds of the Bank's Board of Directors. From time to time the Group has purchased and sold assets (including equity participations and real estate) to/from Doğuş Group companies and the Bank believes that the terms of such transactions have been at least as favourable as those the Group would have received from an unaffiliated party. The value estimations (to the extent that the market values were not available) were made by independent appraisers engaged by the Group's management. Although the Group intends to continue to enter into transactions with related parties on terms similar to those that would be offered to an unaffiliated third party, such transactions create the potential for, or could result in, conflicting interests. See "*Related Party Transactions*."

Corporate Governance – Turkish corporate governance standards are in transition and independent directors constitute a minority of the Bank's directors

On 30 December 2011, the CMB issued the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 (as amended, the **Corporate Governance Communiqué**) providing certain mandatory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on Borsa İstanbul. The CMB has amended the Corporate Governance Communiqué as of 22 February 2013 to provide for specific exemptions and/or rules applicable to banks that are traded on Borsa İstanbul. These amendments are being prepared in consultation with the BRSA in accordance with the new Capital Markets Law. The intent of the Corporate Governance Communiqué is to enhance Turkish corporate governance standards in a number of ways, including requiring the establishment of various committees such as a remuneration committee and a corporate governance committee. According to the amended Corporate Governance Communiqué, publicly traded banks are also required to appoint three independent board members to their boards of directors, who may be selected from the members of the audit committee; *provided* that at least one member should meet the mandatory qualification required for board members as set out under the applicable legislation. The Bank has two members currently serving on the audit committee. Publicly traded banks must comply with the Corporate Governance Communiqué, as amended, by no later than June 2013. Accordingly, the Bank established a Corporate Governance Committee at its board meeting on 14 February 2013, and is currently working toward taking the remaining necessary steps, including appointing the remaining independent director, at its ordinary general assembly scheduled to take place on 30 April 2013. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will describe any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report.

The Bank does not currently have any independent directors. As a result, the opinions held by the Bank's directors may be the same as the views of the Bank's management and thus the Bank's board might not present an independent voice to balance against the views of the Bank's management. All of the members of the Bank's Board of Directors are associated with the Doğuş Group and Banco Bilbao Vizcaya Argentaria, S.A. (**BBVA**). See "*Management*."

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

The disclosure obligations applicable to Turkish companies differ in certain respects from those applicable to similar companies in certain other markets, including the United States and the United Kingdom. There is also less publicly available information regarding listed Turkish companies than public companies in the United States, the United Kingdom and other more-developed markets. The new Capital Markets Law broadened the scope of disclosure requirements and those that are required to make public disclosures and, accordingly, issuers and all relevant parties are required to disclose all events, information and developments that may impact the value of the issuer's capital markets instruments, market prices or investor decisions. The CMB will determine the details of these requirements under a new regulation to be issued by 30 December 2013. Investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the United States, the United Kingdom and other more-developed markets.

Audit Qualification – The audit reports in relation to the IFRS Financial Statements included a qualified opinion; audit reports in relation to future financial statements may include similar qualifications

The Group's audit reports for the years ended 31 December 2010, 2011 and 2012 were qualified with respect to general provisions that were allocated by the Group. In 2009, the Group's management elected to take a TL 330,000 thousand general provision in order to act conservatively in the context of the uncertainty created by the global financial crisis. The Bank's management decided to maintain this general provision in 2010 and 2011, and elected to take a further TL 90,000 thousand provision in 2011. This general provision remained outstanding in the Group's financial statements during 2012 and the Group may have similar qualifications in the future.

Deloitte has qualified its audit reports in respect of the years ended 31 December 2010, 2011 and 2012 as general provisions are not permitted under IFRS (see Deloitte's opinion attached to each IFRS Financial Statement attached hereto or incorporated by reference herein). Although these provisions did not impact the Group's level of tax or capitalization ratios, if the Group had not established these provisions, then its net income might have been higher in such years. In addition, such provisions might be reversed or re-allocated by the Group in future periods, which may cause the Group's net income to be higher or lower in future periods than it otherwise would be in the absence of such reversal or re-allocation. The auditor's statements on such qualification can be found in its opinion attached to each of the 2010, 2011 and 2012 IFRS Financial Statements and BRSA Financial Statements attached hereto (or incorporated by reference herein).

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Risks related to the structure of a particular issue of Notes

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

Optional Redemption – If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

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

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the 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 may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Change of interest basis – If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Fixed/Floating Rate Notes are Notes which 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. Where the Issuer has the right to effect such a conversion, this may affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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

In the case of Turkish Lira denominated Notes held other than through DTC, unless an election to receive payments in U.S. Dollars as provided in Condition 7.8 is made, holders of such Notes may need to open and maintain a Turkish Lira denominated bank account, and no assurance can be given that Noteholders will be able to do so either in 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 Euroclear or Clearstream, Luxembourg to which any such payment is made.

For Notes in a Specified Currency other than US Dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to 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 the 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. See "*Terms and Conditions of the Notes – Condition 7.9*".

Under Condition 7.8, if the Fiscal Agent receives cleared funds in respect of Turkish Lira denominated Notes held other than through DTC from the Bank 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 it is not possible for the Fiscal Agent to purchase U.S. Dollars with any Turkish Lira funds received, 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 may (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, 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 may 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 – Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values 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 related to Notes generally

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

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

While the Notes will rank equally with all of the Bank's other unsecured and unsubordinated indebtedness, this 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 Savings Deposit Insurance Fund (the **SDIF**), claims that the SDIF may have against the Bank and claims that the Central Bank may have against the Bank with respect to certain loans made by it to the Bank).

Redemption for Taxation Reasons – The Bank will have the right to redeem the Notes upon the occurrence of certain changes requiring it to pay withholding taxes in excess of current levels, if any, applicable to interest or other payments on the Notes

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 2009/14592 dated 12.01.2009 which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (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 10 per cent., (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7 per cent., (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3 per cent., and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0 per cent. The Bank will have the right to redeem the Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, upon the occurrence: (i) of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9.1) or (ii) any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes, on the next Interest Payment Date the Bank would be required: (A) to pay additional amounts in respect of such Series of Notes as provided or referred to in Condition 9 on account of any Taxes (as defined in Condition 9.1) and (B) to 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 first Tranche of the relevant Series of Notes and such requirement cannot be avoided by the Bank 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 the same rate of return as their investment in the Notes and, in the case of any Floating Rate Notes, the redemption could take place on any relevant date during an Interest Period.

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

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Transfer Restrictions – Transfers of Notes will be subject to certain restrictions and interests in Global Notes can only be held through Euroclear, Clearstream, Luxembourg and/or DTC

Although the Notes have been authorised by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the Communiqué Serial: II. No: 22 on the Principles on the Registration and Sale of Debt Instruments of the CMB as debt securities to be offered outside of Turkey, the Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws or (b) with the SEC or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments 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 DTC, Clearstream, Luxembourg and/or Euroclear (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Clearstream, Luxembourg, Euroclear or DTC, as applicable. The ability to pledge interests in the Notes (or beneficial interests therein) may be limited due to the lack of a physical certificate. In the event of the insolvency of Euroclear, Clearstream, Luxembourg, DTC 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 may be impaired.

Enforcement of Judgments – It may 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. Certain of the directors and officers of the Bank reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors 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 the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognise enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments. For further information, see "*Enforcement of Judgments and Service of Process*".

EU Savings Directive – The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

The U.S. Foreign Account Tax Compliance Act (**FATCA**) imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to: (a) certain payments from sources within the United States, (b) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime and (c) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank may be classified as a financial institution for these purposes. If an amount in respect of such withholding tax were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, then neither the Bank nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Prospective investors should refer to the section "*Taxation – U.S. Foreign Account Tax Compliance Act*."

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who purchase Bearer Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive bearer Notes are subsequently required to be issued

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in bearer form in respect of such holding (should such Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes in bearer form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Clearing Systems - Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

Unless issued in definitive form, Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with or registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or may be deposited with or registered in the name of a nominee for DTC (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Except in the case of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC has elected to receive any part of such payment in that Specified Currency, for so long as the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has 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 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 and its participants to appoint appropriate proxies.

Sanction Targets – Persons investing in the Notes might have indirect contact with Sanction Targets as a result of the Bank's investments in and business with countries on sanctions lists

The Office of Foreign Assets Control of the U.S. Department of Treasury (**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 (**SDNs**), and other United States, United Kingdom, European Union and United Nations rules impose similar restrictions (the SDNs and other targets of these restrictions being together the **Sanction Targets**). As the Bank is not a Sanction Target, these rules do not prohibit United States or European investors from investing in, or otherwise engaging in business with, the Bank; however, while the Bank's current policy is not to engage in any business with Sanction Targets, to the extent that the Bank invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Bank may incur the risk of indirect contact with Sanction Targets. See "*The Group and its Business– Compliance with Sanctions Laws*."

Risks related 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 may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their 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. Illiquidity may have a severely adverse effect on the market value of Notes.

Market price volatility – The market price of the Notes may be subject to a high degree of volatility

The market value of any Notes could 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 notes issued by the Republic of Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market value of Notes without regard to the Bank's financial condition or results of operations.

The market value of any Notes will also 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 may 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 may diminish investor interest in securities of Turkish issuers, including the Bank's, which could adversely affect the market value of Notes.

Exchange Rate Risks and Exchange Controls – If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This 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 may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or

principal. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in the Specified Currency into the Investor's Currency, which could materially adversely affect the market value of the Notes. There may also be tax consequences for investors.

Interest Rate Risk – The value of Fixed Rate Notes may 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 rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit Ratings – Credit ratings assigned to the Issuer or any Notes may not reflect all risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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 will also apply 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 the European Securities and Markets Authority (**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 may 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. 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 may be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it may not be possible for investors 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 order to enforce such judgments in Turkey, investors should initiate enforcement proceedings before the competent Turkish courts. In accordance with Articles 50 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. Turkish courts have 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 US 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:

(i) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,

(ii) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,

(iii) 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,

(iv) the judgment is not of a civil nature,

(v) the judgment is clearly against public policy rules of Turkey,

(vi) 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

(vii) 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 connection with the Programme, service of process may be made upon the Bank at its representative office at 192 Sloane Street, Fifth Floor, London SW1X 9QX United Kingdom with respect to any proceedings in 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 shall be incorporated in, and form part of, this Base Prospectus:

(a) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for the years ended 31 December 2012, 2011 and 2010; and

(b) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for the years ended 31 December 2012, 2011 and 2010.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document 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 which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus are available on the Bank's website at www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports.page (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes in accordance with Article 16 of the Prospectus Directive.

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 IFRS Financial Statements (including the notes thereto) appearing elsewhere in (or incorporated by reference into) this Base Prospectus.

The Group is a leading Turkish banking group with a significant market share in Turkey, offering its customers a broad range of financial products and services, including (as per published BRSA financial statements as of 31 December 2012) being the second largest private banking group in Turkey in terms of net income and total assets. The Group's customers are comprised mainly of large, midsize and small Turkish corporations, foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group served approximately 11.7 million customers as of 31 December 2012 (10.2 million retail customers, 1.5 million small and medium enterprise (**SME**) customers, 42,806 commercial customers and 1,846 corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments. These products and services include deposits, corporate loans, project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit and debit cards) and technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of 31 December 2012, the Bank's services in Turkey were provided through a nationwide network of 926 domestic branches and offices as well as through sophisticated alternative delivery channels (**ADCs**), such as automated teller machines (**ATMs**), internet banking and mobile phone banking. The Bank also has seven foreign branches (one in Malta, one in the Grand Duchy of Luxembourg and five in Northern Cyprus (together with a Country Directorate in Northern Cyprus that was established in order to comply with the legal requirements in Northern Cyprus)) and three international representative offices (one each in London, Düsseldorf and Shanghai), together with bank subsidiaries in the Netherlands (Garanti Bank International N.V.), Russia (Garanti Bank Moscow) and Romania (Garanti Bank SA).

As of (and for the year ended) 31 December 2012, according to financial information made publicly available by Turkish banks, the Group was the second largest private banking group in Turkey in terms of net income and total assets as per its consolidated BRSA Financial Statements. Based upon the 2012 IFRS Financial Statements as of 31 December 2012, the Group had total assets of TL 177,499,535 thousand, total loans and advances to customers (which includes leasing and factoring receivables and income accruals, in each case for both performing and non-performing loans and advances to customers) (as used herein, **cash loans**) of TL 102,260,080 thousand and shareholders' equity (including non-controlling interests) of TL 21,937,716 thousand. The Group's return on average equity was 17.0% for 2012 compared to 19.6% for 2011. The Bank's shares have been listed on the Borsa İstanbul (or its predecessor the Istanbul Stock Exchange) since 1990 and it listed global depositary receipts on the London Stock Exchange in 1993. In 2012, the Bank joined the top tier of the U.S. Over-the-Counter (OTC) market, OTCQX International Premier.

Organisation

The Bank is organised into six major business lines: retail (excluding payment systems such as credit and debit cards), payment systems (which includes the Bank's credit and debit card business and is operated together with its subsidiary Garanti Payment Systems), SME banking, commercial banking, corporate banking and treasury. Each of the Bank's business lines is managed by a separate department within the Bank, except that the payment systems business line is managed by the Bank together with its subsidiary

Garanti Payment Systems. The Bank also conducts certain international banking operations through its foreign branches, foreign representative offices and subsidiaries. All of the Group's business lines are supported by head office and other support functions. The Bank's subsidiaries (described in "*The Group and its Business – Subsidiaries*" below) provide various specialty products to clients of the Group.

Principal Shareholders

The principal shareholders of the Bank are: (a) Doğuş Holding A.Ş. (**Doğuş Holding**), the holding company of the Doğuş Group of companies (the **Doğuş Group**), with the Doğuş Group holding a 24.89% interest in the Bank, and (b) BBVA, which holds a 25.01% interest in the Bank (including the additional 0.12% of the shares of the Bank that BBVA acquired in a mandatory tender offer shortly following its acquisition of a 24.89% interest in the Bank from Doğuş Holding and GE Capital Corporation without changing the joint control and management principles agreed to between Doğuş Holding and BBVA). Doğuş Holding, Doğuş Nakliyat ve Ticaret A.S. and Doğuş Arastırma Gelistirme ve Musavirlik Hizmetleri A.S. (together, the **Doğuş Shareholders**) and BBVA are parties to a shareholders' agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block to control and manage the Bank. None of the Bank, GE Capital Corporation nor its subsidiary GE Araştırma ve Müşavirlik Limited Şirketi (**GEAM**) are parties to the shareholders' agreement between the Doğuş Shareholders and BBVA.

Key Strengths

The Bank's management believes that the Group's success in the competitive Turkish banking sector is due to the following strengths:

- a robust balance sheet and favourable capital adequacy ratios,
- strong liquidity ratios and proven access to funding, particularly deposits,
- a strong brand and market position as well as a reputation as a product and service innovator,
- a customer-centric and innovation-driven approach that focuses on customer satisfaction and retention rates and allows for greater cross-selling through the use of sophisticated customer segmentation models and advanced technological capabilities,
- a high-quality and dynamic employee base with an experienced management team,
- a history of significant growth while maintaining sound asset quality due to its focus on risk management and a disciplined credit approval process,
- conservative loan loss provisions with a sophisticated and efficient collection procedure,
- a strong operating platform, including a sophisticated proprietary IT platform that drives efficiency and is well-integrated with the Group's businesses, and
- broad geographic coverage through extensive branch network and leadership in ADCs.

Strategy

The Group's overall strategic goal is to maintain and build upon its position as a leading Turkish banking group. It intends to achieve this goal by continuing to implement the following key strategies:

- identifying opportunities for growth in the Group's lending portfolio while maintaining strong credit quality,

- continuing efforts to preserve solid and diversified funding mix,
- focusing on sustainable and diverse sources of non-interest revenue,
- further refining its customer-centric approach, and
- maintaining disciplined control over expenses.

Prospective investors in the Notes should refer to "*The Group and its Business – Overview of the Group – Strategy*" for more detail on the key strategies outlined above.

Risk Factors

Investing in the Notes entails certain 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 terms and conditions of any particular Tranche of Notes, the applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer:	Türkiye Garanti Bankası A.Ş.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. 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 which are material for the purpose of assessing the risks associated with Notes issued under the Programme. 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
Arranger:	Merrill Lynch International
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Limited HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities plc Merrill Lynch International Morgan Stanley & Co. International plc National Bank of Abu Dhabi PJSC and any other Dealers 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 which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Base Prospectus.

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*".

Fiscal Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to U.S.$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. 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, Sterling, U.S. Dollars, Turkish Lira or, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer, 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 7.8 if an irrevocable election to receive such payment in U.S. dollars is made. See "*Terms and Conditions of the Notes – Condition 7.8*". 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 7.9*".
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, 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.

	Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Issue Price:	Notes may be issued at an issue price which 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:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
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 at the Issue Date of the first Tranche of the Notes of the relevant Series); or (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. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. 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, 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 the relevant Dealer.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount

to their nominal amount and will not bear interest.

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 following 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.

Denomination of Notes: The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer 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, see "*Certain Restrictions – Notes having a maturity of less than one year*" above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

The minimum denomination of each Definitive IAI Registered Note, and of Notes sold to Institutional Accredited Investors in the form of a Global IAI Note, will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.

Taxation: All payments in respect of the Notes 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 may be necessary in order that the net amounts received by the holders of the Notes, after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation – Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes – Condition 9*".

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to

	FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Certain Covenants:	The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates.
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 3) unsecured obligations of the Issuer and (subject as provided above) 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.
Rating:	The Programme has been rated BBB by Fitch and Baa2 by Moody's. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the ratings 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 suspension, reduction or withdrawal at any time by the assigning rating agency.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**), a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other US Employee Benefit Plans*".

Listing and admission to trading:	Application has been made to the Irish Stock Exchange for certain Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market, *however*, no assurance can be given that such application will be accepted. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which 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.
Governing Law:	The Notes and the Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes or the Agency Agreement will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Turkey, Japan and Switzerland, and 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 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.

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. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially 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 the Bearer Global Notes are intended to be 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 the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and

(b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for, Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are 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 times 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.

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 the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the 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 given a like certification (based on the certifications it has received) to the Fiscal Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, interest 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 will not be entitled to collect any payment of interest, principal or other

amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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 above.

The applicable Final Terms will specify that a Temporary 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, interest coupons and talons attached upon either (a) not less than 60 days' written notice given at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 11) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depositary or the 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 such Permanent Bearer Global Note) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes or Bearer Notes issued in compliance with TEFRA C) which have an original maturity of more than one year and on all interest coupons relating to such Notes:

"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 holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons 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.

Notes which 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.

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 Registered Notes of each Tranche offered and sold in reliance on Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global note in registered form (a **Regulation S Global Note**) or, if so specified in the applicable Final Terms, by a registered note in definitive form (a **Definitive Regulation S Registered Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, Registered Notes offered and sold in reliance on Regulation S (including Definitive Regulation S Registered Notes) or beneficial interests therein may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and such beneficial interests in a Regulation S Global Note may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Notes will bear a legend regarding such restrictions on transfer.

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 in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) and who execute and deliver an IAI Investment Letter in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs pursuant to Rule 144A will be represented by a global note in registered form (a **Rule 144A Global Note**).

Registered Global Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (**DTC**) or (ii) deposited with a common depositary or, if the Registered Notes are to be held under the NSS, a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and 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 the 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 which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are 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 times 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.

The Registered Notes of each Tranche sold to Institutional Accredited Investors in reliance on Section 4(a)(2) of the Securities Act will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**) or, if so specified in the applicable Final Terms, by a global note in registered form (an **IAI Global Note** and, together with a Rule 144A Global Note and a Regulation S Global Note, each a **Registered Global Note**). Interest in a IAI Global Note sold to Institutional Accredited Investors will only be transferable to QIBs or to non-U.S. persons in offshore transactions, in accordance with the legends regarding restrictions on transfer set out under "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Notes will be issued, and interests in a Rule 144A Global Note may be purchased, only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes and interests in Global Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions*". Institutional Accredited

Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4) as the registered holder of the Registered Global Notes on 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. Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in 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 (i) an Event of Default has occurred and is continuing, (ii) in the case of 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 the 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, (iii) in the case of Notes registered in the name of a nominee for a common depositary 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 14 days (other than by reason of holiday, 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 (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or, upon the delivery of an IAI Investment Letter, in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. 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 (as defined under "*Terms and Conditions of the Notes*"), the Fiscal Agent shall arrange that, where a further Tranche of Notes is issued which is intended to 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 shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not

be prior to the expiry of any applicable distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such further Tranche.

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 the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on the day immediately following the applicable due date. At the same time holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 19 April 2013 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

TÜRKİYE GARANTİ BANKASI A.Ş.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)
under the U.S.$2,500,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [*date*] [and the supplement[s] to it dated [*date*] [and [*date*]] [which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus][1]. 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 has been published on the Issuer's website (www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports.page).

[*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 subparagraphs. Italics denote directions for completing the Final Terms.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		Türkiye Garanti 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 Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]

[1] *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 where a prospectus is required to be published under the Prospectus Directive.*

	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ] *(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:	[ ] (*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 or nearest to [*specify month*]]
9.	Interest Basis:		[ ] per cent. Fixed Rate] [ ] month [LIBOR/EURIBOR/TRYIBOR]] +/- [ ] per cent. Floating Rate] [Zero coupon] (*see paragraph [15]/[16]/[17]below*)
10.	Redemption[/Payment] 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 [19]/[20]/[21] 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, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[[ ] per Calculation Amount] [Not Applicable]
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(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)
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]
	(f)	Screen Rate Determination:	
		• Reference Rate, Relevant Time and Relevant Financial Centre:	Reference Rate: [ ] month [LIBOR/EURIBOR/TRYIBOR]. Relevant Time: [ ] *(11.00 a.m in the case of LIBOR and EURIBOR, and 11.30 a.m in the case of TRYIBOR)* Relevant Financial Centre: [London] [Brussels] [Istanbul]
		• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and the second Istanbul business day prior to the start of each InterestPeriod if TRYIBOR)*
		• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a*

			composite rate or amend the fallback provisions appropriately)
	(g)	ISDA Determination:	
		• Floating Rate Option:	[ ]
		• Designated Maturity:	[ ]
		• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR-based option, the first day of the Interest Period*)
	(h)	Margin(s):	[+/-] [ ] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[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)] (*See Condition 6 for alternatives*)
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs 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, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]

	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount [*Set out appropriate variable details in this pro forma, for example reference obligation*]
	(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 require a minimum of 5 business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs 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 require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the 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 Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

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

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

[Bearer Notes shall not be physically delivered (i) in Belgium, except to a clearing system, a depositary 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 exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 7 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*)

[Registered Notes:

[Regulation S 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 [upon an Exchange Event][at any time at the request of the Issuer]]

[Rule 144A 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 [upon an Exchange Event][at any time at the request of the Issuer]]

		[Definitive Regulation S Registered Note] [Definitive IAI Registered 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 [upon an Exchange Event][at any time at the request of the Issuer]] *(N.B. In the case of an issue with more than one Global Note or a combination of one or more Bearer Global Notes and Definitive IAI Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Notes if such information is available*)
	(b) [New Global Note:	[Yes][No]]
23.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which paragraph 16(b) relates*)
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]

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 which would render the reproduced information inaccurate or misleading.

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

By: ..... By:.....

Duly authorised *Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange plc with effect from [●].] [●] [Not Applicable.]
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings: [The Notes to be issued [[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 associated defined terms*].

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

[*Insert legal name of credit rating agency*] is established in the EU 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 EU but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the **CRA Regulation**).]

[*Insert legal name of credit rating agency*] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the **CRA Regulation**).]

[*Insert legal name of credit rating agency*] is not established in the EU and is not certified under Regulation (EU) 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 EU and registered under the CRA Regulation.]

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

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

[Save for any fees 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. The [Managers/Dealers] and their 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 Article 16 of the Prospectus Directive.*)]

4. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ] The yield is calculated at 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 [LIBOR/EURIBOR] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION

(a)	ISIN Code:	[ ]
(b)	Common Code:	[ ]
(c)	CUSIP:	[ ]
Any clearing system(s) other than DTC Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):		[Not Applicable/*give name(s) and number(s)*]
Delivery:		Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):		[ ]
Deemed delivery of clearing system notices for the purposes of Condition 15:		Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
Intended to be held in a manner which would		[Yes. Note that the designation "yes" simply means

allow Eurosystem eligibility:	that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper 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. 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.]

7. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(c)	Date of [Subscription] Agreement:	[ ]
(d)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. Selling Restrictions:	[Reg. S Compliance Category 2][Rule 144A][Rule 144A and Section 4(a)(2)]; [Rules identical to those provided in TEFRA C/TEFRA D/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, unless otherwise agreed by the Issuer and the relevant Dealer or Investor at the time of issue. will be incorporated by reference into 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 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 "Applicable Final Terms" and "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Türkiye Garanti 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 Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 19 April 2013 and made between 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 (Luxembourg) S.A. 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 which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest-bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, 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 or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are

registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which 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 or Tranches of Notes (a) which are expressed 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, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 19 April 2013 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (such deed poll as modified and/or supplemented and/or restated from time to time, the **Deed Poll**) dated 19 April 2013 and made by the Issuer and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Fiscal Agent, the Registrar and the other Paying Agents, 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, the applicable Final Terms will be published on the Issuer's website (http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations.page). If this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (Directive 2003/71/EC), 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 which are applicable to them. The statements in the 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 the 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 will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and serially numbered in the Specified Currency and the Specified Denomination(s). 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 Turkey and the Communiqué Serial: II. No: 22 on the Principles on the Registration and Sale of Debt Instruments of 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 the 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 transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent 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 succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note deposited with and, in the case of a Registered Global Note, registered in the name of a nominee for a common depositary or a common safekeeper, as the case may be, for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**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 error) shall upon their receipt of such certificate or other document be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes and the bearer or registered holder of such Global Note shall be deemed not 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 any 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 of Notes** and related expressions shall be construed accordingly.

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

Notes which 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 other participants and, if appropriate,

indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note 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 rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. 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)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 the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the 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 deposit 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 making the request. Any such transfer will be subject to such 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 above, 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 or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the 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) 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 (at the risk of the transferor) sent 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 required to bear the costs and expenses of effecting any registration of transfer 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 relative 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 of the Notes 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; or

(c) such other Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders.

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 which is created pursuant to (i) a bond, note or similar instrument whereby the payment obligations are secured by a segregated pool of assets (whether held by the Issuer or any third party guarantor) (any such instrument, 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 any outstanding Direct Recourse Securities that are Relevant Indebtedness, does not, at any time, 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); and

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 which are for the time being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other organised securities market and having a maturity in excess of 365 days or any loan disbursed to the Issuer as a borrower under a loan participation note or similar transaction 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, which may at any time be required to be obtained or made in the Republic of 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 and the Notes or for the validity or enforceability thereof, or (b) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings which are immaterial in the conduct by the Issuer 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 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:

(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, together with the 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 120 days after the end of the first six months of each financial year of the Issuer, English language copies of its unaudited consolidated financial statements for such six month period, prepared in accordance with IFRS consistently applied, together with the financial statements for the corresponding period of the previous financial year.

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.

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

Person means: (a) any individual, company, unincorporated association, government, state agency, international organisation or other entity and (b) its successors and assigns.

Subsidiary means, in relation to the Issuer, any company: (a) in which the Issuer holds a majority of the voting rights, (b) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (c) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

6. INTEREST

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 will 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 and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount; *provided* that payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which 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, 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 any other applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of 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.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 6.1:

(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, 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, 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; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in 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 (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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); 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.

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 will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, 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 will 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**) which 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 will be payable in respect of each Interest Period. In the Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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 which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (C) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which 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 the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which 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

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

(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 London and each Additional Business Centre specified in the applicable Final Terms; and

(b) either (1) 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 (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System (the **TARGET 2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will 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 as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent under an interest rate swap transaction if the Fiscal Agent were acting as Calculation Agent 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 at the Issue Date of the first Tranche of the Notes (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 subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; 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 which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant 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, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

If the applicable Final Terms 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 paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms 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 paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Fiscal Agent 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.

The Fiscal Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which 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 a multiple of 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.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest 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:

$\mathbf{Y_1}$ is the year, expressed as a number, in which the first day of the Interest Period falls;

$\mathbf{Y_2}$ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest 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 the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest 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 the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest 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 the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest 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 the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest 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 the Interest 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.

(e) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 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 on which the relevant Floating Rate 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.

(f) 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 6.2 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 on 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, duties and discretions pursuant to such provisions.

6.3 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 the date for its redemption, unless payment of principal 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.

7. PAYMENTS

7.1 Method of payment

Subject as provided 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 in any country in which the Specified Currency constitutes legal tender from time to time.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (a) any fiscal or other laws and regulations 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 an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (**FATCA**) or any law implementing an intergovernmental approach to FATCA

7.2 Presentation of definitive Bearer Notes and Coupons

Notwithstanding any other provision of the Conditions to the contrary, payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of 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 (as defined below)) 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) 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 which 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 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 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 Global Note in bearer form 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 Global Note, where applicable against surrender or, as the case may be, presentation and endorsement, of such 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 Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and 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 (as defined below) 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 (i) where in global form and held under the New Safekeeping Structure (**NSS**), 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 (ii) in all other cases, the close of business on the 15th day (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, the first such day prior to such 15th day) before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). 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 which processes payments in such Specified Currency.

Payments of interest in respect of each 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 the 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 that holder's risk. Upon application of the 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, the payment may 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 the Registered Notes which become payable to the holder 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 each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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 7.9.

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 7.9.

None of the Issuer or 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

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States 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 Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day 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) Istanbul;

(ii) in the case of Notes in definitive form only, the relevant place of presentation; and

(iii) each Additional Financial Centre specified in the applicable Final Terms;

(b) either (1) 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 (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which a participant in DTC (with an interest in such Registered Global Note) has elected in accordance with Condition 7.9 to receive any part of such payment in that Specified Currency, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5); and

(f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

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

7.8 U.S. dollar exchange and payments on Turkish Lira-denominated Notes held other than through DTC

(a) If 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, a Noteholder as of 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 US 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 which is to be converted into US Dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.8 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 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 the 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 7.8 and the Agency Agreement, the Exchange Agent shall 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 US 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 US 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 US Dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Noteholders of such event in accordance with

Condition 15 and all payments on the 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 Agent's order or under its control until the applicable US 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 Euroclear, Clearstream, Luxembourg or DTC, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC, as applicable, from time to time.

Notwithstanding any other provision in the 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.

7.9 Payments on Notes held through DTC in a Specified Currency other than US 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 US 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 tax reasons

If:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Notes (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 such date on which agreement is reached to issue the first Tranche of the Notes; 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 Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time at their Early Redemption Amount together (if appropriate) with interest accrued 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 Directors 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 the change or amendment.

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

This Condition 8.3 applies to Notes which 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 contains 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 will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, 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 14 (which notices 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 appropriate) with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount 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 be selected (a) individually by lot, in the case of Redeemed Notes represented by definitive Notes, and (b) 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 a Global Note, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). 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. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

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

This Condition 8.4 applies to Notes which 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 contains 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 will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If 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 on the Optional Redemption Date and at the Optional Redemption Amount together (if appropriate) with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 8.4 in any Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, 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, as the case may be, the Registrar 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, as the case may be, the Registrar (a **Put Notice**) and in which the 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, 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 its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note 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 Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg, DTC or any depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or, as applicable, DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC, as applicable, given by a holder of any 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 and, 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 such Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 above and Condition 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, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

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 will be either (i) 30/360 (in which case the numerator will 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 the Notes 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 (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes 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 will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes 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

The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the

option of the Issuer or 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.

8.7 Cancellation

All Notes which 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). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be held, 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, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(c) above 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 which 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 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 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 which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the 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 his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(b) presented for payment in the Republic of Turkey; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 7.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code) or any law implementing an intergovernmental approach to FATCA.

In these Conditions:

(i) the **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 the money having been so received, notice to that effect has been duly given to the Noteholders or the Couponholders, as the case may be, by the Issuer in accordance with Condition 15.

(ii) **Relevant Jurisdiction** means the Republic of 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.

9.2 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which 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 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 (as defined in Condition 9) 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 which 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 interest accrued 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; or

(b) if the Issuer fails to perform or observe any of its other obligations under the 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; or

(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 such: (A) 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) Indebtedness for Borrowed Money in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of sub-paragraph (iv) above, exceeds US$50,000,000 (or its equivalent in other currencies); or

(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; or

(ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part 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 stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority to be (or becomes) bankrupt or insolvent; or

(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: (x) 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 (y) 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 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 all or substantially all of its business and/or assets to, the Issuer or another Subsidiary of the Issuer; or

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

11.2 Interpretation

For the purposes of this Condition 11 (*Events of Default*):

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; or

(b) any borrowed money; or

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

Material Subsidiary means at any time a Subsidiary of the Issuer:

(a) whose total assets (consolidated in the case of a Subsidiary which 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 relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer, 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 accounts of the Issuer; *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 relate, the reference to the then latest audited consolidated IFRS financial statements of the Issuer 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 consolidated audited 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 relate, are equal to) not less than 15 per cent. of the consolidated total assets of the Issuer 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 15 per cent. of the consolidated total assets of the Issuer (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 IFRS consolidated 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.

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 or Coupons) 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 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 any Series, the names of such Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or 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 New York City; and

(d) there will at all times be a Paying Agent that is not located in a Member State of the European Union (if any) that will oblige that Paying Agent to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(e) 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 New York City 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 or 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 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 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 which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. 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 date of the first publication in all required newspapers.

All notices 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) 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 in a daily newspaper of general circulation in the place or places required by those rules.

There may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the 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 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 the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC, 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 relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

16. MEETINGS OF NOTEHOLDERS AND MODIFICATION

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, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer 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 remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons 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 persons 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 the Notes or the Coupons (including modifying the date of maturity 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 persons 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 persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

16.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or any of the provisions of the Agency Agreement which 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 on 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.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes provided that the issuance of such further notes will be fungible for US federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation § 1.1275-2(k).

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 which 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 the Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, 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 courts of England are to have exclusive jurisdiction to settle any disputes which may 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 courts of England.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes and the Coupons (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 to the extent allowed by law.

19.3 Consent to Enforcement

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the courts of England according to the provisions of Article 54 of the International Private and Procedural 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, any judgment obtained in the courts of England 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 Article 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

19.4 Appointment of Process Agent

Service of process may be made upon the Issuer in respect of any Proceedings in England at its representative office at Fifth Floor, 192 Sloane Street, London, SW1X 9QX in respect of any Proceedings in England and the Issuer undertakes that in the event of such representative office ceasing so to act it will appoint another person as its agent for that purpose.

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 courts of England and appointed an agent in England for 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 underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

SUMMARY FINANCIAL AND OTHER DATA

The following summary financial and other data as of and for each of the years ended 31 December 2010, 2011 and 2012 have been extracted (except as noted in the "Key Ratios" table) from the IFRS Financial Statements incorporated by reference into this Base Prospectus, without material adjustment. This information should be read in conjunction with the information contained in such IFRS Financial Statements (including the notes thereto), which have been audited by Deloitte. See "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*." Note that the Group's consolidated capital adequacy ratios are calculated based upon numbers prepared in accordance with BRSA regulations.

	For the year ended 31 December		
	2010[2]	**2011**	**2012**
Income Statement Data:		*(TL thousands)*	
Net interest income	5,214,406	5,235,893	6,407,362
Net fee and commission income	1,910,832	2,130,603	2,072,749
Other operating income	708,450	1,366,337	1,154,780
Total operating income	**7,833,688**	**8,732,833**	**9,634,891**
Impairment losses, net[1]	(84,777)	(353,716)	(1,243,673)
Other operating expenses	(3,451,446)	(4,107,027)	(4,110,413)
Income before tax	**4,297,465**	**4,272,090**	**4,280,805**
Taxation charge	(865,840)	(874,164)	(888,081)
Net income for the period	**3,431,625**	**3,397,926**	**3,392,724**

(1) "Impairment losses, net" includes provisions for loan losses, net.

(2) In 2011, the Group reassessed the accounting treatment applied for the reserve for employee severance indemnity and restated the prior year's financial statements. Accordingly, the Group's net income in 2010 was reduced by TL 17,269 thousand and certain income statement items were restated in order to reflect the effect of this restatement.

	As of 31 December		
	2010	**2011**	**2012**
Balance Sheet Data:		*(TL thousands)*	
Cash and balances with central banks	5,073,058	3,429,820	4,519,405
Loans and advances to banks	9,810,401	15,232,714	9,409,593
Loans and advances to customers	71,092,418	92,653,780	102,260,080
Investment securities	40,361,866	35,941,390	39,861,281
Other assets[1][3]	9,464,972	14,143,317	21,449,176
Total assets	**135,802,715**	**161,401,021**	**177,499,535**
Deposits from customers	76,295,528	90,138,994	92,191,501
Deposits from banks	2,808,006	3,096,810	5,583,786
Other liabilities[2][3]	39,826,353	50,015,338	57,786,532
Total liabilities	**118,929,887**	**143,251,142**	**155,561,819**

	As of 31 December		
	2010	**2011**	**2012**
Balance Sheet Data:		*(TL thousands)*	
Total shareholders' equity and non-controlling interests	**16,872,828**	**18,149,879**	**21,937,716**
Total liabilities, shareholders' equity and non-controlling interests	**135,802,715**	**161,401,021**	**177,499,535**

(1) "Other assets" is derived from the sum of all asset line items in the applicable balance sheet, except for "Cash and balances with central banks," "Loans and advances to banks," "Loans and advances to customers" and "Investment securities."

(2) "Other liabilities" is derived from the sum of all liability line items in the applicable balance sheet, except for "Deposits from customers" and "Deposits from banks."

(3) Receivables from the securities lending market and payables to the securities lending market are netted-off in the balance sheet as of 31 December 2012 for presentation purposes. Accordingly, such items, both amounting to TL 737,814 thousand as of 31 December 2011, are also netted-off in the above table for comparison purposes. There was no effect of this presentation change on the prior year's balance sheet.

	As of or for the year ended 31 December		
Key Ratios	**2010**	**2011**	**2012**
Net interest margin[1]	4.3%	3.5%	3.8%
Adjusted net interest margin[2]	4.2%	3.4%	3.1%
Net yield[3]	5.0%	4.2%	4.5%
Adjusted net interest income as a percentage of average interest-earning assets[3][4]	5.0%	3.7%	4.0%
Net fee and commission income to total operating income	24.3%	25.0%	24.6%
Cost-to-income ratio[5]	44.4%	45.8%	46.9%
Operating expenses as a percentage of total average assets[6]	2.6%	2.3%	2.2%
Deposits to total assets	58.2%	57.8%	55.1%
Total cash loans to total assets	52.3%	57.4%	57.6%
Total shareholders' equity to total assets	12.4%	11.2%	12.4%
Liquid assets as a percentage of total deposits[7]	12.4%	11.9%	8.7%
Non-performing loans to total gross cash loans	3.5%	2.3%	2.8%
Free capital ratio[8]	10.8%	10.0%	11.1%
Group's capital adequacy ratios[9]			
Tier I capital adequacy ratio[10]	15.71%	14.12%	15.52%
Total capital adequacy ratio[10]	18.07%	15.76%	16.87%
Allowance for probable loan losses to non-performing loans[11]	85.2%	94.7%	93.7%
Return on average total assets[12]	2.8%	2.3%	2.0%
Return on average shareholders' equity[13]	22.3%	19.6%	17.0%
TL/$ Exchange Rate			
Period-end	1.52	1.87	1.76
Daily average per period	1.49	1.66	1.78
Inflation rate			
Producer price index[14]	8.9%	13.3%	2.5%
Consumer price index[14]	6.4%	10.5%	6.2%

	As of or for the year ended 31 December		
Key Ratios	**2010**	**2011**	**2012**
Gross Domestic Product (GDP) (real)			
GDP (real) (% change)	9.2%	8.8%	2.2%

(1) Net interest income as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). This is calculated on the basis of IFRS.

(2) Net interest income reduced by provision for loan losses, as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(3) Net interest income as a percentage of average interest-earning assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(4) Adjusted net interest income is net interest income *plus/minus* net foreign exchange gains/losses *minus* provision for probable loan losses.

(5) "Cost" includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses. "Income" includes operating income minus foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans. If "income" were calculated without subtracting impairment losses, net, then the ratios would be 43.8%, 43.9% and 42.0% for 2010, 2011 and 2012, respectively.

(6) Operating expenses for purposes of this calculation is total operating expenses excluding impairment losses, net, depreciation and amortization expenses, reserve for employee severance indemnities and foreign exchange and trading losses. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

(7) Liquid assets represent cash and balances with central banks, loans and advances to banks excluding blocked accounts and financial assets at fair value through profit or loss.

(8) Total shareholders' equity *minus* goodwill, tangible assets, assets held for resale, investment property, investments in equity participations and net non-performing loans excluding allowance made on a portfolio basis to cover any inherent risk of loss, as a percentage of total assets.

(9) Calculated in accordance with BRSA regulations for the Group. Each of the Bank and the Group is required to maintain a capital adequacy ratio over the legal minimum only on a total capital basis. The 2010 and 2011 capital adequacy ratios are not comparable to the ratio of 2012 as the calculation method changed to Basel II starting on 1 July 2012.

(10) The total capital adequacy ratio is calculated by dividing: (a) the "Tier I" capital (*i.e.,* the "core capital," which comprises the share capital, reserves and retained earnings) *plus* the "Tier II" capital (*i.e.,* the "supplementary capital," which comprises general provisions, subordinated debt, unrealized gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and intangibles)) and *minus* items to be deducted from capital (the "deductions from capital," which comprise items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of the risk-weighted assets and off-balance sheet exposures (*i.e.,* value at credit risk), value at market risk and value at operational risk. The "Tier I" capital adequacy ratio is calculated by dividing the "Tier I" capital by the aggregate of the value at credit risk, value at market risk and value at operational risk.

(11) Excluding allowances made on a portfolio basis to cover any inherent risk of loss.

(12) Net income for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(13) Net income for the period as a percentage of average shareholders' equity (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(14) As published by TurkStat.

CAPITALISATION OF THE GROUP

The following table sets forth the total capitalization of the Group as of 31 December 2010, 2011 and 2012. The following financial information has been extracted from the Group's IFRS Financial Statements without material adjustment. This table should be read in conjunction with the Group's IFRS Financial Statements (including the notes thereto) attached to (or incorporated by reference into) this Base Prospectus.

	As of 31 December		
	2010	**2011**	**2012**
		(*TL thousands*)	
Share capital	5,146,371	5,145,012	5,143,305
Share premium	11,880	11,880	11,880
Non-controlling interests	97,461	112,583	140,524
Unrealized gains on available-for-sale assets	1,627,351	92,778	1,093,683
Hedging reserve	(1,482)	(389)	-
Translation reserve	1,222	(16,382)	(20,765)
Legal reserves	553,459	757,480	956,192
Retained earnings	9,436,566	12,046,917	14,612,897
Total shareholders' equity and non-controlling interests.	**16,872,828**	**18,149,879**	**21,937,716**
Long-term debt[(1)]	13,693,752	15,863,846	15,567,653
Total Capitalization	**30,566,580**	**34,013,725**	**37,505,369**

(1) Long-term debt is comprised of long-term debts classified under "loans and advances from banks" and "subordinated liabilities" (excluding expense accruals) in the IFRS Financial Statements.

THE GROUP AND ITS BUSINESS

Overview of the Group

The Group is a leading Turkish banking group with a significant market share in the Turkish banking industry, offering its customers a broad range of financial products and services, including (as per published BRSA financial statements as of 31 December 2012) being the second largest private banking group in Turkey in terms of net income and total assets. The Group's customers are comprised mainly of large, midsize and small Turkish corporations, foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group served approximately 11.7 million customers as of 31 December 2012 (10.2 million retail customers, 1.5 million SME customers, 42,806 commercial customers and 1,846 corporate customers) by offering a broad range of products and services, many of which are tailored to identified customer segments. These products and services include deposits, corporate loans, project finance loans, leasing, factoring, foreign exchange transactions, investment and cash management products, consumer loans, mortgages, pension and life insurance, portfolio management, securities brokerage and trading, investment banking, payment systems (including credit and debit cards), and technology and data processing operations. The Group also acts as an agent for the sale of a number of financial products such as securities, insurance and pension contracts and leasing services. As of 31 December 2012, the Bank's services in Turkey were provided through a nationwide network of 926 domestic branches and offices as well as through sophisticated ADCs such as ATMs, internet banking and mobile phone banking. The Bank also has seven foreign branches (one in Malta, one in the Grand Duchy of Luxembourg and five in Northern Cyprus (together with a Country Directorate in Northern Cyprus that was established in order to comply with the legal requirements in Northern Cyprus)) and three international representative offices (one in each of London, Düsseldorf and Shanghai), together with bank subsidiaries in the Netherlands (Garanti Bank International N.V.), Russia (Garanti Bank Moscow) and Romania (Garanti Bank SA).

As of (and for the year ended) 31 December 2012, according to financial information made publicly available by Turkish banks, the Group was the second largest private banking group in Turkey in terms of net income and total assets as per its consolidated BRSA Financial Statements. Based upon the 2012 IFRS Financial Statements as of 31 December 2012, the Group had total assets of TL 177,499,535 thousand, total loans and advances to customers (which includes leasing and factoring receivables and income accruals, in each case for both performing and non-performing loans and advances to customers) (as used herein, **cash loans**) of TL 102,260,080 thousand and shareholders' equity (including non-controlling interests) of TL 21,937,716 thousand. The Group's return on average equity was 17.0% for 2012 compared to 19.6% for 2011. The Bank's shares have been listed on the Borsa İstanbul (successor to the Istanbul Stock Exchange) since 1990 and it listed global depositary receipts on the London Stock Exchange in 1993. In 2012, the Bank joined the top tier of the U.S. Over-the-Counter (OTC) market, OTCQX International Premier.

History

The Bank was incorporated under the laws of Turkey on 11 April 1946 in Ankara as a partnership of 103 businessmen and for much of its history it operated primarily as a private sector bank engaged in commercial activities. In 1975, Koç Holding A.Ş. (**Koç Holding**) and Hacı Ömer Sabancı Holding A.Ş. (**Sabancı Holding**), both large, private conglomerates in Turkey, acquired 56% and 33% (respectively) of the Bank's share capital. The Bank moved its headquarters to Istanbul in 1978. In 1983, Koç Holding and Sabancı Holding sold their respective interests in the Bank to the Doğuş Group, owned by the Şahenk family. In 1990 shares of the Bank were offered to the public and listed on the Istanbul Stock Exchange (the predecessor to the Borsa İstanbul). On 22 December 2005, Doğuş Holding sold 25.5% of the Bank's issued share capital and 49.2% of the Bank's founders' shares to GEAM, which thereby acquired joint control over the Bank. On 27 December 2007, GEAM sold 4.65% of the Bank's share capital back to Doğuş Holding.

The Doğuş Shareholders and BBVA entered into a share purchase agreement on 1 November 2010 under which BBVA acquired shares representing 6.2902% of the Bank's issued share capital from Doğuş Holding. BBVA concurrently entered into a share purchase agreement with (*inter alia*) GE Capital Corporation for the acquisition of shares representing 18.60% of the Bank's issued share capital. On 1 March 2011, the BRSA approved these share transfers, following the closing of which BBVA held a 24.89% stake in the Bank (which, through secondary market purchases, BBVA has since increased to its current 25.01% stake in the Bank without changing the joint control and management principles agreed to between Doğuş Holding and BBVA).

The Doğuş Shareholders and BBVA are parties to a shareholders' agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block to jointly control and manage the Bank. The shareholders' agreement also provides BBVA a call option to purchase from the Doğuş Shareholders a further 1% share of the Bank, which option is exercisable after five years following the share sale. The shareholders' agreement contains an agreement that enables BBVA to appoint four of the Bank's nine directors currently; *however*, if such call option is exercised, then six members of the Board of Directors out of nine will be appointed by BBVA. None of GE Capital Corporation, GEAM or the Bank are parties to the shareholders' agreement between Doğuş Holding and BBVA.

The Doğuş Group is one of the leading conglomerates in Turkey, with its primary interests in the banking, financial services, technology, automotive, construction, transportation, tourism and food sectors. See "*Ownership – The Doğuş Group*."

Key Strengths

The Bank's management believes that the Group's success in the competitive Turkish banking sector is due to the following strengths:

- The Group has a robust balance sheet and favourable capital adequacy ratios, as further detailed elsewhere in this Base Prospectus.

- The Group has strong liquidity ratios and proven access to funding, including deposits, syndicated loans and securitizations.

- The Group has a strong brand and market position as well as a reputation as a product and service innovator. This is demonstrated by the Group's offering of first-in-kind products in the Turkish market, such as chip-based credit card loyalty programs, air miles on credit cards, direct debit systems, web-based supplier financing systems, inventory financing systems, ATM cardless bill payments and person-to-person mobile money transfers.

- The Group's customer-centric and innovation-driven approach focuses on customer satisfaction and retention rates and allows for greater cross-selling through the use of sophisticated customer segmentation models and advanced technological capabilities, together with its multi-channel distribution. This approach is facilitated by the Bank's dynamic sales force, innovative product offerings and its efforts to improve its processes.

- The Group's high-quality and dynamic employee base (which, as of 31 December 2012, numbered 17,285) is supported by the Group's experienced management team. Approximately 85% of the Group's employees are university graduates and the Group seeks to maintain and improve the quality of the services provided by its employees through its extensive training program. The Bank's management also seeks to foster a culture of innovation, whereby employees are encouraged to submit innovative ideas. Although the Bank hired 2,355 additional employees in 2012, the Bank's management also recognizes the importance of its existing employees' familiarity with the culture of the Group and, accordingly, approximately 90% of posts are filled as a result of internal promotions.

- The Group has a history of significant growth in its operations, which has been achieved while maintaining sound asset quality as a result of the Group's focus on risk management and a disciplined credit approval process.

- The Group has established conservative loan loss provisions that are complemented by a sophisticated and efficient collection procedure in order to seek to decrease the ratio of the Group's non-performing loans.

- The Group benefits from a strong operating platform, including a sophisticated proprietary IT platform that drives efficiency and is well-integrated with the Group's businesses and the Group's strategy. This integration of the IT platform with the Group's business strategy allows the Bank's management to take timely actions. Since the 1990s, the Group has sought to invest in up-to-date IT infrastructure in order to seek to ensure uninterrupted transaction capability and infrastructure security. The Bank's management believes that the Group has a reputation in Turkey as an innovator in relation to its IT operations.

- The Group has established a broad geographic coverage through its extensive branch network in 78 of the 81 cities in Turkey, covering 99% of Turkey's total population. The Bank's management also believes that the Group has demonstrated innovation and leadership in developing digital ADCs. For example, the Group operates over 3,500 ATMs and has significant market shares in the Turkish telephone banking, internet banking and mobile banking sectors.

Strategy

The Group's overall strategic goal is to maintain and build on its position as a leading Turkish banking group. It intends to achieve this goal by continuing to implement the following key strategies:

- *Identifying opportunities for growth in the Group's lending portfolio while maintaining strong credit quality*. The Group will continue to focus on the credit needs of its customers as the demand for credit is expected to continue in line with the sustained growth trend in the Turkish economy. The Group's strategy is to continue its history of strong loan origination with a view to growth in higher-yielding loan categories such as consumer loans, credit cards and SME lending, but with a continued focus on maintaining the strong credit quality of its loan portfolio. The Bank's management believes that the Group operates a rigorous credit approval process to preserve its asset quality and it intends to maintain such process as it continues to grow its loan portfolio.

- *Continuing efforts to preserve solid and diversified funding mix.* The Bank's management believes that, notwithstanding the availability of alternative sources of funding given the high credibility of the Group in both national and international markets, deposits will continue to be the major source of funding for the Bank. The Group will continue to focus on deposit collection through its extensive distribution network. In particular, a relatively high focus will be placed on small-ticket deposits to diversify the Group's deposit base with less price-sensitive and more sustainable deposits. Alternative funding sources, such as corporate bond issuances, structured financings, repos and international money markets funding, will also be utilized to strengthen and further diversify the Group's funding base.

- *Focusing on sustainable and diverse sources of non-interest revenue*. The Bank's management believes that focusing on sustainable and diverse non-interest revenue streams is a key to its long-term profitability, particularly in a low interest rate environment. Some of the pillars of this strategy include: (a) the Group's focus on business segments that do not require significant capital (such as cash and asset management) and that generate non-interest income and (b) the development of innovative non-interest revenue generating products such as cardless remittances, last-minute EFTs, mobile phone money transfer and shopping, e trader and collection of invoices via credit cards.

- *Further refining its customer-centric approach*. The Group segments its customers and intends to continue to develop service models tailored to its identified segments. To meet the diverse needs of these segments efficiently, the Group intends to identify locations for the Bank's continuing branch expansion, continue to develop specialized distribution channels and expand its product and service range.

- *Maintaining disciplined control over expenses*. The Group intends to maintain its focus on ensuring favourable expense ratios, including by continuing to make its operations more efficient through the use of technology. The Group plans to continue to invest significantly in technology in order to further lower costs and will promote increased usage of ADCs, which are more cost efficient in the delivery of banking services, for increasing market penetration and minimizing workforce growth even as the Bank expands its branch network.

Business

The Bank is organized into six major business lines: retail (excluding payment systems such as credit cards), payment systems (which includes the Bank's credit card business and is operated together with its subsidiary Garanti Payment Systems), SME banking, commercial banking, corporate banking and treasury. Each of the Bank's business lines is managed by a separate department within the Bank, except for payment systems (which is managed by the Bank together with its subsidiary Garanti Payment Systems). The Bank also conducts certain international banking operations through its foreign branches and subsidiaries. All of the Group's business lines are supported by head office and other support functions. The Bank's subsidiaries (described in "*Subsidiaries*" below) provide various specialty products to clients of the Group.

Retail Banking

The Bank entered the retail banking sector in 1988 and has increasingly focused on growing its retail business. The Bank aims to become the bank of choice for its retail customers and to sustain its innovative leadership in retail banking, and focuses on relationship management and product innovation aligned to customer needs in order to achieve these goals. The Bank offers a broad range of products to its approximately 10.2 million retail banking customers as of 31 December 2012.

The Bank believes that the strengths of its Retail Banking Department include: (a) a customer-centric approach with an emphasis on customer satisfaction (including dedicated call centres and periodic measurement), (b) the strength of its branch network and ADCs, (c) innovative marketing approach, (d) a strong sales culture, including sales-oriented branch staff and centralized transaction processing and operations, and (e) sophisticated IT systems and customer relationship management (**CRM**) infrastructure to allow pro-active sales processes and targeted direct marketing campaigns.

The Bank's Retail Banking Department aims to manage market share growth while controlling internal costs. The main pillars of the Bank's retail strategy are targeting and activating employer payroll customers, expanding the branch network to reach more customers and close follow-up of cross-selling opportunities.

Products and Services

Deposits. The Bank offers its customers a range of interest and non-interest bearing current and savings accounts, gold deposit accounts, structured deposits (*i.e.,* deposits linked to an index), flexible term deposits and accumulated savings accounts.

Deposit collection is a principal focus of the Bank as deposits provide low cost funds to be invested in loans and other assets. The Bank has been increasing its branch network for many years (increasing from 478 at the end of 2006 to 936 as of 31 December 2012) with the goal of increasing the number of the Bank's retail customers and obtaining a stronger and more diversified deposit base. Retail banking is the largest funding

source of the Bank, reaching TL 27.7 billion of Turkish Lira deposits and US$7.8 billion of foreign currency deposits as of 31 December 2012.

Consumer Loans (including Overdraft Accounts). The Bank's retail loan portfolio, originated only in Turkish Lira since 2009, comprised of mortgage loans, auto loans, general purpose loans and overdrafts but excluding credit cards, grew by 22% to TL 17.4 billion in 2012.

The Bank's primary consumer loan products are described below:

- *Mortgages*: The Bank's retail mortgage loan book (representing the total amount of mortgage loans granted by the Bank) grew by 20% in 2012, despite the continuing global financial turmoil impacting the housing sector, as a result of the generally very low penetration of mortgages in Turkey. The Bank's retail mortgage offering is focused on both high and medium net worth individuals with strong credit history. Although the Bank's maximum loan-to-value ratio is 75%, which is in line with the maximum limit stated by legislation, the average loan-to-value ratio of the Bank's retail mortgage book at origination was slightly above 60% as of 31 December 2012. The average original term of its mortgages on such date was 7.25 years, with most loans having an original maturity of either 5 or 10 years. The Bank has been a market leader in Turkey since mid-2007, with a market share of 13.14% (with respect to outstanding balance) as of 31 December 2012 according to BRSA data. The Bank maintains strategic partnerships with leading residential construction companies and real estate agencies nationally, and also focuses on mortgage expertise in branches as well as a wide product range and distribution channels, focusing on service quality instead of price competition in order to maintain its profitability. While foreign currency-denominated mortgages were common in previous years, legislation enacted in 2009 requires that consumer mortgages to Turkish citizens can only be denominated in Turkish Lira.

- *Vehicle Loans*: The Bank offers secured loans to finance the purchase of both new and used vehicles. The duration of these loans is around four years and most have fixed rates. In 2012, the Bank's vehicle loan book grew 22.0% and the Bank's market share (by outstanding balance) increased by 1.21% to 17.01% at 31 December 2012, according to BRSA data.

- *General Purpose Loans (including other and overdraft loans)*: The Bank offers general purpose loans to finance various needs of its retail customers, such as home improvement, education, marriage and vacations. The average maturity of such loans is approximately three years. The Bank's general purpose loan book grew by 25.5% over 2012 and the Bank's market share (by outstanding balance) increased by 1.79% from 8.16% as of 31 December 2009 to 9.95% as of 31 December 2012 according to the BRSA. The Bank continuously seeks to capture market share through various central marketing approaches. Utilization of new loyalty-based approaches such as pre-approved loan limits is an example of this approach. As general purpose loans are generally unsecured, the Bank's credit analysis for these loans focuses principally on the potential borrower's income and other assets.

- *Overdraft Accounts*: The Bank has registered a stable and strong overdraft account base built upon mainly employer payroll customers and investment accounts. Targeted marketing campaigns are being conducted continuously to increase utilization of overdraft accounts. As of 31 December 2012, the number of overdraft accounts operated by the Group was approximately 1.3 million, with an aggregate overdraft risk of TL 288 million.

Investment Products. The Bank's retail banking investment products include mutual funds, government bonds and equity securities. As of 31 December 2012, the Bank had TL 7.8 billion of assets under management in investment products. The Bank's principal strategies to increase its retail investment product sales and profitability include conducting cross-selling campaigns to deposit customers and utilizing capital-protected mutual funds (*i.e.*, a fund that combines both fixed-income products and option contracts to provide investors with both capital protection and capital appreciation).

Cash Management Products. Being one of the principal banking needs of retail customers, cash management has been an important focus area for the Bank. The Bank offers a leading cash management tool, its Excess Liquidity Management Asset account (**ELMA**), and was the first bank to offer such a product in Turkey. The ELMA account automatically converts any excess money in the customer's current account into B type money market funds (which are generally invested in Turkish government securities). The product has been successful to date, reaching approximately 2.9 million customers as of 31 December 2012.

Another cash management facility offered by the Bank is the automatic payment orders of utility bills. The total number of utility payments facilitated by the Bank reached approximately 1.8 million in December 2012. Moreover, the Bank extensively utilizes ADCs in providing cash management services – for example, more than 14 million cardless transactions in 2012 (*i.e.*, transactions in which the individual, whether an existing customer of the Bank or not, makes a payment transaction without having a bank card) were executed through the Bank's ATMs (for example, an individual can deposit cash in an ATM and instruct the Bank to make a payment of a utility bill). In addition to providing convenient services to customers, ADCs are both an increasing source of revenue (both fees generated directly as well as through improved cross-selling activities) and cost savings (through use of technology in lieu of adding additional employees).

Retail Banking Customer Segmentation

Retail banking customers are assigned to one of three segments based upon their average total loan, investment and deposit balances (affluent, upscale or mass market) and then to further micro-segments based upon their activity and product penetration levels. Micro-segments are used to understand different customer needs and to develop strategies for offering customers better-targeted services and thereby increasing product penetration and wallet share.

Each segment and micro-segment has a tailored set of strategic objectives, customer propositions, service approach and branch service model. For high volume and well-penetrated customers, key products are deposit and investment products and, consequently, an investment advisory service model is used. For lower volume and less well-penetrated customers with greater borrowing needs, a sales-based service model is used with a particular focus on loan and transactional products.

The Bank's retail banking customer segments are described below:

- *Affluent*: The Bank has approximately 6,600 customers in its "affluent" category. These customers comprised approximately 0.1% of the Bank's retail customers. The criterion for the "affluent" category is US$500,000 in investment and deposit balances. The Bank's primary focus in this segment is to shift customers to high-margin investment products and further advance customer relationships to enhance customer loyalty. There are 12 dedicated branches that are available only to "affluent" customers. Top performing investment sales staffs are assigned to "affluent" customers at the dedicated branches.

- *Upscale*: Segmentation criterion for the "upscale" retail segment is a banking volume of between TL 50,000 and US$500,000. The Bank has approximately 463,000 customers in its upscale segment, including customers with the potential of having personal financial assets of over TL 50,000. These customers comprised approximately 4.5% of the Bank's retail customers. The Bank's focus is to increase these customers' product penetration in order to "lock-in" the relationship. Investment and mortgage advisory services are the other areas of focus for this segment.

- *Mass Market*: In the Bank's "mass market" segment (*i.e.*, customers with average loan, investment and deposit balances with the Bank below TL 50,000), the Bank's focus is on increasing penetration of banking products and trying to migrate these customers to the "upscale" segment. As of 31 December 2012, the Bank had approximately 9.7 million "mass market" customers. These customers comprised approximately 95.4% of the Bank's retail customers. The Bank's lobby-level sales approach for this segment requires sales representatives/managers and tellers to cross-sell to

existing customers as well as to non-customers visiting the branch to use non-banking services (for example, bill payments).

New Customer Acquisition Strategies

The Bank uses a number of strategies to attract new retail banking customers, including brand and product marketing, expansion of its branch network, leveraging on its leading market position in cash management (particularly employer payroll and utility payments). As the total number of branches has grown to 936, accessibility of the Bank to bankable customers in the market has continued to expand. For example, the Bank has opened "mini-branches" in locations where the local market might not require a full-service branch. The Bank intends to expand its branch network to 975 branches by the end of 2013.

As of 31 December 2012, the Bank had a field sale force of approximately 2,100 people in its retail business.

New customer acquisition strategies are in place for each customer micro-segment, demographic group and product. In general, however, the three most important entry products for new retail banking customers are loan products, credit cards and employer payroll services. An important source for new "upscale" customer acquisition is the Bank's SME and commercial company clientele, the owners and managers of which are directly targeted by retail relationship managers.

Payment Systems

The Bank, through its subsidiary Garanti Payments Systems, issues debit and credit cards (the loans under which are made by the Bank), acquires merchant vouchers and participates in related product development. In 2012, the Bank was the largest issuer bank in terms of issuing volume and second largest processor of acquiring sales volume in Turkey according to the Interbank Card Centre (*Bankalararası Kart Merkezi*) (**BKM**). Acquiring, in this context, refers to the purchase from merchants of the card charges made by their customers, reimbursement for which charges is then sought from the relevant card issuer. As of and for the year through 31 December 2012, the Group had approximately 525,000 point of sale (**POS**) locations (including shared POSs and virtual POSs), with a cumulative market share of 19.2% in acquiring volume for the year according to the BKM (465,000 and 19.9%, respectively, as of 31 December 2011). On the issuance side, as of 31 December 2012, the total number of credit cards in issue was approximately 9.1 million (of which 5.5 million were active (*i.e.*, used at least once in the last three months)) with an issuing volume market share of 17.9% according to the BKM (8.5 million and 18.9%, respectively, as of 31 December 2011).

Set out below is a description of the Group's principal credit card programs:

- The "Bonus Card," which is the flagship credit card brand of the Group, had more than 5.8 million cards in issue and approximately 275,000 merchant partners as of 31 December 2012. The Group issues VISA and Mastercard brand credit and debit cards pursuant to customary licensing arrangements.

- The "Miles&Smiles" card is designed to serve frequent flyers in cooperation with Turkish Airlines. Miles&Smiles is the only official credit card of Turkish Airlines and offers the cardholders the opportunity to earn flight miles from credit card purchases. As of 31 December 2012, there were over 645,000 Miles&Smiles cards. Turkish Airlines tenders this program every few years and, while an expensive program to participate in, the Group's participation is profitable overall for the Group due to the acquisition of high-quality customers that it provides.

- In February 2006 the Group introduced the first flexible card in Turkey, which is named "Flexi." This program allows cardholders to customize a credit card with respect to the interest rate, reward system and card fee and even enables them to make a card design of their choice. As of 31 December 2012, there were approximately 835,000 Flexi cards in issue.

- "Money Card" was introduced in 2009 and provides the Group access to approximately 1,300 sales points of Migros (a large Turkish grocery store) and affiliated stores (outlets) and their five million customers. As of 31 December 2012, there were approximately 400,000 Money Cards. Migros tenders this program every few years and the Group's participation is profitable for the Group due to the volume of customer acquisition that it provides.

- The Group launched American Express Credit Cards in January 2007 and provides a broad range of American Express products. Moreover, the Group has an active and strong presence in the market for cards for corporate employees and virtual cards.

- Garanti Payment Systems has also licensed the Bonus Card brand to other banks, which as of 31 December 2012 had 5.5 million "Bonus Card" – branded cards in issue. While the Bank does not carry the loans made under these cards, Garanti Payment Services receives fees in connection with this business and the greater volume of Bonus Cards in circulation adds to Garanti Payment Systems' ability to offer an attractive package to merchants hosting POS systems.

Small and Medium Enterprise (SME) Banking

The Bank's SME Banking Department serves clients below the commercial banking threshold (below TL 10,000,000 in annual sales, TL 600,000 transaction volume or TL 2,000,000 loan limit). SMEs differ from commercial and corporate customers in terms of their scale, employment and management structure. With knowledge of SMEs' particular needs, the Bank has developed a tailored service model for SMEs, including different offerings for specific industries.

As of 31 December 2012, the Bank served approximately 1.5 million SME customers through 1,544 customer relationship managers and 797 branches. As of 31 December 2012, the SME Banking Department had a sales force of approximately 2,084 people (of which 540 served both the SME Banking Department and the Commercial Banking Department).

The Bank believes that the strengths of its SME banking segment include: (a) a customer-centric approach that provides highly-tailored packages of products to SMEs, (b) the strong distribution of its branch network and ADCs and (c) sophisticated IT systems and CRM infrastructure to allow pro-active sales processes.

Set out below is a description of the Bank's SME products and customer segmentation.

Products: As small commercial operations, SMEs require a broad range of services but not the degree of sophistication required by larger commercial and corporate clients. These services include deposits, payment services (particularly for credit cards), cash management, loans (principally working capital loans), trade-related products and advisory services. As the propensity of Turkish SMEs to use bank products and services has traditionally been low, the Bank undertook detailed research in order to identify a comprehensive solution package and service model that would appeal to this segment and has tailored its products in order to provide SMEs with the necessary services at an attractive cost.

The Bank's SME Banking Department intends not only to sell its products to customers but also to help its customers to improve their business and financial management quality. The Bank's goals for assisting its SME clients are not limited to financial solutions. The Bank's SME banking website was re-designed in 2010, permitting SMEs to access more extensive content (including recent data, financial recommendations and solutions for their businesses). In addition, mobile banking, which had 290,000 active customers as of 31 December 2012, helps SMEs to reach their accounts remotely.

Customer Segmentation: In order to differentiate the service model according to the specific needs of clients, the Bank segments its SME clients into sub-segments based upon annual turnover, credit limit and banking volume: "Mass" (being those with annual sales of under TL 500,000), "Small" (being those with annual sales of between TL 500 thousand and TL 3,000 thousand) and "Medium" (being those with annual sales of

between TL 3,000 thousand and TL 10,000 thousand). As of 31 December 2012, 68%, 24% and 8% of the SME Banking Department's customers were in the Mass, Small and Medium sub-segments, respectively.

The Bank further segments its SME clients by industry as each industry has different needs that require tailored banking products. For example, SMEs that are in the agricultural business generally have highly seasonal cash flow (*e.g.*, post-harvest) and loan requirements (*e.g.*, at seeding) that require tailored loans, whereas manufacturing exporters require trade-finance support.

Commercial Banking

The Bank's Commercial Banking Department provides products and services to companies with annual sales greater than TL 10,000,000 and/or loan limit over TL 2,000,000 and/or loans from the banking sector over TL 3,000,000. The Bank's offerings for these customers include trade finance instruments, project finance, Turkish Lira- and foreign currency-denominated medium- and short-term loans, cash management, investment products, internet banking and telephone banking.

In order to best serve its commercial banking clients, which consisted of 42,806 customers as of 31 December 2012, the Bank's Commercial Banking Department has been structured with eight dedicated commercial banking branches, 530 customer service representatives and 353 customer relationship managers. Their main responsibilities are to convert existing commercial banking customers into "house bank" customers, to acquire new customers and to increase the profitability of these customers while continuously monitoring the customers' credit quality.

The Bank's management believes that the competitive strengths of the Bank's commercial banking business are as follows: (a) focus on relationship-based banking, including providing tailor-made products and services, (b) pricing the "customer" on the basis of the entirety of its relationships with the Group instead of having a standard price for a product or service, (c) experience in the field of project financing, (d) effective adaptation of new technologies in the sales process, (e) agile loan processes and (f) dedicated commercial banking branches.

Products: The Bank offers a number of products and services to commercial clients. The most important commercial banking offerings are cash loan products (including structured loan products such as project financing), non-cash loan products (such as letters of credit and letters of guarantee), foreign trade financing and cash management services. In addition, a broad range of investment products (such as deposits, government securities and mutual funds) are offered to commercial clients. The most significant commercial banking products by volume and value are (with respect to foreign currency) working capital loans and export loans and (with respect to Turkish Lira) commercial overdraft and general purpose loans. Different types of loan products include spot loans, foreign currency-indexed loans, gold loans, Turkish Eximbank loans and export factoring (such as irrevocable/revocable factoring, collection-guaranteed factoring and collection factoring).

Corporate Banking

The Bank's Corporate Banking Department was formally separated from the Commercial Banking Department in 1995, although the Bank started servicing large corporations in the early 1990s. The Bank was the first Turkish bank to open exclusive corporate branches that provide tailor-made services and sophisticated products to its corporate customers. Corporate banking clients are commercial entities that are local blue-chips and multinational corporations operating in Turkey. There is no material threshold between commercial and corporate customers – corporate customers are selected subjectively by the Bank according to their total assets, sales turnover, shareholder and professional management structures and other criteria.

The Bank believes that it has become the principal banking partner in Turkey of many major multinational and domestic corporations through a strategic approach that has emphasized long-term reliable commitment to its customers during both stable and volatile market conditions. The Bank's corporate banking mission is

to become the "house bank" of its domestic clients and the first choice for multinationals operating in Turkey.

The Bank had approximately 1,800 corporate clients as of 31 December 2012. These clients belonged to 324 corporate groups, of which 168 were multinationals. These corporate customers operate in several industries, including the automotive, food and beverage, chemical, telecommunications, energy, household appliances, oil, iron and steel industries as well as international construction and retail businesses. As of 31 December 2012, the Corporate Banking Department had 40 people in its field sales force.

The pillars of the Bank's corporate banking strengths are: (a) longstanding relationships, enhanced by commitment through difficult market conditions, (b) ability to cross-sell, leveraging on cash management and strength of relationship, (c) advanced technology, including dedicated IT support and developing tailor-made solutions for clients, and (d) high-quality staff.

Products: The Group offers corporate customers a wide range of lending and banking services, including commercial banking products, treasury and derivative products, cash management services, corporate finance advice, trade finance, project finance and other financial services such as insurance and leasing.

The main lending products offered by the Bank's Corporate Banking Department are working capital loans, project finance loans, foreign currency-based loans, revolving loans, short term loans and overdraft loans. Cash management is another field in which corporate banking has significant expertise. Various products are offered in terms of cash management services: direct debiting services, discounting, utility payment systems, supplier finance services, inventory finance services and check collection. In addition, the Bank offers to its corporate customers treasury and derivative products (*e.g.,* options, forwards, swaps, mutual funds, bonds and stocks) as well as a variety of other financial services including (through its subsidiaries) insurance, leasing and factoring.

Treasury

The Group's operations and results rely to a large extent upon the Bank's Treasury Department, in which the Group centralizes its asset and liability management operations, trading (both customer driven and proprietary) and certain other important functions.

The Treasury Department principally consists of the Asset and Liability Management department (which continuously monitors the Group's asset and liability positions), the Trading department (which coordinates the Group's trading functions and manages the risks inherent therein), the Treasury Marketing and Financial Solutions department (which allows the Bank's customers easier access to the financial markets) and the Derivatives (Risk Control & Compliance) department (which develops and utilizes structured products with the aim of more efficiently managing the Group's balance sheet). Each of these departments is described in greater detail below.

Asset and Liability Management Department

The Asset & Liability Management (**ALM**) Department manages the Bank's interest rate, sovereign credit and liquidity risks in accordance with the objectives set by the Asset & Liability Committee (**ALCO**). The ALM aims to maximize the Bank's risk-adjusted return-on-capital and the net interest margin of its balance sheet and to minimize the fluctuations in net interest margin. Monitoring the prevailing market conditions, interest rate, volume trends on the balance sheet items and risk parameters, the ALM creates and acts on investment, funding and hedging strategies in spot and/or derivative markets.

Along with conventional market risk management products, the ALM also utilizes a "transfer pricing system" as a tool of balance sheet management. The transfer pricing system isolates the Bank's business lines and branches from the market-related risks arising out of their commercial activities and enables the market risk transfer to ALM. Hence, through FTP, ALM conducts a centralized market risk management. In

addition, by differentiating the transfer prices for different products with different risk factors, ALM is able to develop and implement its strategic guidance on products and risk factors.

Trading Department

The Trading department coordinates the Group's trading activities, which include both proprietary transactions and a much larger number of transactions on behalf of customers, with customer-driven transactions representing the most significant portion of the Group's trading activities. The department's role includes the management of risk within the Bank's securities portfolio and ensuring sufficient liquidity to cater to anticipated customer demand.

The Bank's management believes that its quantitative and qualitative approaches to trading with respect to risk management distinguish the Bank from its competitors and have been critical to the Bank's success in volatile markets. The correct allocation of the investment portfolio in light of market trends is of critical importance to the Bank's profitability and financial position. Thus the Treasury Department assesses the ability of the Trading Department to analyze trends, understand implications and shape the Bank's fixed income portfolio or foreign exchange positions accordingly.

The value-at-risk (**VaR**) limit for the Bank's trading portfolio is calculated by the Risk Management department according to the distribution of capital approved by the Bank's Board of Directors. The Bank updates its VaR limit quarterly based upon changing regulatory capital.

Trading includes management of both customer flows as well as the Bank's own positions. In anticipation of future customer demand, the Bank maintains access to market liquidity by quoting bid and offer prices and carries an inventory of money and capital market instruments including a broad range of cash and securities. The Bank also takes positions in the interest rate, foreign exchange and debt markets based upon expectations of customer demand or a change in market conditions.

The Treasury Department uses real-time position-keeping systems that, with the Bank's information system and a data feed provided by Thomson Reuters, track the financial transactions in which the Bank takes part. Real-time positions are simultaneously reflected to the Bank's online Counterparty Limit Monitoring System, which allows real-time counterparty limit monitoring by the Bank's Internal Control Unit and other divisions and aims to avoid breaches in counterparty limits that are approved by the Bank's Credit Committee.

Derivative products have emerged extensively in recent years providing a wide variety of choices to corporate clients as well as individual investors. The Treasury Department manages the Bank's derivatives exposure within given delta and vega limits. The delta and vega exposures created by the customer flow can be directly hedged against in the markets or can be carried as positions as long as they are within the limits provided by the Bank's board. The Bank also provides competitive pricing in various derivative products (*e.g.*, local currency, foreign currency, domestic treasury bills, eurobonds, equities and commodities) for the Bank's clients. Although the Bank's major derivative activities relate to the foreign exchange market, the Bank provides liquidity to its customers in the above-mentioned products as well. In addition, the department develops and prices tailor-made products for clients in order to fulfil their hedging and yield-enhancement needs. The department prices all derivative transactions whether for proprietary or hedging purposes (including forwards, swaps, futures and options).

Treasury Marketing and Financial Solutions Department

The Treasury Marketing and Financial Solutions Department aims to improve the access of the Bank's customers to the financial markets and to assist in their operations therein.

The Treasury Marketing and Financial Solutions Department consists of five sections: marketing, corporate banking, commercial banking, private banking and financial solutions. The aim is to allow customers in these segments to access the market efficiently. The Marketing and Financial Solutions Department

performs the pricing of all treasury products (foreign currencies exchange, forwards, options, swaps, bonds in Turkish Lira and foreign currencies, eurobonds, deposits, loans, etc.) and creates tailor-made solutions in line with the clients' needs by serving directly to a selected client base or servicing through branches.

In addition, the Treasury Marketing and Financial Solutions Department advises corporate and commercial customers on risk management, offers solutions related to balance sheet and financial risk management and structures the necessary products.

Derivatives (Risk Control & Compliance) Department

The Structured Products Unit, one of the units of the Treasury's Derivatives department, develops derivative products required for the effective management of the Bank's balance sheet and liquidity, such as those aimed at increasing profitability and hedging current risks, and also prepares the contracts related to these products. The Structured Products Unit analyzes document-based risks in accordance with applicable legislation and accounting standards (local standards and IFRS). The unit also runs the "master agreement" negotiations process together with the Legal Department.

Day-to-day responsibility for managing exposure to market risks lies with the Risk Control Unit that operates within the Treasury's Derivatives department. The Risk Control Unit also monitors the profitability and volume of treasury transactions and reports the size of the portfolios and stop-loss limits of individual trading desks.

Day-to-day responsibility for managing exposure to operational risks lies within the Middle Office Unit of the Treasury's Derivatives department, which unit also examines the confirmations of treasury transactions in order to audit on- and off-market pricing, trader transaction limits, transaction data inputs and the accuracy of operations.

Subsidiaries

In addition to its core banking operations, the Group is active in the areas of leasing, factoring, investment banking, portfolio management, private pensions and life insurance brokerage in Turkey, each of which is largely operated through a subsidiary of the Bank. In addition, the Bank has wholly-owned banking subsidiaries in the Netherlands (Garanti Bank International NV, which has offices in Amsterdam and Germany), Russia (Garanti Bank Moscow) and Romania (Garanti Bank SA).

The following tables reflect the contribution of the Bank and certain of its consolidated subsidiaries to the Group's net income and total assets as of the indicated dates or for the year then ended, as applicable:

		As of 31 December		
Assets	**Ownership[(1)]**	**2010**	**2011**	**2012**
Türkiye Garanti Bankası	N/A	87.4%	86.7%	86.3%
GBI	100%	5.1%	6.0%	5.8%
Garanti Holding and Romania businesses[(2)]	100%	2.5%	2.5%	2.3%
Garanti Pension and Life	84.91%	1.7%	1.8%	2.3%
Garanti Leasing/Fleet[(3)]	99.96%	1.7%	1.8%	1.7%
Garanti Factoring	81.84%	1.1%	0.8%	1.1%
GBM	100%	0.4%	0.4%	0.4%
Garanti Securities	100%	0.1%	0.0%	0.1%
Garanti Asset Management	100%	0.0%	0.0%	0.0%
Garanti Teknoloji	100%	0.0%	0.0%	0.0%

Net Income[4]	Ownership[1]	For the year ended 31 December 2010	2011	2012
Türkiye Garanti Bankası	NA	93.0%	89.8%	90.9%
GBI	100%	2.4%	3.6%	3.0%
Garanti Pension and Life	84.91%	2.9%	3.2%	4.0%
Garanti Leasing/Fleet[3]	99.96%	2.3%	2.3%	1.8%
Garanti Holding and Romania businesses[2]	100%	(1.8)%	0.4%	(1.2)%
GBM	100%	0.6%	0.3%	0.5%
Garanti Teknoloji	100%	0.1%	0.2%	0.2%
Garanti Factoring	81.84%	0.3%	0.1%	0.6%
Garanti Securities	100%	0.2%	0.1%	0.1%
Garanti Asset Management	100%	0.0%	0.0%	0.1%

(1) Ownership refers to the Bank's direct and indirect ownership in the relevant subsidiary.

(2) Garanti Holding and Romania businesses include 100% ownership in Garanti Holding B.V. and in the following Romanian businesses as of 31 December 2011 and 2012: Garanti Bank SA, Motoractive IFN SA, Ralfi IFN SA and Domenia Credit IFN SA through G Netherlands B.V. The ownership in the Romanian businesses increased from 73.27% to 100.00% in December 2010 following the acquisition of Leasemart Holding B.V., the other shareholder of G Netherlands B.V.

(3) Garanti Fleet is almost fully owned by the Bank's subsidiaries (principally Garanti Leasing) and subject to a 99.96% consolidation in order to reflect the Bank's and its subsidiaries' ownership of Garanti Leasing.

(4) As fees and commissions paid by one Group member to another increase the recipient's income and the payer's expenses, these numbers do not necessarily reflect fully the benefits that the Bank's subsidiaries provide to the Group.

The following provides brief summaries of each of the Bank's material subsidiaries (as well as Garanti Payment Systems and Garanti Mortgage, which are not consolidated in the IFRS Financial Statements due to the immateriality of their individual balance sheet sizes) but excluding Garanti Teknoloji, which is described in "*Information Technology*" below.

Garanti Bank International

GBI, a public limited liability company and the Bank's wholly-owned subsidiary in Amsterdam, commenced operations in early 1991. GBI's principal operations are in the Netherlands and Germany. The core businesses of GBI are international trade finance, private banking and corporate and commercial banking. For the year ended 31 December 2012, GBI generated net income of €43.9 million (€52.9 million for 2011).

As of 31 December 2012, GBI's total assets amounted to €4,602 million (€4,160 million as of 31 December 2011). Its registered office is located at Keizersgracht 569 575 1017 DR Amsterdam, The Netherlands.

GBI's trade finance division is active in four market segments: transactional, commodity finance, structured trade finance and origination and distribution of trade-related assets. Financing of international trade flows, with a particular focus on Black Sea, Caspian and Mediterranean basin countries, is one of the core activities of GBI. Metals, raw materials for steelmaking, chemicals, coal and agri-business commodities such as grains and fertilizers are the commodity groups in which GBI's trade finance division is most specialized. GBI's private banking division serves its high net-worth clientele as a specialized boutique service provider with a view to create high added value. GBI's structured finance division focuses on four specialized areas: Islamic finance, shipping finance, project finance and cash management.

GBI has a branch in Germany and representative offices in Turkey, Ukraine and Switzerland.

Garanti Pension and Life

Garanti Pension and Life, founded in 1992 in Istanbul, offers life insurance policies and private pensions. The company utilizes its expertise in bancassurance (*i.e.*, the relationship between an insurer and a bank pursuant to which the insurer uses the bank's sales channels in order to sell the insurer's insurance and pension products) to offer its insurance and pension products to the Bank's customers. The company had more than 617,911 pension participants and a 19.5% market share as of 31 December 2012 according to the Pension Monitoring Centre (*Emeklilik Gözetim Merkezi*). Garanti Pension and Life was one of the sector's most active pension companies, managing a portfolio of TL 3.4 billion, holding a 16.2% market share in pension funds as of 31 December 2012 according to the Pension Monitoring Centre. In connection with its pensions business, the company earns income from fund management and administrative and entrance fees.

In the life insurance business, as of 31 December 2012 the company had 2.6 million insurance policies outstanding, on which it generated TL 263 million in written premiums in 2012 (TL 240 million in 2011). Garanti Pension and Life increased its direct premium production by 9.3% in 2012 as compared to 2011 (the increase in 2011 over 2010 was 2.7%) and, on the basis of insurance industry figures published by the Turkey Insurance and Reinsurance Company Association (*Türkiye Sigorta ve Reasürans Şirketleri Birliği*), increased its market share in life insurance from 9.1% in 2011 to 10.0% in 2012. According to the Pension Monitoring Centre, Garanti Pension and Life ranked second in risk life in 2012, generating a significant portion of its premiums through alternative distribution channels.

On 21 June 2007, Garanti Pension and Life and Eureko Sigorta A.Ş entered into a general insurance agency agreement, pursuant to which Garanti Pension and Life agreed to market, promote and sell certain general insurance products of Eureko Sigorta A.Ş to bancassurance customers through the Group's distribution network. On 19 July 2011, the Group transferred its entire interest in Eureko Sigorta A.Ş (being approximately 20% of Eureko Sigorta A.Ş.'s share capital) to Achmea, the Dutch insurance provider. Accordingly, the parties to the agency agreement have entered into an amended and restated agency agreement that has replaced such agency agreement in its entirety.

Garanti Pension and Life had net income of TL 133,977 thousand in 2012 (TL 112,996 thousand in 2011).

Garanti Leasing and Garanti Fleet

In 1990, the Bank established a leasing company, Garanti Leasing, in which it currently has a 99.96% equity interest. In 2012, Garanti Leasing executed 2,953 new financial leasing deals (principally for the leases of construction machinery) and recorded a total of US$777 million in new leases, following the execution of 2,916 new financial leasing deals (US$861 million in new leases in 2011). In 2012, the company was the leader in the Turkish leasing sector with a 16.6% share of its new contracts and second with a 14.5% share of transaction volume, each according to the Turkish Leasing Association (*Finansal Kiralama Derneği*). As of 31 December 2012, Garanti Leasing's consolidated total assets (including Garanti Fleet) were TL 3,144,969 thousand (TL 2,935,461 thousand as of 31 December 2011).

Garanti Fleet was established in 2007 under Garanti Leasing in order to serve in operational leasing. The company started its activities by leasing light commercial vehicles and passenger cars, the most common application for operational leasing in Turkey. Garanti Fleet, besides sales-marketing teams located in its head office, also uses the regional sales teams of Garanti Leasing and the Bank's widespread branch network for sales and marketing activities. The company launched a high service quality approach in 2009 and reached TL 316,820 thousand in total assets as of 31 December 2012 (TL 256,423 thousand as of 31 December 2011) and a fleet size of 7,982 vehicles.

For 2012, Garanti Leasing (on a consolidated basis with Garanti Fleet) had net income of TL 61,561 thousand (TL 80,750 thousand in 2011).

Garanti Holding and Romania Businesses

Garanti Holding B.V., having its official seat in Amsterdam, the Netherlands, was incorporated on 6 December 2007, as a private limited liability company. On 27 May 2010, the Bank purchased from Doğuş Holding all of the shares of Garanti Holding B.V. Garanti Holding B.V. is the shareholder of G Netherlands B.V.

G Netherlands B.V. was incorporated on 3 December 2007 in Amsterdam, the Netherlands and is an intermediate holding company with no trading activities. As of 31 December 2012, G Netherlands B.V. had investments in four Romanian companies specializing in financial services: Garanti Bank SA (99.9958%), which provides banking activities; Motoractive IFN SA (99.99997%), which provides financial leases; Domenia Credit IFN SA (99.999996%), which provides mortgage loans; and Ralfi IFN SA (99.9994%), which provides consumer loans (sales finance and private label credit cards). Motoractive Multiservices SRL, a company providing operating leasing and related services, was incorporated by Motoractive IFN SA in April 2007 and is a 100% subsidiary thereof.

Garanti Bank SA was active in the Romanian market as a branch of GBI since 1998, which branch was transferred into the newly licensed bank, incorporated in Romania, in May 2010. As of 31 December 2012, Garanti Bank SA operated 78 branches, 28 of which were located in the capital city Bucharest. The bank offers a full scope of universal banking products and services to its 258,860 customers from the retail, SME and Corporate segments. With more than 109,600 credit cards (224,572 in total of which 114,953 are debit cards and 109,619 are credit cards) and 3,467 active (7,365 in total) POS terminals, Garanti Bank SA ranked in the top ten in terms of the numbers of issued credit cards (with a market share of 7%) and POS terminals (with a market share of 6%) in Romania, according to the public figures available from the Romanian National Bank as of 31 December 2012.

Motoractive IFN SA is a joint-stock company incorporated in Romania. Motoractive IFN SA undertakes leasing activities, mainly motor vehicles but also industrial plant and office equipment. Motoractive IFN SA had 3,630 customers with 5,591 active contracts as of 31 December 2012 and has an extensive partnership network.

Domenia Credit IFN SA is a mortgage lending institution and provides long-term financing for the purchase, construction, renovation and refinancing of residential real estate mainly for sale to individuals. As of 31 December 2012, the company had 3,405 customers.

Ralfi IFN SA's main activity is to provide consumer loans to retail customers, particularly sales finance and personal loans. As of 31 December 2012, Ralfi IFN SA had 163,709 clients and partnerships with major retailers in Romania.

These entities were consolidated in the Group beginning 28 May 2010. The consolidated asset size of Garanti Holding B.V. and its subsidiaries was approximately €1,782 million as of 31 December 2012 (€1,735 million as of 31 December 2011). In the Group's consolidated net income for the year ended 31 December 2012, a consolidated loss of €17.5 million (a consolidated income of €5.2 million in 2011) was included for these entities.

Garanti Factoring

Garanti Factoring, founded in 1990, is one of Turkey's oldest factoring companies. 81.84% of the company's shares are owned by the Bank, 9.78% of its shares are owned by Export Credit Bank of Turkey and the remaining shares are traded on Borsa İstanbul. With a broad customer base, Garanti Factoring makes use of the Bank's delivery channels to provide high-quality factoring products and services to its customers. Following US$3,101 million in volume of receivables financed through factoring in 2011, the company recorded US$4,204 million in 2012, increasing its market share to 10.3% as of 31 December 2012 in Turkey according to the Factoring Association (*Faktoring Derneği*) from 7.8% as of 31 December 2011. In the

Group's consolidated net income for the year ended 31 December 2012, a net income of TL 19,996 thousand was included for the company (TL 4,701 thousand in 2011). The company's total assets amounted to TL 1,952,686 thousand as of 31 December 2012 (TL 1,275,071 thousand as of 31 December 2011).

Garanti Bank – Moscow

The Bank's subsidiary in Russia, GBM, commenced operations in October 1996. GBM is focused on delivering corporate and commercial banking services in Russia. GBM had net income of US$9.6 million for 2012 (US$6.4 million for 2011). GBM's registered office is located at "Capital City" Business Centre, 8, Bld. 1, 10th Floor, Presnenskaya nab. 123317 Moscow.

A member of the Russian Savings Deposit Insurance System, GBM had one branch and 80 employees as of 31 December 2012. As of 31 December 2012, GBM's total assets amounted to US$462 million (US$386 million as of 31 December 2011).

Having defined its core businesses as corporate and commercial banking, GBM is providing services to well-known medium- to large-size Russian companies as well as leading Turkish companies operating in the country. The loan portfolio is diversified and is focused on key sectors of the economy, such as the manufacturing, metal and metal products, food and beverage, transportation, automobile and trade sectors. GBM also offers services to large-scale Turkish tourism operators in Russia.

Garanti Securities

Garanti Securities is a wholly-owned subsidiary of the Bank and one of Turkey's leading securities houses and investment banks. Garanti Securities serves Turkish and international customers in the areas of corporate finance and capital market brokerage. As one of the sector's leaders in the business of corporate finance, over the years the company has provided numerous customers with advice on company mergers, acquisitions, public offerings and privatizations.

Garanti Securities' other principal business activity is brokerage services. Corporate share trading, which is supported by research, is delivered to customers via the Bank's extensive service network. As of 31 December 2012, Garanti Securities provided brokerage services to nearly 286,140 customers.

Garanti Asset Management

Founded in June 1997 as the first asset management company in Turkey, Garanti Asset Management is a wholly-owned subsidiary of the Bank. As of 31 December 2012, Garanti Asset Management managed 24 mutual funds of the Bank and Garanti Securities, eight principal-protected funds and the Istanbull Hedge Fund of the Bank, 15 pension funds of Garanti Pension and Life and the portfolio of Garanti Investment Trust (a closed-end fund listed on Borsa İstanbul). The company also provides portfolio management services for both institutional and individual clients. Garanti Asset Management's market share in terms of mutual funds was 15.54% as of 31 December 2012 according to Rasyonet, a third-party data vendor. Total assets under management amounted to TL 8,443,277 thousand as of 31 December 2012. Market shares of pension funds and discretionary portfolio management were 16.20% (according to Rasyonet) and 6.83% (according to the Capital Markets Board), respectively, as of 31 December 2012. The mutual funds managed by the company had a market value of US$2.6 billion as of 31 December 2012 and Garanti Asset Management distributes its mutual funds solely through the Bank's branches and ADCs.

Garanti Payment Systems

Garanti Payment Systems (**GPS**) was established by the Bank in 1999 to provide services in the cards market as the product developer of chip-based multi- and joint-branded card programs, commercial cards, virtual cards, business-based marketing and e-commerce services. The Bank owns a 99.92% stake in GPS, which as of 31 December 2012 booked total issuing volume amounting to US$36 billion on approximately 9.1 million

credit cards, approximately 7.0 million bank debit cards and approximately 525,000 point of sale devices. As of 31 December 2012, total merchant partner acquiring volume was US$39 billion. GPS earns the interchange fee for processing credit card payments and certain other revenues whereas the Bank is the lender, takes the credit risk and earns all interest and certain fees.

Garanti Mortgage

Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. (**Garanti Mortgage**), wholly owned by the Bank and established in October 2007, specializes in housing loans and offers consultancy and support services to mortgage companies. The Group's market share in Turkish mortgage loans was 13.13% by outstanding mortgage loan balances as of 31 December 2012 according to FINTURK, the BRSA's quarterly report and the Group (including Garanti Mortgage) sustained the market leadership position it has held since 2007. Garanti Mortgage has established collaborative relations with more than 172 construction firms and projects around Turkey. Various products have been launched by Garanti Mortgage, each of which addresses different product and payment method needs of consumers.

International Operations

The Group's international operations include foreign branches of the Bank in the Turkish Republic of Northern Cyprus (five branches (together with a Country Directorate in Northern Cyprus that was established in order to comply with the legal requirements in Northern Cyprus)), Luxembourg and The Republic of Malta and an international representative office in each of London, Düsseldorf and Shanghai. The Bank's Domestic and Overseas Subsidiaries Coordination department also coordinates with the Bank's non-Turkish subsidiaries such as GBI, Garanti Bank SA and Garanti Bank Moscow, additional information about which can be found in "*Subsidiaries*" above.

The Shanghai representative office started its operations in May 1999 and was the first Turkish bank outlet in Far East Asia. The Bank's management believes that its Shanghai office puts the Group in a favourable position in establishing relations with Chinese banks and to initiate and develop business contacts with Turkish and Asian companies. Likewise, the London and Düsseldorf representative offices contribute to the Bank's international marketing efforts. The branches in the Republic of Malta, Turkish Republic of Northern Cyprus and Luxembourg are principally focused on servicing the needs of the Bank's Turkish customers in these locations.

Supporting the Bank's efforts in trade and other cross-border transactions, the Bank relies upon its network of international correspondent banks. As of 31 December 2012 the Bank's international network included more than 3,000 correspondent banks in 154 countries around the world. The Bank cooperates with these correspondent banks in trade financings, remittances and other tailor-made transactions of interest to its customers.

The Group's focus on international banking and trade finance operations has, together with its diversified range of credit products, resulted in an increased demand for contingent loan products such as letters of guarantee, letters of credit and export financing. According to the foreign trade statistics announced by TurkStat, the Group is one of the leading Turkish banks in foreign trade, having a 12.0% share in Turkey's imports by value for 2012. As trade finance is a large fee generator, the Group intends to utilize its knowledge of trade finance, customer-oriented branch network, sophisticated technology and worldwide correspondent network to further strengthen its trade finance business.

Marketing and Distribution Channels

The Group is a well-recognized brand in Turkey. Over time, through the introduction of successful products such as Bonus Card, Miles&Smiles, ELMA and www.garanti.com.tr, the Group's brand has strengthened. The market's perception of the Group is periodically monitored by the Bank through brand tracking surveys

and customer satisfaction surveys. These surveys have been useful in identifying customer perceptions of the Group's attributes.

All of the Bank's customer-facing divisions pursue a relatively sophisticated marketing strategy that is innovative and visible as well as customer-tailored, as further described below. Cross-selling is at the core of most product campaigns and the Group continuously focuses on enhancing the effectiveness of its activities to increase the profitability of its customer base while maintaining its focus on risk management principles. For example, the Bank's Retail Banking Department utilizes media advertising, direct mailings (paper and electronic), SMS messaging and posters/brochures in branches. The Bank's SME Banking Department reaches potential customers in various manners, including sponsoring a monthly magazine that reviews aspects of the business and SME markets in Turkey. Marketing to potential commercial and, in particular, corporate customers is tailored to those customers' individual needs.

The Bank sells and cross-sells its customers either reactively or pro-actively using CRM tools.

From a reactive sales perspective: (a) for mass customers who walk into branches of the Bank, the Bank serves them using the Sales Lead Systems (**SLS**), and (b) for both upscale and mass market customers, the Bank implements a system called the Sales Opportunities Tool (**SOT**) to inquire regarding customer product usage levels in each case in order to enable sales representatives or relationship managers to identify those products that can be sold reactively to these customers. SLS uses propensity and business rules, whereas SOT uses propensity and attrition rules and is designed around a unique customer profile.

From a pro-active sales perspective, the Bank targets its mass market customers with outbound calls from its call centre and the eligibility of these customers is identified using propensity and business rules. Within a branch, for both upscale and mass customers, the Bank has a system called *Pusula* (Compass). This system identifies customer needs and, subsequently, propensity, business rules and some external data are used to meet those needs with the relevant products. The Bank offers these products to its customers as product bundles rather than as individual products, thereby seeking to meet both the customers' main and secondary needs. Finally, groups of upscale and mass market customers with similar needs are combined as lead lists for the Bank's sales representatives and relationship managers to pro-actively target.

As the Bank believes that selling additional products to its existing customers is the most effective method of increasing revenues and profitability, cross-selling opportunities are actively sought and implemented.

Branch Network

Since 2000, as a result of organic growth and mergers, the Bank increased the number of its domestic branches and offices to 478 as of 31 December 2006. The Bank has grown its branch network in each year since 2006 and, as of 31 December 2012, the Bank had 926 domestic branches and offices. The Bank conducts cost-benefit studies on an on-going basis in order to determine and maintain the best geographical distribution of branches in Turkey. The Bank operates in 78 of the 81 cities in Turkey, covering 99% of Turkey's total population. Approximately 50% of the Bank's branches are located in the three largest cities (namely Istanbul, Ankara and İzmir). The Bank plans to expand its branch network to approximately 975 branches by the end of 2013 and approximately 1,000 branches by the end of 2014. The Group's branch network growth has been partly driven by the increase in the number of smaller "mini-branches."

Alternative Delivery Channels

In addition to its large branch network, the Bank has developed an extensive ADC network that includes online banking, ATMs, two call centres, mobile banking and kiosks. The increasing use of ADCs by the Bank's customers has increased the Bank's cost-efficiency, has provided improved convenience to its customers and has helped the Bank develop deeper relationships with its customers.

The main benefits of the ADC distribution strategy can be segmented into four groups:

- *Improving branch performance*: By substantially expanding the use of ADCs, the Bank has significantly reduced less productive branch tasks (such as customer inquiries), freeing up the sales force and allowing them to focus on more profitable commercial activities and sales. Also, the migration to ADCs has reduced the branch operating load and costs, with average cost per transaction being significantly lower for ADC transactions.

- *Improving customer service and therefore retention*: Through ADCs and their extended hours of operations (24/7), the Bank provides quick and convenient problem resolution.

- *Enhancing revenues*: The Bank exploits new sales opportunities by cross-selling and by telemarketing to potential customers through ADCs, which also provide opportunities for incremental fees and charges. Accumulated commission income generated solely by transactions on ADCs was TL 313.5 million in 2012.

- *Deepening relationships with customers*: ADCs not only lead to operational efficiency in relation to transactions, but also portfolio efficiency via upsell and cross-selling opportunities on these channels. In 2012, almost two million banking products were sold to customers through the internet, mobile banking and ATMs.

In addition to high-quality banking services, ADCs also provide convenience-oriented value-added services like Western Union remittances both online and via ATMs, cardless remittances via ATMs, mobile remittances, video agent services as well as online/mobile instant stock exchange services. Regarding the latter, in early 2010 the Bank launched a unique trading platform called "e-Trader" including a desktop application, iPhone, iPad and BlackBerry mobile applications and online investment consulting service over videoconference. These value-added services contribute both to commission income and high levels of customer satisfaction.

The Bank has created nearly 30 mobile finance applications, which have been downloaded from garanti.com.tr under the name of the Garanti Application Store more than two million times through 31 December 2012. Applications developed for the iPhone and Android phones for CepBank have been launched and downloaded over 120,000 times through 31 December 2012. The Bank has also launched money transfer services via CepBank on Facebook and Twitter.

The Bank designed the first financial application for the Windows 8 application store. In collaboration with Casper, the Bank's application is available on all computers introduced to the market with Windows 8 and on the Nokia Lumia 920, the first mobile phone model to be marketed in Turkey that is built on the Windows 8 operating system. After developing mobile banking applications for iPhones, iPads and Android phones, an application specially developed for Android tablets was also put into service. The design of wap.garanti.com.tr and Mobile Banking, accessed via wap, was also renewed.

Consistent with advances in technology and customer preferences, the Bank's customers are shifting their choice of distribution channel. In 2012, 80% of all comparable transactions were realized using ADCs – all of which otherwise would have had to have been accomplished through tellers. The Bank's principal ADCs are described below:

- *Online Banking:* The Bank had almost 2.5 million active internet banking users as of 31 December 2012. The Bank's market share of active online banking users was 23.1% as of September 2012 (according to the Banks Association of Turkey). The Bank's internet banking service processes over 140 million financial transactions per year and offers more than 400 types of transactions.

- *Mobile Banking:* The Bank offers mobile banking services on four different platforms including on iOS devices (the iPhone operating system), iPad devices, all Android-operated devices and all WAP browsers. As of 31 December 2012, the Bank had approximately 500,000 unique mobile customers,

with a market share across all its mobile banking channels of 39.04% in terms of numbers of customers and a 41.36% market share of financial transactions made on mobile banking channels, each according to the Banks Association of Turkey. As of September 2012, the Bank's iPhone application had been downloaded over 700,000 times across all platforms.

- *ATMs*: The Bank's over 3,500 ATMs, as of 31 December 2012, provide around 140 different transactions (including remittances and cardless transactions). 50% of the transactions executed via the Bank's "Paramatik" ATMs are transactions other than cash withdrawals. The Bank's ATM network includes over 500 "Cash Recycling ATMs," which use deposited cash to provide withdrawals and have helped reduce operational costs. Additionally, the Bank estimates that more than one million unbanked customers (*i.e.*, customers without any bank accounts) use the Bank's ATM network each month, for many of which transactions the Bank receives a fee.

- *Call Centres*: The Bank's first call centre was opened in February 1998, making the Bank the first in Turkey with both online and phone banking channels. Almost all of the Bank's core banking services, including bill payments, tax payments, card payments and investment transactions, are offered through the Bank's two call centres. The call centre personnel seek to actively cross-sell the Group's products. In 2012, the call centres had 64 million customer contacts and the accumulated individual sales of products through call centres was 2.5 million.

Human Resources Management and Planning

The Bank's Human Resources department works in coordination with all of the Bank's departments to support the Bank's strategic plans. As of 31 December 2012, the Bank had 17,285 employees and the Group had 20,950 employees.

While the Bank does hire some senior employees from outside the Group, non-entry level positions are generally filled through the promotion of existing employees of the Bank.

Incentive policies are designed to enhance the performance achievement of each employee by applying the proper amount of incentive compared to base salary and using job-specific measurable performance criteria. Thus, for sales teams, incentive payments constitute a higher portion of benefits compared to back-office specialized jobs (*e.g.*, headquarters jobs). In contrast, specialized jobs may have higher salary packages with regard to their salary bands. None of these incentive policies include arrangements for the involvement of employees in the capital of the Bank.

Properties

As of 31 December 2012, the total net book value of the Group's tangible assets (including land, buildings and furniture) was TL 1,643,451 thousand, which was 0.9% of its total assets. The Group maintains comprehensive insurance coverage on all of the real estate properties that it owns.

Information Technology

The Group believes that it differentiates itself in part through the high quality of its information technology. The Group has organized its IT functions within the Bank's wholly-owned subsidiary, Garanti Teknoloji.

The IT solutions created by Garanti Teknoloji have enabled the Group to improve its efficiency and effectiveness in serving its customers and to provide a better customer experience across all channels. The integrated solutions created in-house by Garanti Teknoloji are pervasive across all channels and all levels of the Group. The services provided by Garanti Teknoloji include business development (including marketing and management support), IT strategy, process and security services, software development, systems and operations, help desk, networking and field engineering.

Garanti Teknoloji also provides services to other companies in the Doğuş Group, including its tourism, media and automotive operations. See "*Related Party Transactions*."

Approximately 99% of the Group's operational transactions are processed through Garanti Teknoloji, which aims to provide access and monitoring with a 99.99% availability and makes real-time copies of transaction records. In 2012, Garanti Teknoloji was responsible for the processing of approximately 290 million transactions a day on average, with up to 345 million transactions a day on peak days. The financial and core banking applications within Garanti Teknoloji are developed by a team of more than 586 software and computer engineers.

The development of business continuity management standards in all of the Bank's subsidiaries is coordinated by the Bank's Internal Control Unit. The Bank has developed a Business Continuity and Disaster Recovery Plan in case of natural disaster or significant disruption. This plan aims to ensure that in the event of such circumstances arising, the Group can continue to provide services to its customers, fulfil its legal obligations, minimize financial losses arising from the disruption and safeguard information assets. The plan is revised and tested on an annual basis. These tests include stress tests against various different scenarios. The Bank has alternative locations for ensuring the continuity of banking services against unexpected incidents. The plan also includes specific directives to personnel to instruct them to react appropriately in a disaster situation. All personnel have access to the plan's guidelines through the Bank's intranet. The plan also sets out a communication strategy in order to seek to ensure appropriate communication with internal and external target stakeholders.

Insurance

The Group's fixed assets, cash-in-transit and cash-on-hand are covered by general insurance arrangements with third parties covering normal risks, and the Group also maintains blanket liability insurance (including in relation to electronic computer crime, professional indemnity and directors' and officers' liability). Loans that are secured by real estate are also required by the Group to be supported by fire and asset protection insurance with respect to secured assets. The Group does not have any credit risk insurance in relation to defaults by its customers and this is generally not available in Turkey.

Anti-Money-Laundering and Combating the Financing of Terrorist Policies

Turkey has been a member country of the FATF since 1991 and has enacted laws and regulations to combat money-laundering, terrorist financing and other financial crimes. The Law on Prevention of Terrorism Financing (Law No. 6415) entered into force as of 16 February 2013. 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. Suspicious transactions must be reported to the Turkish Financial Crimes Investigation Board.

To ensure the Bank is not used as an intermediary in money-laundering and other criminal activities, a program of compliance with the obligations of anti-money-laundering and combating the financing of terrorism rules, which is to be undertaken by all employees, has been implemented. This program 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 legislation and regulations and employee training.

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 criminalizing terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets. See "*Risk Factors – Political, Economic and Legal Risks related to Turkey – Combating the Financing of Terrorism*."

Compliance with Sanctions Laws

OFAC administers regulations that restrict the ability of US persons to invest in, or otherwise engage in business with, SDNs, and similar rules have been put in place by the European Union, the United Kingdom, the United Nations and Turkey. The Bank maintains policies and procedures designed to ensure that it complies with all such laws, regulations and orders (including those of OFAC and the FATF) regarding doing business with, maintaining accounts for, or handling transactions or monetary transfers for Sanction Targets.

Before opening an account for, or entering into any transaction with, a customer, the Bank ensures that such customer is not 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 sanction lists by the Bank or a third party screening company.

Accordingly, the Bank's current policies restrict the Bank from engaging in any prohibited business investments and transactions with Sanction Targets, including Iran and Syria.

Credit Ratings

Each of the Bank's credit ratings from Standard & Poor's, 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 European Union 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 suspension, change or withdrawal at any time by the assigning rating agency.

Standard & Poor's (5 April 2013)

Outlook	Stable
Long Term Foreign Currency Issuer Credit Rating:	BB+
Long Term Turkish Lira Issuer Credit Rating:	BB+
Stand-alone Credit Profile:	bbb-

Moody's (10 July 2012)

Long Term Foreign Currency Deposit Outlook:	Stable
Long Term Foreign Currency Deposit:	Ba2
Long Term Turkish Lira Deposit:	Baa2
Short Term Turkish Lira Deposit:	Prime-2
Short Term Foreign Currency Deposit:	NP
Financial Strength Rating (FSR):	D+
Financial Strength Rating Outlook:	Stable
Long Term National:	Aa2.tr
Short Term National:	TR-1

Fitch (14 December 2012)

Outlook:	Stable
Long Term Foreign Currency:	BBB
Short Term Foreign Currency:	F3
Long Term Turkish Lira:	BBB
Short Term Turkish Lira:	F3
Viability Rating:	bbb
Support:	3
National:	AAA (tur)

Litigation and Administrative Proceedings

The Group is subject to various ongoing legal proceedings, as described below, but the Bank's management does not believe that such proceedings, individually or taken together, are likely to have a significant effect on the Group's financial position or profitability.

Salary and Deposit Programs Investigation

The Turkish Competition Board issued decisions in August 2009 initiating an investigation into the salary and deposit programs operated by eight major banks in Turkey, including the Bank. Under these programs, corporate and commercial customers of the Bank agree to deposit the salary payments of their employees with the Bank in exchange for remuneration from the Bank. The subject of the investigation is whether the eight banks made a collective agreement for the level of fees that they pay in connection with these programs. Similar to the practice of the other major banks in Turkey, the Bank enters into protocols with its customers regarding these programs, the terms of which protocols vary with respect to the level of fees the Bank pays and the length of the relevant protocol. In connection with this investigation, the Turkish Competition Board has served a summary of its initial findings and the banks that are under investigation responded to this initial report. On 20 August 2010, the investigation committee established by the Turkish Competition Board served its detailed report on each of the banks involved, which report recommended that the Turkish Competition Board impose a substantial fine upon the banks. On 8 March 2011, the Turkish Competition Board announced that it imposed an administrative fine amounting to TL 11,641,860 (approximately US$7.6 million) on the Bank with the possibility of the Bank's appealing the decision to the Council of State. The Bank has appealed such fine following its receipt of the detailed decision of the Turkish Competition Board; *however*, according to the Law on Protection of Competition No. 4054, appealing a decision of the Turkish Competition Board will not stop the implementation of the Turkish Competition Board's decisions and the consequent collection of administrative fines. Accordingly, the Bank paid the administrative fine within one month of its receipt of the detailed decision. The appeal process is currently pending.

Interest Rates Investigation

In a decision dated 2 November 2011, the Turkish Competition Board resolved to initiate an investigation against 12 banks operating in Turkey to determine whether they have acted in concert and violated Turkish competition laws in respect of interest rates applicable to banking products that they offer. As part of this investigation, the Competition Board investigated the Bank and two of its subsidiaries, Garanti Payment Systems and Garanti Mortgage. The Competition Board announced its fines on 8 March 2013, with the Bank and such subsidiaries being fined TL 213 million, and on 11 March 2013 the Bank announced that (in accordance with the provisions of law permitting a 25% reduction if paid within 30 days) it would pay three quarters of this administrative penalty (*i.e.*, TL 160.04 million). Notwithstanding this payment, the Bank has the right to object to this decision through proceedings in the administrative courts and the Bank's management has indicated that it intends to explore options to object to this decision through such proceedings. In addition to the monetary fines imposed by the Competition Board, the Bank, pursuant to

articles 57 and 58 of the Law on the Protection of Competition, may face claims from individual customers on the grounds that such customers have suffered damages and could sue the Bank. So far, only one case has been filed against 12 banks (including the Bank) in this respect; *however*, there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are no resolved cases opened by any customers against the Bank. While the burden of proof lays with the customers and the Bank's management is of the view that no real damage was caused, there can be no guarantee that the Turkish courts would agree with such analysis and the number of such claims may increase depending upon the outcome of the initial law suit. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against the Bank in this respect, under articles 57 and 58 of the Law on the Protection of Competition individual customers claiming to have suffered damages resulting from such activities could sue the Bank (including in a class action). The Bank's management has indicated that the amount of such fine (and any related damages successfully proven by a customer) will be sufficiently covered by the Bank's existing general provisions.

Garanti Payment Systems Tax Audit

The Istanbul Large-Scale Taxpayers Office of the Tax Inspection Board held inspections of the Bank concerning the banking and insurance transaction tax (**BITT**). As a result of the inspections, authorities claimed that payments made by the Bank's contracted merchants to an institution other than the Bank itself categorized as a "service fee" in the years 2007, 2008, 2009 and 2010 should have been collected by the Bank. Because of this determination, the tax authorities claim that the Bank undercalculated the BITT and, accordingly, tax audit reports for the relevant years were prepared.

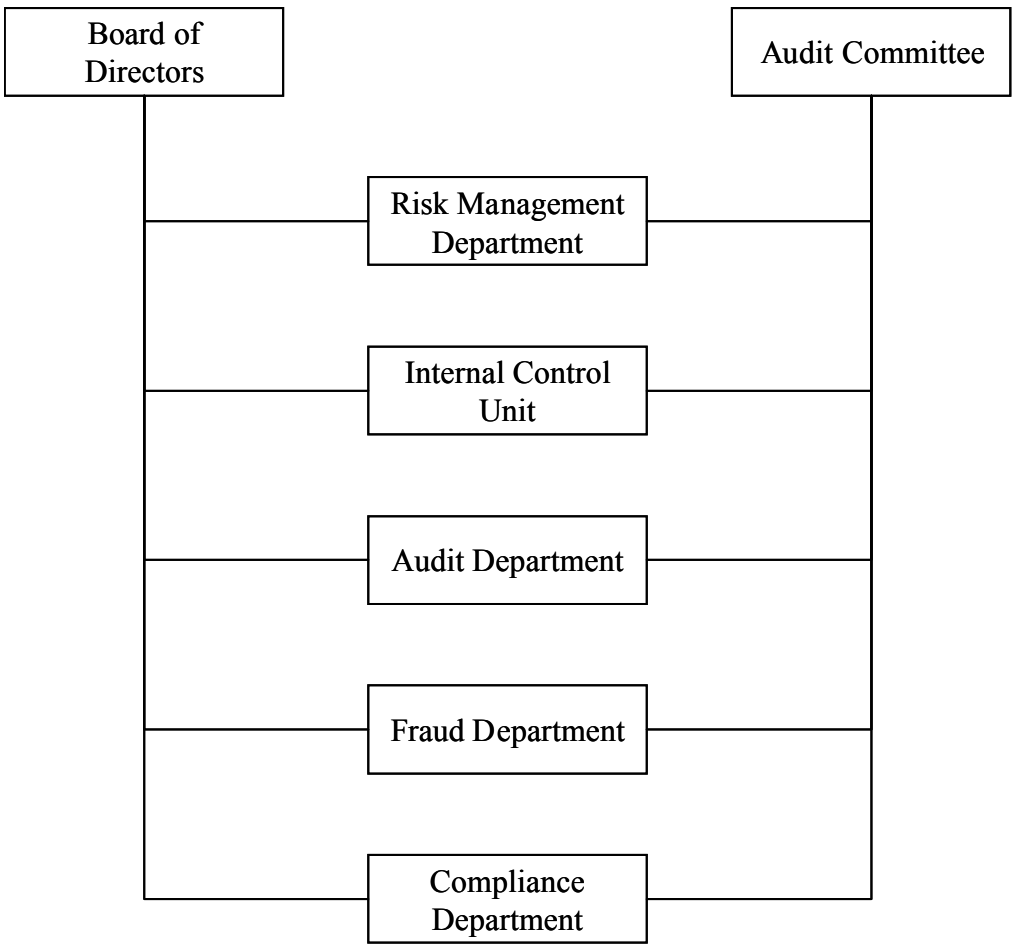
The Bank received a tax audit report and tax/penalty notifications for the year 2007. The Bank's management expects to receive notifications of audit reports for the other relevant years. The Bank's management estimates that the total tax assessment including fines for the years 2007, 2008, 2009 and 2010 will amount to approximately TL 36,300 thousand. In the Bank's management's assessment, the Bank's practice is in compliance with the relevant legislation and the Bank will take legal actions against the tax authority's assessments.

RISK MANAGEMENT

General

As with any financial institution, the Bank is exposed to various risks inherent to its business such as credit risk, liquidity risk, market risk and operational risk. The Bank's Board of Directors is ultimately responsible for developing and monitoring the Bank's internal control, audit and risk management policies and strategies to address the risks that the Bank is exposed to, including the Bank's exposure to risk through its investments in its subsidiaries. For further information on the risks faced by the Bank, please see "*Risk Factors*."

In fulfilling such responsibilities, and in line with applicable law, the Board of Directors has established within the Bank an Internal Audit department, an Internal Control department, a Risk Management department, an Anti-fraud department and a Compliance department. Each of these is independent of executive functions and directly reports to the Board of Directors. The following diagram shows the interaction between these various departments.



In line with the importance given by the Bank to the corporate governance principles, the Bank's Board of Directors created an Audit Committee whose job is to ensure that the Board of Directors' supervision and review functions are duly carried out. The Audit Committee reports to the Board of Directors on the results of internal control, risk management and audit activities and on any action that it deems necessary as well as its views on any other issue that it deems to be important from the standpoint of the continued well-being of the Bank and the conduct of its activities. For more information on the Audit Committee, see "*Management – Board of Directors – Corporate Governance – Risk Management Committees*."

The principal responsibility for risk management is held by the Risk Management department, which is responsible for the establishment of an integrated risk management system that measures and manages risks arising from the activities of the Bank (including in accordance with applicable legislation) and seeks to obtain an optimum risk-return-capital balance. The risk management system consists of processes for the establishment of standards, information flow, compliance, monitoring, decision-making and implementation necessary to monitor, control and change, when deemed necessary, the risk-return structure and the future cash flows of the Bank and the nature and level of related activities.

Fostering a risk management culture throughout the Bank and guided by a vision of having an integrated risk management system, the Bank employs analytical methods that use international standards (such as Basel II) to quantify and monitor market, credit and other risks (benefiting from its many years of detailed operations data). As of 31 December 2012, 16 employees (including a senior vice president) worked for the Risk Management department of the Bank, a further 117 employees worked for the Internal Audit department and 106 employees worked for the Internal Control Unit.

A summary of the Bank's management of credit, market, operational and liquidity risks is set forth below. See note 26 to the 2012 IFRS Financial Statements for additional information on the management of these and other risks.

Credit Risk Management

The Bank is subject to credit risk through its trading, lending, hedging and investing activities and in cases where it acts as an intermediary on behalf of third parties. For credit risk relating to lending activities, which constitute the Bank's primary credit risk exposures, the Bank uses various statistical-based internal risk rating models and scorecards based upon customer segmentation and also obtains information from certain credit reporting bureaus. Risk ratings and scores generated by these models are used in the credit assessment process. Risk rating is also one of the parameters in determining credit authorization limits.

In the risk-rating models and scorecards, statistical methods are applied to information concerning customers' previous performance in order to rate them on the basis of objective criteria and assess the likelihood of a particular customer's defaulting in the future. Different models are currently in use for corporate/commercial companies, retail customers and SMEs.

The model for corporate/commercial/medium-sized companies employs financial and qualitative criteria and assigns a probability of default for each borrower, classifying them within a scale of 17 grades. Using these ratings, the expected and unexpected losses and the associated amounts of economic capital needed for the portfolio are calculated. Due to the changing structure of the Bank's credit portfolio since 2003, the Bank has developed this model further by splitting it into different models tailored to the specific circumstances of each of its corporate, commercial and medium-sized enterprise segments. The models will be used after integration into the system is complete.

For the retail loan and credit card portfolio, once they have been fully integrated, application and behavioural scorecards are used in the application and granting process. The Bank frequently updates these systems based upon market conditions and advances in experience.

Loan applications from SME sole-traders are assessed by application scorecards, which generate scores for general purpose loans, auto loans, home/office loans, overdrafts and credit cards. For the rest of the SME portfolio, the Bank employs an experience-based scoring model that also serves as a tool for data collection. Behavioural scorecards are also being developed by the Bank. It is expected that the implementation of these new scorecards will further enhance the Bank's credit approval process for SME borrowers.

Assessment models have also been developed for Specialized Lending loans using a Supervisory Slotting Criteria approach developed by the Risk Management Department.

The Corporate Banking Unit-Bank Credit Analysis and International Network Service is in charge of the bank and country risk analysis and the assessment of credit lines. The country limits are set on a yearly basis through extensive sovereign analysis. The department monitors the associated bank and country risks on a daily basis. These analyses are based upon the Bank's country risk rating model, which takes both objective and subjective risk factors into account. Objective risk factors make up 70% of the total score. While the subjective part forms the minority, it plays an essential role in differentiating the risk. The risk rating methodology includes a country's economic performance, political structure, ratings from major agencies, banking sector performance and Turkey's relations with the specific country. On a yearly basis, the results are approved by the Bank's senior management.

The medium to high level risk-rated countries are monitored through daily news, rating actions/rating reports and other analysis on a regular basis. Brief country reports for high or moderate risk countries are prepared on a case by case basis and, when needed, included in the credit folders of the banks for whom line proposals are made to the Credit Committee.

The Bank has established an internal Basel Steering Committee under the coordination of the Risk Management Department. This committee has planned all the activities that will be necessary for compliance by the Bank with the new Basel II rules. The BRSA's standardized method is used for the calculation of credit risk exposure, which is a component of the regulatory capital adequacy ratio. The Bank has adopted procedures to monitor its compliance with the BRSA's capital adequacy requirements.

Market Risk Management

As described in "*Risk Factors – Risks Relating to the Group and its Business – Securities Portfolio Risk*," "*– Interest Rate Risk*," "*– Trading Activities Risk*" and "*– Foreign Exchange and Currency Risk*," the Bank's operations are exposed to significant market risks such as fluctuations in interest rates and exchange rates. The Bank's asset and liability management personnel, including its ALCO, monitor market risk and adopt and implement procedures and policies to optimize net income within the approved risk levels.

Among these procedures, the Bank's trading risk and the associated economic capital is calculated on each business day using a VaR model to determine the risks to which the Bank is exposed on account of market price movements in the trading positions that are maintained both on and off its balance sheet. For the purpose of determining the risks that could arise in major market fluctuations, the VaR model is regularly employed to perform stress tests and scenario analyses. Before taking a position in a considerable amount or trading a new type of instrument, effects on the portfolio are measured by a "what-if" analysis. The reliability of the VaR model is regularly checked by means of back tests.

The VaR limit is determined according to the distribution of capital approved by the Bank's Board of Directors and is monitored each business day. In addition, trading desk, transaction and stop loss limits are tracked. VaR figures and VaR limit utilizations are reported each business day to the Bank's Treasury Department, CEO and the board member in charge of risk management and also weekly to the ALCO. Approval, update, follow-up, breach and notification procedures of these limits are executed and modified upon the approval of the Bank's Board of Directors.

For regulatory capital adequacy purposes, the BRSA's standard method is used. The Bank has adopted procedures to monitor its compliance with the BRSA's capital adequacy requirements (further details of which can be found in "*Turkish Regulatory Environment*"). Balance sheet management is performed by the ALM in line with the main strategies determined by the ALCO. Hedging transactions for the Bank's own balance sheet are carried out in accordance with the policies and procedures adopted by the ALCO. From an internal management perspective, the ALM eliminates the market risk from the Bank's branches and departments through a transfer pricing system, which thus enables the Bank to manage its market risks on a centralized and net basis.

Reports on duration/gap and sensitivity analyses are prepared to determine the interest rate risk the Bank faces as a result of maturity mismatches on its balance sheet. The ALCO and the ALM use the duration/gap reports to manage balance-sheet interest rate risk.

The banking book's interest rate risk is limited by a regulatory limit that is calculated by the standard shock method. The legal limit is monitored by the Bank and reported to the BRSA on a monthly basis.

Operational Risk Management

As described in "*Risk Factors – Risks Relating to the Group and its Business – Operational Risk*," the Bank is subject to various operational risks, including risks relating to the failure of internal controls, force majeure events and the failure of IT systems. For the measurement and management of the Bank's operational risks, a risk matrix has been developed in which the existing and potential operational risks of the Bank are grouped according to the business lines, causes, consequences and categories to which these risks apply. A loss database has been created for the principal business lines in this matrix. For the control of operational risks, the status, impact and probabilities for each risk are evaluated within the matrix. The Bank's Internal Control and Internal Audit departments have primary responsibility for monitoring and updating the operational risk matrix.

Credit cards, internet banking and application fraud teams that were previously working under different departments were brought together under a centralized Fraud department in September 2007. The purpose of this department is to prevent fraudulent acts with an enterprise approach, to minimize the risks arising from such acts, to reduce the losses incurred by the Bank in this regard and to take more effective operational security measures.

Capital requirements relating to operational risk are, per BRSA requirements, calculated according to the Basel II basic indicator approach for operational risk. Nevertheless, it is the Bank's goal to measure for internal purposes operational risk with the Basel II advanced measurement approach. For this purpose, the Bank: (a) in December 2008, completed an internal database to gather operational risk loss data in a more systematic centralized environment in accordance with Basel II standards, (b) in August 2009, implemented the operational risk economic capital software and (c) in December 2009, built a framework to define operational risk-related key risk indicators and to collect data for them. The Bank's management believes that these more advanced standards will further enhance its operational risk management.

The Bank seeks to manage reputational risk as part of its risk management. The Bank's policy for the management of reputational risk is to avoid transactions and activities that can cause reputational risk. The Bank executes all transactions and activities in the context of the following principles:

- compliance with legal regulations,
- compliance with corporate governance principles, and
- compliance with social, ethical and environmental values.

Management of reputational risk is ultimately the responsibility of the Board of Directors but it is also a responsibility of all the employees of the Bank.

Liquidity Risk Management

Liquidity risk is defined as the risk that the Bank may not be able to fulfil its payment obligations in a timely manner due to the lack of available cash or cash inflows in quality and in quantity to cover the cash outflows in a complete and timely manner due to imbalances in the cash flows of the Bank. The Bank's policy in liquidity management is to maintain sufficient levels of liquid assets to sustain the current funding, benefit from investment opportunities and meet loan demands and eventual liquidity shortages. The Bank has

established a Liquidity Risk Management Committee (the LRMC), a description of which can be found in "*Management – Corporate Governance*." Trends of the early warning indicators, benchmark ratios and limits are followed by the Risk Management Department and reported to the LRMC on a monthly basis.

The Bank maintains a desired level of liquidity by maintaining foreign currency and Turkish Lira assets in the form of short-term money market placements and marketable securities. In creating assets in the context of effective liquidity management, the Bank considers their ability to be liquidated easily, having a regular cash flow and being able to liquidate easily any collateral taken. Oversight of compliance with legal liquidity ratios is also monitored.

The Bank has a contingency funding plan that includes mechanisms designed to prevent a liquidity risk increase under ordinary operations and liquidity crisis scenarios under various conditions and levels of stress. Available liquidity sources are determined by considering the liquidity risk scenario. Within this plan, the Bank monitors the liquidity risk within the scope of written early warning signals, stress levels determined according to probable scenarios and stress levels where liquidity risk may arise, and measures that could be taken for each stress level. Early warning signals are taken into account in determining the stress levels identified in the plan. Practices that will be executed in accordance with the scenarios and stress levels defined in the contingency funding plan are included in this plan.

Daily liquidity management is performed by the ALM. In executing this duty, the ALM considers legal liquidity ratios and monitors early warning signals associated with eventual liquidity shortages. Medium- and long-term liquidity management is executed by the ALM in line with ALCO decisions.

Risk Management of Subsidiaries

The Bank's subsidiaries have their own risk management teams and procedures, which (in the context of their respective businesses and regulatory environment) are generally consistent with those of the Bank. The Bank's audit and risk committees coordinate with, and monitor the risk management policies and positions of, the Bank's subsidiaries.

MANAGEMENT

Board of Directors

The Bank's Board of Directors meets regularly and, with the guidance of the Bank's senior management, is instrumental in planning the medium- and long-term strategy of the Group. The Bank's Board of Directors makes all major management decisions affecting the Bank. The Board of Directors acts as a supervisory body for the Bank's activities and determines the code of ethics and business conduct of the Bank.

Pursuant to the Bank's articles of association, the General Assembly of the Bank's shareholders sets the number of members on the Bank's Board of Directors, which should consist of at least seven members. Currently, the General Assembly has set the number of members at nine. Each member has a right of one vote and it is not permissible that members vote on behalf of another member by proxy. The members of the Board of Directors are appointed for a period of three years and a member may be re-elected.

The members of the Board of Directors may not participate in discussions relating to or vote for personal matters or any matter concerning interests of relatives such as their spouses and children. The shareholders' agreement executed between the Doğuş Shareholders and BBVA (and to which the Bank is not a party) provides that the Doğuş Shareholders and BBVA will vote their respective shares in the Bank to procure that they each may each nominate for appointment four of the Bank's nine directors.

The CMB recently issued new corporate governance rules, which banks will need to comply with at their first ordinary general assembly meeting (but no later than June 2013). These new rules will not affect the shareholders' agreement between the Doğuş Group and BBVA or the composition of the Board of Directors. The Bank intends to pass all the necessary resolutions to comply with such rules in its general assembly meeting scheduled to take place on 30 April 2013 and the Bank's shareholders will be appointing one independent director to the Board of Directors increasing the total number of directors to ten. In line with the recent amendments to the Corporate Governance Communiqué, the Bank has established a corporate governance committee.

Members of the Board of Directors

The directors of the Bank (the **Directors**) are the following:

Director	Year First Appointed	Current End of Term
Ferit Faik Şahenk (Chairman)	1990 (Chairman since 2001)	May 2015
Süleyman Sözen (Vice Chairman)	1997 (Vice Chairman since 2003)	May 2015
Sait Ergun Özen (President and CEO)	2003	May 2015
A. Kamil Esirtgen, PhD	1992	May 2015
Cüneyt Sezgin, PhD	2004	May 2015
Angel Cano Fernandez	2011	May 2015
Carlos Torres Vila	2011	May 2015
Manuel Pedro Galatas Sanchez-Harguindey	2012	May 2015
Manuel Castro Aladro	2011	May 2015

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

Ferit Faik Şahenk (Chairman)

Mr. Şahenk has an undergraduate degree in Marketing and Human Resources from Boston College. He attended Harvard Business School for its "Owner/President" Management Program. He was a founder of Garanti Securities. He has previously served as Vice President of Garanti Securities, CEO of Doğuş Holding and Chairman of Doğuş Otomotiv. Currently, Mr. Şahenk is the Chairman of Doğuş Holding and is a director of Doğuş Otomotiv Servis ve Ticaret A.S. He served as the Chairman of the Turkish-American Business Council of the Foreign Economic Relations Board (DEİK) and is currently serving as Chairman of the Turkish-German Business Council and is a member of the Turkish-United Arab Emirates Business Council. He is a member of the World Economic Forum and the Alliance of Civilizations Initiative. He is also the Regional Executive Board Member of Massachusetts Institute of Technology's (MIT) Sloan School of Management Europe, Middle East, South Asia and Africa.

Süleyman Sözen (Vice Chairman)

Mr. Sözen is a graduate of the Faculty of Political Sciences of Ankara University. He worked as a Chief Auditor at the Turkish Ministry of Finance and the Treasury. Since 1981, he has served in various positions in the private sector, mainly in financial institutions. Mr. Sözen has been serving on the board of directors of various Doğuş Group entities and subsidiaries of the Bank since 1997. He holds a Certified Public Accountant license.

Sait Ergun Özen (President and CEO)

Mr. Sait Ergun Özen earned a Bachelor's degree in Economics from State University of New York and is a graduate of the Advanced Management Program at Harvard Business School. He is a Board Member of Garanti Bank Moscow, GBI, the Banks Association of Turkey, the Institute of International Finance (IIF), the Turkish Industrialists' and Businessmen's Association (TÜSIAD), the Istanbul Foundation for Culture and Arts (IKSV) and the Trustees of TED Istanbul Koleji Foundation. He is also the Chairman of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Eureko Sigorta A.Ş., Garanti Factoring and Garanti Leasing.

A. Kamil Esirtgen, PhD

After graduating from the Faculty of Economics of Istanbul University, Mr. Esirtgen received an MBA from Stanford's Graduate School of Business and a PhD from Istanbul University's School of Business Administration. He worked at various private sector corporations after concluding his academic career in 1975. In 1987, he joined the Doğuş Group as Finance Group President. He is a board member of several subsidiaries of the Bank, as well as some other companies in the private sector.

Cüneyt Sezgin, PhD

Mr. Sezgin received a Bachelor of Arts degree from the Middle East Technical University, an MBA from Western Michigan University and a PhD from Istanbul University's School of Economics. He has served in executive positions at several private banks. Mr. Sezgin is the Country Director of the Global Association of Risk Professionals. He is a board member at Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Eureko Sigorta A.Ş. and the World Wildlife Fund-Turkey.

Angel Cano Fernandez

Mr. Cano Fernandez has an undergraduate degree in Economics and Business from Oviedo University. He is the President and Chief Operating Officer of BBVA.

Carlos Torres Vila

Mr. Torres Vila received a B.S. in electrical engineering and management science from Massachusetts Institute of Technology (MIT). After receiving an MBA from Massachusetts Institute of Technology, he earned a law degree from El Rector de la Universidad Nacional de Educación a Distancia. He worked at various private sector corporations and is currently the Head of Strategy and Corporate Development of BBVA.

Manuel Pedro Galatas Sanchez-Harguindey

Mr. Manuel Galatas Sanchez-Harguindey has a degree in Business Administration and International Finance from Georgetown University. In 1994, after working as an executive at various private corporations, he joined Argentaria (now BBVA). Before joining the Bank, he was based in Hong Kong as the General Manager in charge of all BBVA branches and representative offices in the Asia-Pacific region. He is also the General Manager of BBVA's representative office in Turkey.

Manuel Castro Aladro

After graduating from Universidad Pontificia Comillas (ICADE), Mr. Castro Aladro received an MBA from the University of Chicago. After working as an executive at various private companies and banks, he joined BBVA in 1999. He is the Chief Risk Officer and a member of the Executive Board of BBVA.

The Executives

In addition to the Bank's President and CEO, Sait Ergun Özen, the Bank's senior executives (the **Executives**) as of the date of this Base Prospectus include the following:

Executive	Title	Responsibility	Year Joined Bank
Didem Dincer Baser	Executive Vice President	Branchless Banking/ADCs	2005
Aydın Düren	Executive Vice President	Legal Services	2009
B. Ebru Edin	Executive Vice President	Project Finance	1997
Ali Fuat Erbil	Executive Vice President	Financial Institutions and Corporate Banking	1997
Halil Hüsnü Erel	Executive Vice President	Technology and Operational Services	1994
Gökhan Erün	Executive Vice President	Treasury	1994
Onur Genç	Executive Vice President	Retail Banking and Credit Cards	2012
Turgay Gönensin	Executive Vice President	Subsidiary Coordination	1987
F. Nafiz Karadere	Executive Vice President	SME Banking	1999
Adnan Memiş	Executive Vice President	Support Services	1978
Murat Mergin	Executive Director	Strategic Planning	1994
Aydın Şenel	Executive Vice President	General Accounting	1981
Erhan Adalı	Executive Vice President	Loans	1989
Recep Baştuğ	Executive Vice President	Commercial Banking	1989

Additional information on each of the Executives is set forth below.

Didem Dincer Baser

Ms. Baser graduated from the Department of Civil Engineering of Boğaziçi University and earned her graduate degree from the University of California, Berkeley College of Engineering. She worked at

McKinsey & Company for seven years as an Associate Partner before joining the Bank in 2005 as a coordinator in the Bank's Retail Banking division. In March 2012, Ms. Baser was appointed to her current position.

Aydın Düren

Mr. Düren graduated from the Law Department of Istanbul University and the master of laws program at American University's Washington College of Law. He worked as a lawyer, managing partner and co-founder at various companies. He was appointed as the Executive Vice President for Legal Services in 2009.

B. Ebru Edin

Mrs. Edin graduated from the Civil Engineering Department of Boğaziçi University. She has been the Executive Vice President of the Bank's Project Finance Department since 2009. She worked as a senior executive at various private banks prior to joining the Bank in 1997.

Ali Fuat Erbil, PhD

Mr. Erbil graduated from the Computer Engineering Department of Middle East Technical University. He obtained an MBA from Bilkent University and a PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined the Bank as the Senior Vice President of the Distribution Channels Department in 1997. Mr. Erbil served as the Executive Vice President of Retail Banking and Distribution Channels between the years 1999 to 2012 where he was also responsible for mortgages and private banking. In 2012, Mr. Erbil was appointed as the Executive Vice President of Financial Institutions and Corporate Banking. He is also a board member of Garanti Pension and Life, Garanti Securities and Garanti Bank Pension Fund Foundation.

Halil Hüsnü Erel

Mr. Erel graduated from the Electronics and Communications Engineering Department of Istanbul Technical University. Prior to joining the Bank he served as an executive at various private companies and banks. He joined Garanti Teknoloji as General Manager in 1994 and was appointed to his current position in 1997. Mr. Erel is a board member of Garanti Payment Systems.

Gökhan Erün

Mr. Erün earned an undergraduate degree from the Electronics and Communications Department of Istanbul Technical University and a graduate degree from the Business Administration Department of Yeditepe University. He joined the Bank's Treasury Department in 1994 and served as Senior Vice President of the Commercial Marketing and Sales Department between 1999-2004. He became CEO of Garanti Pension and Life in September 2004 and was appointed to his current position in 2012. Mr. Erün is Chairman of T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı, Vice Chairman of Garanti Pension and Life and Teacher's Academy Foundation and a board member of Eureko Sigorta A.Ş., Garanti Asset Management and Garanti Securities.

Onur Genç

Mr. Genç graduated from the Department of Electrical and Electronics Engineering at Boğaziçi University and earned his graduate degree from Business Administration at Carnegie Mellon University. He started his career in 1996 in the US and, prior to joining the Bank, he held the position of Senior Partner and Country Director at a global management consultancy. In March 2012, Mr. Genç joined the Bank as Executive Vice President responsible for Retail and Private Banking. In May 2012, Mr. Genç's responsibilities were extended as a result of his appointment as Chief Executive Officer of Garanti Payment Systems.

Turgay Gönensin

Mr. Gönensin graduated from the Business Administration Department of Boğaziçi University. In 1987 he joined the Bank, where he worked at various departments. Between 1997-2000, he served as CEO of Garanti Bank International and was the CEO of Osmanlı Bankası from 2000-2001. Mr. Gönensin was appointed to his current position in 2012 and is the Vice Chairman of Garanti Leasing and Garanti Factoring and a board member of GBI.

F. Nafiz Karadere

Mr. Karadere graduated from the International Relations Department of Ankara University. He worked as a senior executive at various private banks and was appointed to his current position in 1999. Mr. Karadere is a board member of Garanti Pension and Life, Garanti Payment Systems and Teacher's Academy Foundation.

Adnan Memiş

Mr. Memiş obtained an undergraduate degree from the Economics Department of Istanbul University and a graduate degree from the Managerial Economics Institute of the same university. He joined the Bank as an Assistant Internal Auditor in 1978 and was appointed to his current position in 1991. Mr. Memiş is currently the President of the Financial Restructuring Working Group of the Banks Association of Turkey, a director of Darüşşafaka Association and the Fund and Leader of Denizyıldızları Project Group.

Murat Mergin

Mr. Mergin graduated from the Economics and Finance Departments of City University of New York. He assumed executive responsibilities in various private banks before joining the Bank in 1994. Mr. Mergin was appointed to his current position in 2002.

Aydın Şenel

Mr. Şenel graduated from the Commercial Sciences Faculty of Marmara University. Between 1981 and 1999, he worked as Internal Auditor, Head of the Human Resources, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager at the Bank. Mr. Şenel was appointed as the Head of General Accounting in 1999 and promoted to his current position in 2006. He is Vice Chairman of the Fund.

Erhan Adalı

Mr. Adalı graduated from the Public Administration Department of Istanbul University. He joined the Bank as an Internal Auditor in 1989 and was appointed to his current position in 2012 after working as the CEO of Garanti Insurance.

Recep Baştuğ

Mr. Baştuğ graduated from the Economics Department of Cukurova University. He joined the Bank as an Internal Auditor in 1989 and was appointed to his current position in 2012 after working as the Commercial Banking Marketing Department Coordinator.

Conflicts of Interest

Except as described below, there are no actual or potential conflicts of interest between the duties of any of the Directors and any of the Executives and their respective private interests or other duties:

Under the terms of the Shareholders' Agreement, BBVA and the Doğuş Shareholders have agreed to vote their shares in the Bank to procure that each of the Directors are, during the term of the agreement, appointed by BBVA and/or members of the Doğuş Group. Furthermore, a number of Directors, including the Bank's Chairman, also currently hold management positions at BBVA or Doğuş Holding. As such, there may be a conflict of interest between the Directors' respective duties to the Bank and any duties they may owe to either BBVA or the Doğuş Group.

Address

The business address of the Bank's executive management and the Board of Directors is Garanti Bank's headquarters at Nispetiye Mahallesi, Aytar Caddesi No: 2 Levent, Beşiktaş 34340, Istanbul, Turkey. The Bank's telephone number is +90 212 318 18 18.

Corporate Governance

In connection with the Bank's corporate governance obligations, the Bank's Board of Directors has established various committees (or directors participate in certain Bank committees) that have been given primary responsibility for certain matters relating to the operation of the Bank. These committees include, among others, the Credit Committee, the Assets and Liabilities Committee, the Remuneration Committee, the Corporate Governance Committee and multiple risk management committees. Certain information relating to these committees and their members is set out below.

Credit Committee

In accordance with the Banking Law, the Board of Directors has delegated a certain amount of its loan allocation authority to the Bank's Credit Committee. The Credit Committee holds weekly meetings to review loan proposals sent by the branches to the head office that exceed the head office's loan authorization limit. The Credit Committee reviews these loan proposals, decides on those that are within its approval limits and submits those that exceed its authorized limits but it deems appropriate to the full Board of Directors for further review.

The Directors on the Credit Committee as of the date hereof are Messrs. Özen, Sözen, Esirtgen, Torres Vila and Castro Aladro, and various executives of the Bank are also on this committee.

Assets and Liabilities Committee

The Committee is chaired by the Chief Executive Officer and holds weekly meetings. The ALCO is charged with managing the assets and liabilities of the Bank, and its objective is to assess interest rate risk, exchange rate risk, liquidity risk, and market risks. Based upon these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet and monitors their practices.

The Directors on the Assets and Liabilities Committee as of the date hereof are Messrs. Özen, Sezgin and Sanchez-Harguindey.

Remuneration Committee

Established on 1 January 2012 according to the Regulation regarding Corporate Governance Principles of Banks published by the BRSA, the Remuneration Committee is fully operational in accordance with such regulation. The establishment and operation of this committee satisfy also the Corporate Governance Communiqué requirements. The Remuneration Committee reports directly to the Board of Directors.

The Committee is responsible for:

- overseeing the execution of the monitoring and auditing processes required to ensure that the Bank's remuneration policies and practices comply with applicable laws, regulations and risk management principles,

- reviewing the Bank's remuneration policy annually to ensure compliance with applicable laws and regulations in Turkey as well as with market practices and updating the remuneration policy as required,

- presenting a report including findings and proposed action plans to the Board of Directors at least one time per calendar year, and

- setting and approving salary packages for executive and non-executive members of the Board of Directors, the CEO and the Executive Vice Presidents.

The Directors on the Remuneration Committee as of the date hereof are Messrs. Şahenk and Deschamps Gonzalez.

Corporate Governance Committee

The Bank's Board of Directors established a Corporate Governance Committee at its meeting held on 14 February 2013 in order to comply with the requirements of both the Regulation regarding Corporate Governance Principles of Banks published by the BRSA and the Corporate Governance Communiqué. This committee is responsible for:

- monitoring the Bank's compliance with the corporate governance principles,

- performing improvement studies,

- determining independent director nominees, and

- offering any possible suggestions to the Board of Directors.

The Directors on the Corporate Governance Committee as of the date hereof are Messrs. Sezgin and Sanchez-Harguindey.

Risk Management Committees

The Bank's Board of Directors has established various committees tasked with overseeing identified categories of risk in the Bank's operations and portfolio, including the Audit Committee and the LRMC. Please see "*Risk Management*" for further information.

Audit Committee. The Audit Committee is comprised of two non-executive members of the Board of Directors. The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions and is responsible for:

- monitoring the effectiveness, operation and adequacy of the Bank's internal control, risk management and internal audit systems and accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information,

- ensuring that the internal audit functions of entities that are subject to consolidation are performed in a consolidated and coordinated manner, including monitoring their compliance with internal control regulations and internal policies and procedures approved by the Board of Directors,

- monitoring whether the auditors perform their duties in an independent and unbiased manner,
- performing the preliminary studies required for the election of independent audit firms and regularly monitoring their activities, evaluating outsourcing service companies and monitoring the services provided, and
- confirming that the financial reports of the Bank and the Group are accurate, contain all necessary information and are prepared in accordance with applicable legislation (and ensuring that errors and irregularities are resolved).

In this context, the duties and authorities of the Audit Committee are defined as follows:

- monitoring compliance with regulations regarding internal control, internal audit and risk management and with internal policies and procedures approved by the Board of Directors and advising the Board of Directors on measures that are deemed necessary,
- monitoring the Internal Audit Unit's fulfillment of its obligations in accordance with internal policies,
- verifying that the internal audit system covers existing and planned activities of the Bank, including risks arising from such activities, and reviewing the Bank's internal audit regulations, which will become effective upon the approval of the Board of Directors,
- advising the Board of Directors on the election and dismissal of the managers of internal systems units reporting to the Audit Committee,
- monitoring whether auditors perform their duties in an independent and unbiased way,
- reviewing internal audit plans,
- monitoring the measures taken by senior management and affiliated units in response to issues identified by auditors and independent auditors,
- confirming that methods, tools and procedures are in place to identify, measure, monitor and control the Bank's risks,
- reviewing and evaluating the independent auditing firm's conclusions relating to the Bank's accounting practices' compliance with applicable legislation,
- confirming that the rating agencies, independent auditing firms and valuation firms with which the Bank enters contracts (including their managers and employees) are able to act independently in their dealings with the Bank and confirm that adequate resources have been set aside for these purposes,
- evaluating the risks involved in the support services obtained by the Bank and monitoring the adequacy of the support services provided by the relevant firms, and
- ensuring that the financial reports of Garanti Bank are accurate, contain all necessary information and are drawn up in accordance with applicable legislation and ensuring that any identified errors and irregularities are corrected.

The committee members as of the date hereof are Messrs. Sezgin and Sanchez-Harguindey.

Liquidity Risk Management Committee. The duties and responsibilities of the LRMC include:

- determining the Bank's excess liquidity held in foreign currencies,
- reviewing the various liquidity risk management reports and monitoring early warning signals,
- determining the Bank's present stress level and monitoring internal and external data that may affect the Bank's liquidity in a liquidity crisis,
- ensuring the execution of the Bank's liquidity contingency action plan, and
- creating a strategy to ensure the Bank's safe operation, cost of funding, profitability and customer confidence and ensuring internal communication and coordination within the Bank to ensure the implementation of its decisions.

The Directors on the committee as of the date hereof are Messrs. Özen and Sezgin, and various executives of the Bank are also on this committee.

Anti–Fraud Monitoring Committee. The Anti-Fraud Monitoring Committee is chaired by a non-executive Board Member. Committee members include the Senior Vice Presidents and Executive Vice Presidents of Technology and Operation Services, Branchless Banking and Retail Loans, the Executive Vice President in charge of Retail Banking and the Executive Vice President in charge of Finance and Risk Management of Garanti Payment Systems, the Senior Vice President of the Anti-Fraud Monitoring Department, the Director of the Internal Audit Department and the Senior Vice President of the Internal Control Unit.

The Anti-Fraud Monitoring Committee is responsible for:

- providing feedback and suggestions regarding the strategies and precautionary actions performed by the Anti-Fraud Monitoring Department to prevent external fraud attempts and incidents,
- providing feedback on the strategies and precautionary actions that are implemented or in the process of implementation to prevent fraud attempts and incidents and to minimize resulting financial and non-financial losses,
- assessing the impact of new products and processes to be launched at the Bank to address fraud risk and providing suggestions when necessary,
- communicating all decisions regarding strategies and precautionary actions carried out by the Anti-Fraud Monitoring Department to the business lines in a timely manner, and
- creating a corporate culture of fraud prevention and awareness.

The Director on the committee as of the date hereof is Mr. Sezgin, and various executives of the Bank are also on this committee.

Sustainability Committee. Established in 2010, the Sustainability Committee is chaired by a non-executive Board Member. Committee Members include the Executive Vice Presidents of Support Services, Loans and Project Finance, a Corporate and Commercial Loans Coordinator, the Senior Vice Presidents of Project Finance, Investor Relations, Financial Institutions, Corporate Brand Management and Marketing Communications and Internal Control and Compliance. Direct Impact and Indirect Impact task forces were established to evaluate risks arising from the Bank's direct or indirect impact on the environment.

The Sustainability Committee is responsible for:

- monitoring energy consumption, waste, and similar matters, as well as assessing risks that might arise from the Bank's direct impact on the environment,
- overseeing the assessment of risks that might result from indirect environmental, social and economic effects via projects and other loans financed and providing feedback to relevant decision-making bodies when necessary,
- ensuring the development of an environmental impact assessment system at the Bank to be employed in loan disbursement processes,
- establishing necessary task forces to guarantee the effectiveness of sustainability-related activities and efforts,
- supervising the activities of task forces so formed, and
- providing information to the Board of Directors on the committee's activities when needed.

The Director on the committee as of the date hereof is Mr. Sezgin, and various executives of the Bank are also on this committee.

Basel Steering Committee. The Committee is formed by a Board Member, the Executive Vice Presidents of Technology and Operation Services, Loans, General Accounting and Financial Reporting, Treasury, Financial Institutions and Corporate Banking, and the Financial Coordinator. An execution committee was also set up under the committee, as well as task forces thereunder.

The Basel Steering Committee is responsible for:

- ensuring the Bank's alignment with Basel guidelines,
- creating the Bank's Basel roadmap and obtaining the approval of the Board of Directors therefor,
- approving and monitoring efforts to be undertaken to achieve compliance with Basel guidelines,
- setting up task forces and planning the human resources for such activities, and
- planning, determining and supervising the activities of the task forces.

The Director on the committee as of the date hereof is Mr. Sezgin, and various executives of the Bank are also on this committee.

Other Risk Management Committees. Sub-committees for market risk, credit risk and operational risk have been set up to facilitate exchange of information and views with the relevant units of the Bank and to promote the use of risk management and internal audit systems within the Bank. These include:

(b) The market risk committee, which monitors market risk arising from trading activities, interest rate risk arising from maturity mismatches, liquidity risk, risk limits and limit utilizations of the trading portfolio and ensures flow of information on changes in the positions exposed to market risk. The committee also reviews the scenarios created and the models and assumptions employed by the Bank to identify the Bank's risk exposure, evaluates their relevance and ensures that necessary adjustments are made. In addition, the committee discusses market projections and evaluates potential risks associated with a new position prior to making any major change in the positions held.

(c) The credit risk committee, which monitors the effectiveness of the methods and models that are being used to measure credit risk results and ensures flow of information on changes in the positions exposed to credit risk.

(d) The operational risk committee, which performs activities related to the control and management of an operational risk loss database and the follow-up of actions to be taken. The committee also coordinates key risk indicators, risk and control self-assessment and operational risk scenario analysis activities so as to roll them out across the Bank.

Compensation

The Group aims to provide compensation that allows it to attract and retain individuals with the skills necessary to manage successfully and grow its business. The Group's compensation policy seeks to provide total compensation that is competitive with other financial organizations similar to it in terms of size and complexity of operations. The Group's policy is to link a significant portion of its senior executives' compensation to the performance of the business through incentive plans. Therefore, in structuring remuneration packages, the Group aims to link potential rewards to the performance of the business, as well as to the performance of the individual.

Since the Board of Directors has delegated its authority to determine the remuneration of the Directors and Executives, including the Bank's President and CEO, to the Remuneration Committee, this committee determines the remuneration paid to the Directors and the Executives.

The total remuneration paid to the Executives and the Directors (including deferred or contingent compensation accrued for the year and benefits in kind) during 2012 amounted to approximately TL 82,512 thousand.

The Group does not have any directors' service contracts providing for benefits upon termination of employment, nor does it offer any share-based incentive programs to directors or employees.

Pension Plans. There is no private pension plan paid for by the Bank for its executives other than the fund for all its Turkish employees, which fund has similar liabilities to Turkey's Social Security Institution. The plan, which is called Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı (the **Fund**), is a separate legal entity and a foundation recognized by an official decree and provides pension and post-retirement medical benefits to all qualified Bank employees. This benefit plan is funded through contributions both by the Bank's employees and the Bank as required by Turkey's Social Security Law. Employees of other members of the Group do not participate in this benefit plan.

This benefit plan is composed of: (a) the contractual benefits provided under the articles of association of the Fund to the participating employees, which are subject to transfer to the Social Security Institution of the Republic of Turkey (*Türkiye Cumhuriyeti Sosyal Güvenlik Kurumu*) (the **SSF**) as described in the next paragraph, and (b) other "excess" benefits and payments provided in the existing trust indenture but not transferable to the SSF (and medical benefits provided by the Bank for its constructive obligation (as defined in IAS 19, an obligation that derives from an entity's actions whether by an established pattern of past practice, a published policy or a sufficient specific current statement) (the **excess benefits**).

According to Turkish law, certain of the assets and liabilities of these funds had to be transferred to the SSF by 8 May 2011. This period has been extended by the Council of Ministers until May 8, 2015. At the time of this transfer, an actuarial calculation will be conducted to establish if a bank's fund's assets are sufficient to meet its liabilities. The SSF is required to collect the unfunded portion (if any) from the employee benefit funds and the banks employing the relevant fund participants, which will be severally liable, in annual instalments to be paid over a period of up to 15 years. The payment would be in Turkish Lira and would be announced by the Treasury for each year.

Although no official work has commenced to implement the transfer of any of the Bank's retirement fund assets and liabilities to the SSF, the Bank engaged Aon Hewitt S.A. (an alliance member of Hewitt Associates) to conduct an actuarial study, which reported no deficit based upon the assumptions stated in the applicable law. These assumptions are sensitive to elements such as the number of employees in the current workforce, the workforce turnover rate, the aging rate of the workforce and the other parameters stipulated in the relevant legislation. Therefore, it is possible that the actuarial study may turn out to be incorrect if any of the assumptions upon which it is based differ from the calculations made at the time of the actual transfer. If there is a shortfall at the time of the transfer of the fund (as determined by the SSF), then the Bank would be liable to make the supplemental payments described above for 15 years.

The excess benefits, which are not subject to the transfer to the SSF, are accounted for in the Group's IFRS Financial Statements in accordance with IAS 19, "Employee Benefits." The obligation in respect of this retained portion of the benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, which benefit is discounted to determine its present value by using the projected unit credit method, and any unrecognized past service costs and the fair value of any plan assets are deducted.

The pension and medical benefits transferable to the SSF and the excess benefits are calculated annually by an independent actuary registered with the Undersecretariat of the Treasury. As per the latest independent actuary report dated 27 December 2012, the Bank had no excess obligation that needed to be provided for as of 31 December 2012.

OWNERSHIP

The Bank was established in 1946 as a partnership of 103 businessmen. In 1975, a 56% interest in the Bank was acquired by Koç Holding and a 33% interest by Sabancı Holding. In 1983, the two groups sold their shareholdings in the Bank to Mr. Ayhan Şahenk and various companies of the Doğuş Group. These companies are now controlled by the Bank's Chairman, Mr. Ferit Şahenk, after the death of Mr. Ayhan Şahenk in 2001.

Under the terms of an agreement between Doğuş Holding and GEAM, on 22 December 2005, GEAM acquired from Doğuş Holding 53,550,000,000 shares in the Bank (representing 25.50% of the shares in the Bank then in issue) for a cash consideration of US$1,555.5 million and 49.2% of the Bank's founders' shares for a cash consideration of US$250 million, making a total cash consideration of US$1,805.5 million. The parties also entered into a shareholders' agreement under which the Bank became jointly-controlled by the Doğuş Group and GEAM. In connection with this transaction, GEAM acquired certain additional shares of the Bank in a tender offer.

On 24 December 2007, GEAM transferred shares representing a 4.65% interest in the Bank back to the Doğuş Group for a consideration of US$674.3 million. This transaction reduced GEAM's holding in the Bank to 20.85% with a 30.52% interest being controlled (directly and indirectly) by Doğuş Holding.

All but two of the Bank's founders' shares were purchased by the Bank and cancelled on 1 March 2010. The remaining founders' shares do not have any dividend or other rights but the owners of such founders' shares have a right to redeem such shares for the sum of TL 3,876,307.00 each.

On 22 March 2011, BBVA acquired 26,418,840,000 shares in the Bank (representing 6.2902% of the shares in the Bank then in issue) from the Doğuş Shareholders and 78,120,000,000 shares in the Bank (representing 18.6% of the shares in the Bank then in issue) from (*inter alia*) GEAM.

On 7 April 2011, BBVA acquired 503,160,000 shares in the Bank, thereby increasing its shareholding in the Bank to 25.01% of the Bank's share capital.

The Bank's shares are traded on Borsa İstanbul. The Bank has established Level I and Rule 144A American Depositary Share facilities that provide for the conversion of shares in the Bank into American Depositary Shares and vice versa. The Bank of New York Mellon acts as the depositary bank and, at present, the American Depositary Shares are tradable on the Market and on OTCQX International Premier (the US over-the-counter market).

The Shareholders' Agreement

The Doğuş Shareholders and BBVA are parties to the Shareholders' Agreement pursuant to which they have agreed to act in concert, thereby enabling them to establish a significant voting block in the Bank. None of the Bank, GE Capital Corporation nor its subsidiary GEAM are parties to the Shareholders' Agreement.

Shareholdings

As of the most recently available public information, the Bank's issued shares were held as follows:

Shareholder	Shares held	% of issued share capital	% of voting rights
Doğuş Shareholders[(1)]	101,747,654,520	24.89%	24.95%
BBVA[(1)]	105,042,000,000	25.01%	24.95%
Other shareholders	213,210,345,480	50.10%	50.10%
Total	**420,000,000,000**	**100.00%**	**100.00%**

(1) Pursuant to the shareholders' agreement to which they are party, the Doğuş Shareholders and BBVA have agreed that, prior to the occurrence of certain events, they will each exercise an equal number of voting rights in the shares in the Bank held by each of them. As such, the Doğuş Shareholders and BBVA each exercise voting rights equivalent to 24.95% of the Bank's issued share capital.

As far as the Bank is aware, other than BBVA and the Doğuş Shareholders, no other person holds a greater than 5% interest in the issued share capital of the Bank.

The Doğuş Group

Established in 1951, the Doğuş Group is owned by the Şahenk family and is one of Turkey's largest private sector conglomerates, having TL 53.821 billion in assets as of 30 September 2012and TL 7.881 billion in revenues for the first nine months of 2012. The Doğuş Group provides services in sectors including:

- *Financial Services*: The financial services business is the flagship of the Doğuş Group, and the Bank is the flagship of the Doğuş Group's financial services business.

- *Automotive:* Doğuş Otomotiv is the leading automotive importer and one of the biggest automotive distributors in Turkey. The company represents 14 leading international brands in the following sectors: passenger cars, light commercial vehicles, heavy commercial vehicles, industrial and marine engines, and cooling systems. Doğuş Otomotiv is able to offer its individual and corporate customers with a portfolio of more than 80 models within the following brands: Volkswagen passenger cars, Audi, SEAT, Skoda, Bentley, Bugatti, Lamborghini, Porsche, Volkswagen commercial vehicles, Scania, Krone and Meiller. In addition, the company competes in the industrial and marine engines market by representing Scania Engines and in the cooling systems market by representing Thermo King. Aside from its activities in automotive financing, spare parts and accessories, logistics, customer services, used car dealership, fleet management and leasing, vehicle inspection and insurance, Doğuş Otomotiv has also heavily invested in production. In addition to the "Meiller Doğuş Damper" factory established in 2008 in Sakarya with the partnership of leading damper producer Meiller, the establishment of a trailer factory in Tire, İzmir is finalized and is ready to start production. Doğuş Otomotiv also is involved in new investments to convey its successful operations overseas. As a result of the close cooperation developed with VW Group, the company has opened D Auto Suisse SA, a Porsche Dealer and Service station.

- *Construction*: The Doğuş Group is currently one of the most active participants in the Turkish regional construction market. Construction activities are diversified and include large infrastructure projects (such as dams and hydroelectric power plants, tunnels, highways, roads, bridges, viaducts, over and under passages and buildings) as well as industrial plants and social facilities.

- *Media*: The Doğuş Media Group is one of the leading companies in the Turkish media industry. Since 1999, the group has created/acquired many brands and now cooperates with global brands and organizations such as: MSNBC, CNBC, Condé Nast, Virgin and National Geographic. The group operates eight television channels, eight radio stations, seven periodicals, seven internet portals and

NTV Publications, reaching over 50 million people. Star, NTV and CNBC e are the group's flagship television channels.

- *Tourism:* The Doğuş Tourism Group consists of 12 facilities. The Doğuş Group undertakes joint ventures with Hyatt International LLC, HMS International Hotel GMBH, Giorgio Armani S.p.A., Guccio Gucci S.p.A., Loro Piana S.p.A., Hublot S.A. and Porsche Co. KG. The Doğuş Group owns six 5 star hotels and a boutique hotel.

- *Marinas:* D Marin Group owns the largest international chain of marinas in the eastern Mediterranean basin and Adriatic Sea. D Marin Group commenced its operations in 2003 with its first marina, D Marin Turgutreis. D Marin Group's operations include D Marin Turgutreis, Didim, Göcek in Turkey, Mandalina Marina, Marina Dalmacija, Marina Borik in Croatia and Zea Marina, Gouvia Marina and Lefkas Marina in Greece.

- *Real Estate*: The Doğuş Group is also active in the Turkish real estate sector, managing a large estate portfolio owned by the Doğuş Group and working on potential developments in relation to proposed residential, commercial, hospitality and logistics projects. The Doğuş Group operates İstinye Park (one of Turkey's leading shopping malls) as well as Gebze Centre (the region's first shopping centre).

- *Energy:* The Doğuş Group has interests in hydroelectric and other clean and/or renewable energy sources. The group has designated new investment projects as well as the operation of these assets and energy trading as the core areas of its energy business. Its current portfolio has 1 GW licensed installed capacity, comprising Artvin Hydroelectric Power Plant (332 MW), in which D Energy holds 100% share, the Boyabat Hydroelectric Power Plant (513 MW), in which it holds a 34% share, and the Aslancık Hydroelectric Power Plant (120 MW), in which it holds a 33% share. The total amount of investments of these three projects exceeded US$2,280 million as of 31 December 2012.

- *Entertainment, Food and Beverage:* As of 31 December 2012, the Doğuş Group promoted 37 brands and 73 operations in the food and beverage and entertainment industries and seeks to expand operations into areas such as production and distribution.

(*Source: Doğuş Group*)

BBVA

The BBVA Group is a global retail financial group founded in 1857 that provides its customers around the world a full range of financial and non-financial products and services. As of 31 December 2012, the BBVA Group had a presence in over 30 countries and approximately 115,850 employees. As of such date, the BBVA Group's consolidated total assets were €637,860 million and its net attributable profit for 2012 was €1,676 million.

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. On an operational basis, the BBVA Group subdivides its business into the following geographic business areas:

- Spain,

- Eurasia,

- Mexico,

- South America, and

- the United States.

(Source: BBVA)

Dividends and Dividend Policy

In accordance with Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding fiscal year are recommended by the Bank's Board of Directors each year for approval by the Bank's shareholders at the annual shareholders' meeting, which must be held following the end of the preceding fiscal year. In addition, while not required by law, Turkish banks (including the Bank) generally consult with the BRSA before announcing any dividends. The Bank's dividend policy in recent years has been to reinvest a substantial portion of the cash amount of any dividends in its capital.

Each common share of the Bank entitles the holder thereof to the same amount of dividend. Distribution of dividends can be made in the form of cash or bonus shares.

In accordance with the new corporate governance rules, the Bank form a written dividend policy and submit it for the approval of its shareholders at the general assembly meeting scheduled to take place on 30 April 2013. Subsequently the Bank will publish such policy in the upcoming years' annual reports and on its web-site.

RELATED PARTY TRANSACTIONS

During the period from 1 January 2010 to the date of this Base Prospectus, the Group had three types of exposure to related parties: its ownership in certain Doğuş Group companies, loans extended to the Doğuş Group, GEAM and its affiliates (the **GE Group**) and, from 22 March 2011, BBVA and its affiliates (the **BBVA Group**) and guarantees and other contingent liabilities issued on behalf of such entities. All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's-length basis and the credit and payment terms in respect of such credits are no more favourable than those offered to third parties.

Turkish banking regulations limit exposure to related parties to 20% of the total capital, and the Group's exposure to the Doğuş Group, the BBVA Group and the GE Group are well within the limit permitted by the regulations. See "*Turkish Regulatory Environment – Lending Limits*." The following tables indicate the level of the Group's relationships with members of the Doğuş Group, the BBVA Group and the GE Group (for dates as of which they were related parties of the Group) as of the dates indicated:

Doğuş Group	**As of 31 December**		
	2010	**2011**	**2012**
		(*TL thousands*)	
Equity interests in Doğuş Group companies (other than the Bank's own subsidiaries)	996	996	576
As a % of assets	0.0%	0.0%	0.0%
As a % of shareholders' equity	0.0%	0.0%	0.0%
Cash loans	255,431	357,236	442,286
As a % of assets	0.2%	0.2%	0.2%
As a % of shareholders' equity	1.5%	2.0%	2.0%
Contingent obligations	380,973	553,757	497,366
As a % of contingent obligations	2.3%	2.5%	2.1%
As a % of shareholders' equity	2.3%	3.1%	2.3%
Total Doğuş Group Exposure	**637,400**	**911,989**	**940,228**

BBVA Group	**As of 31 December**		
	2010	**2011**	**2012**
		(*TL thousands*)	
Cash loans	–	26	34
As a % of assets	–	0.0%	0.0%
As a % of shareholders' equity	–	0.0%	0.0%
Contingent obligations	–	32,708	119,076
As a % of contingent obligations	–	0.1%	0.5%
As a % of shareholders' equity	–	0.2%	0.5%
Total BBVA Group Exposure	**–**	**32,734**	**119,110**

GE Group	As of 31 December		
	2010	2011	2012
	(*TL thousands*)		
Cash loans	61,031	–	–
As a % of assets	0.0%	–	–
As a % of shareholders' equity	0.4%	–	–
Contingent obligations	43,836	–	–
As a % of contingent obligations	0.3%	–	–
As a % of shareholders' equity	0.3%	–	–
Total GE Group Exposure	**104,867**	–	–

The Group's exposure to the Doğuş Group and the BBVA Group is principally denominated in foreign currencies as was the case for the GE Group. All the related-party loans are performing and the Group has never had to take provisions for, or to write-off any loan to, any of the companies of the Doğuş Group, the BBVA Group or the GE Group.

The contingent exposure to the Doğuş Group, the BBVA Group and the GE Group primarily consists of bid bonds and performance bonds provided in connection with construction contracting work awarded mainly to the Doğuş Group.

The Group had deposits from members of the Doğuş Group, the BBVA Group and the GE Group as of 31 December 2010, 2011 and 2012 as follows:

	As of 31 December		
	2010	2011	2012
	(*TL thousands*)		
Doğuş Group	514,701	1,431,387	278,106
BBVA Group	–	25,649	35,278
GE Group	142,157	–	–

On 22 March 2011, BBVA acquired certain of the Bank's shares owned by Doğuş Holding A.Ş. and the GE Group, representing 6.2902% and 18.60% of the Bank's share capital at that date, respectively. On 7 April 2011, BBVA acquired further shares in the Bank, increasing its interest to 25.01% of the Bank's share capital at that date.

Please refer to the IFRS Financial Statements attached to this Base Prospectus for additional information on related party transactions.

TURKISH BANKING SYSTEM

Structural Changes in the Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalization program that started in the early 1980s. The abolition of directed credit policies, liberalization of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. 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 institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to US$4,916 million at the end of 2001 from US$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilized since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and 2002, after which all private commercial banks were either found to be in compliance with the 8% minimum capital requirement, transferred to the SDIF or asked to increase their capital level). The transparency of the system has improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Structural changes undertaken have strengthened the private banking sector and resulted in a more level playing field among banks. Certain advantages for state banks were diminished while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity, and efforts are continuing on the resolution of the SDIF banks while restructuring and privatization of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilization Support Fund (**RUSF**) applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero; *however*, the 3% RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The Council of Ministers determined the RUSF charged on consumer credits to be utilized by real persons (for non-commercial utilization) to 15% with its decision numbered 2010/974, which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

The Turkish Banking Sector

The Turkish banking industry has undergone significant consolidation over the past decade with the total number of banks (including deposit-taking banks, investment banks and development banks) declining from 81 in 1999 to 45 on 31 December 2008, which stayed at that level until February 2011 when Fortis Bank A.Ş. merged with Turk Ekonomi Bankası A.Ş. In the last quarter of 2012, Odea Bank A.Ş commenced its operations and Burgan Bank S.A.K. was allowed to acquire Eurobank Tekfen A.Ş. (acquiring 99.26% of its shares). On 20 December 2012, the BRSA resolved to permit the establishment of a new deposit bank to be controlled by Bank of Tokyo-Mitsubishi UFJ Ltd; *however*, the operating license for this bank has not yet been issued.

As of 31 December 2012, 45 banks were operating in Turkey. Thirty-two of these were deposit-taking banks and the remaining banks were investment and development banks (four participation banks, which conduct

their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, 12 were private domestic banks, 16 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 compound average growth rate (**CAGR**) of 18.3% from 31 December 2005 to 31 December 2012, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 25.8% and 16.9%, respectively, between 31 December 2005 and 31 December 2012, in each case according to the BRSA. Despite strong growth of net loans and customer deposits since 2005, the Turkish banking sector remains significantly under-penetrated compared with banking penetration in the Eurozone. Loans/GDP and deposits/GDP ratios of the Turkish banking sector were 50.6% and 51.1%, respectively, as of 31 December 2012 according to BRSA data, whereas the Eurozone's banking sector had loan and deposit penetration ratios of 116.4% and 114.6%, respectively, as of the same date based upon the European Central Bank's data.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the year ended on) the indicated dates.

	2005	2006	2007	2008	2009	2010	2011	2012	CAGR
					(TL billions, except CAGR)				
Balance sheet									
Net loans	144.7	203.2	263.7	340.5	358.4	481.9	624.8	721.7	25.8%
Total assets	384.1	470.6	543.3	683.8	773.4	932.4	1,119.9	1,247.6	18.3%
Customer deposits	243.1	296.5	342.0	435.6	487.9	583.9	656.3	724.0	16.9%
Shareholders' equity	47.5	50.4	64.5	72.1	93.8	115.0	123.0	157.4	18.7%
Income statement									
Operating income[(1)]	27.1	29.7	36.0	40.9	55.0	54.8	55.4	69.2	14.3%
Operating expenses[(2)]	13.3	13.9	16.3	19.4	20.3	23.4	26.0	29.3	12.0%
Net income	5.0	10.2	13.5	11.9	18.5	20.5	18.2	21.6	23.2%
Key ratios									
Loans/deposits	59.5%	68.5%	77.1%	78.2%	73.5%	82.5%	95.2%	99.7%	
Net interest margin[(3)]	5.6%	4.9%	5.1%	4.9%	5.8%	4.6%	4.0%	4.7%	
Cost / income[(4)]	54.4%	48.7%	46.8%	53.6%	44.2%	46.8%	51.3%	48.6%	
Return on average equity	11.4%	20.9%	23.5%	17.7%	22.3%	19.8%	15.4%	15.7%	
Capital adequacy ratio	21.6%	19.9%	17.4%	16.6%	19.3%	17.7%	15.5%	17.3%	

Source: BRSA monthly bulletin (www.bddk.org.tr)

Note: Sector data for deposit-taking banks only

(1) Including net interest income, net fee and commission income, net trading income including foreign exchange gain/loss, and other operating income; excluding income from sales of assets, extraordinary income / expense, net monetary position profit / loss and dividend income.

(2) Including personnel costs, administration expenses and other operating expenses.

(3) Net interest income / average interest-earning assets.

(4) Operating expenses / operating income (adjusted for provisions for loan losses and for securities).

Competition

The Turkish banking industry is highly competitive but the Bank's management believes that the Group is well-positioned to compete in the market with its market leadership position in numerous key areas, advanced infrastructure, highly qualified personnel and deep experience in the sector. The Turkish banking sector is relatively concentrated with the top 10 deposit-taking banks accounting for 90.7% of total assets of deposit-taking banks as of 31 December 2012 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks – Ziraat Bank, HalkBank and Vakıfbank, which were ranked second, sixth and seventh, respectively, in terms of total assets as of 31 December 2012 according to the Banks Association of Turkey. These three state-controlled banks accounted for 28.5% of deposit-taking Turkish banks' performing loans and 34.7% of total deposits as of 31 December 2012 according to the BRSA. The top four privately-owned domestic banks are Türkiye İş Bankası A.Ş. (**Işbank**), the Bank, Akbank A.Ş. (**Akbank**) and Yapı ve Kredi Bankası A.Ş. (**Yapı Kredi Bank**), which in total accounted for approximately 50.3% of deposit-taking Turkish banks' performing loans and approximately 45.2% of total deposits as of 31 December 2012 according to the BRSA. The remaining banks in the top 10 deposit-taking banks in Turkey include three mid-sized banks, namely Finansbank A.Ş. (**Finansbank**), Turk Ekonomi Bankası and DenizBank A.Ş. (**DenizBank**), which were controlled by National Bank of Greece, BNP Paribas and Sberbank, respectively, as of 31 December 2012.

The following table shows major shareholders, key indicators and market shares of the top 10 deposit-taking banks ranked by total assets in the Turkish banking sector as of 31 December 2012 according to the Banks Association of Turkey.

Rank by Assets	Bank	Major Shareholders	Assets (US$ millions)	Assets market share	Loans market share[1]	Deposits market share	Branches
1.	Işbank	Işbank pension fund (40.7%), Cumhuriyet Halk Partisi (28.1%)	98,697	14.1%	14.9%	13.7%	1,250
2.	Ziraat Bank	Treasury (100%)	91,622	13.1%	9.9%	15.5%	1,514
3.	Garanti Bank	Doğuş Group (24.2%), BBVA (25.0%)	90,117	12.8%	12.8%	11.4%	933
4.	Akbank	Sabancı Holding, affiliates and family (49.0%), Citigroup (9.9%)	87,676	12.5%	12.2%	11.2%	962
5.	Yapı Kredi Bank	Koç Financial Services(2) (81.8%)	68,733	9.8%	10.4%	8.9%	928
6.	HalkBank	Privatization Administration (51.1%)	60,915	8.7%	9.2%	10.4%	821
7.	Vakıfbank	General Directorate of Foundations (58.6%)	58,832	8.4%	9.5%	8.8%	744
8.	Finansbank	National Bank of Greece (94.8%)	30,604	4.4%	5.0%	4.3%	582
9.	DenizBank	Sberbank of Russia (99.8%)	24,864	3.5%	3.9%	3.5%	610
10.	Turk Ekonomi Bankası	TEB Holding (55.0%)(3), BNP Paribas (40.4%)	24,489	3.5%	4.1%	3.7%	509

Source: Banks Association of Turkey (www.tbb.org.tr)

Note: Rankings and market shares among deposit-taking banks only.

(1) Performing loans only are included

(2) Koç Financial Services is a 50/50 joint venture owned by the Unicredit Group and Koç Holding.

(3) TEB Holding is a 50/50 joint venture owned by BNPP Fortis Yatırım Holding A.Ş. and Çolakoğlu Group.

While the Group faces competition from the state-owned banks referenced above in certain products such as deposit collection and SME lending, the Bank's management perceives the other private banks as its primary competitors. The table below compares certain financial information for the Bank's branches and those of the three largest private competitors mentioned above as of 31 December 2012:

		Per Branch		
Banks	**Number of Branches**	**Total Assets**	**Loans**[(1)]	**Customer Deposits**
			(*TL millions*)	
Garanti	933	171.7	98.0	89.7
İşbank	1,250	140.4	85.4	81.9
Akbank	962	162.0	91.0	78.3
Yapı Kredi	928	131.7	80.6	72.6

Source: BRSA and the banks' respective financial statements as of 31 December 2012.

Note: The Banks Association of Turkey's definition of "branch" varies from the Bank's definition. Therefore, the information provided above may differ slightly from what is provided elsewhere in this Base Prospectus.

(1) Performing loans only are included.

TURKISH REGULATORY ENVIRONMENT

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 and the Central Bank

In June 1999, the Banks Act No. 4389 established the BRSA, which is responsible for ensuring that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy. Historically, the BRSA's head office has been in Ankara; *however*, as of 13 February 2011 and pursuant to Law No. 6111, the head office was relocated to Istanbul with the migration of functions from Ankara to Istanbul to be completed within two years of such date. Pursuant to Law No. 6111, the Council of Ministers of Turkey has been authorized to extend the migration deadline as necessary.

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, regulation of the money supply, management of official gold and foreign exchange reserves, supervision of the banking system and advising the government on financial matters. 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 has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. 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 auditor's 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.

Official certified bank auditors, who are responsible for the on-site examination of banks, implement the provisions of the Banking Law and other related legislation, examine on behalf of the BRSA all banking operations and analyze the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to a regulation regarding the internal systems of banks issued by the BRSA, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of the 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 Banks Association of Turkey

The Banks Association of Turkey acts as a limited organization of supervision and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorization of the BRSA. In the absence of such authorization, 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 direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10% of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights. In such case, the voting and other shareholder rights are exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending general assemblies have obtained the applicable authorizations 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 authorization as described in the preceding paragraph, then it is authorized 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 BRSA authorization. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- 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 and shareholding interests. Avals, guarantees and sureties accepted from, a real person or legal entity in a risk group for the guarantee of loans extended to that risk group are not taken into account in calculating loan limits.

- 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 director 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 these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25%. Real 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.

- Loans made available 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.

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:

- transactions against cash, cash-like assets and accounts and precious metals,
- transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatization Administration and the Mass Housing Administration, as well as transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions,
- transactions carried out in the Central Bank markets or other legally organized money markets,
- in case of new credit allocations, valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits,
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow,
- interbank operations within the framework of the principles set out by the BRSA,
- shares acquired within the framework of underwriting services for public offering activities, provided that such shares are disposed of in the time and manner determined by the BRSA,
- transactions considered as "deductibles" in the shareholders' equity account, and
- other transactions to be determined by the BRSA.

Loan Loss Reserves

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside published in the Official Gazette No. 26333 on 1 November 2006 (the **Regulation on Provisions and Classification of Loans and Receivables**), banks are required to classify their loans and receivables into one of the following groups:

(a) *Standard Loans and Other Receivables*: This group involves loans and other receivables:

(i) that have been disbursed to natural persons and legal entities with financial creditworthiness,

(ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

(iii) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected, and

(iv) for which no weakening of the creditworthiness of the applicable debtor has been found.

The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; *however*, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) is required to be set aside, and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; *provided* that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

(b) *Closely Monitored Loans and Other Receivables*: This group involves loans and other receivables:

(i) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialization of the latter or significant financial risk carried by the person utilizing the loan,

(ii) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk,

(iii) that are very likely to be repaid but where the collection of principal and interest has not been made for justifiable reasons and is delayed for more than 30 days; *however*, which cannot be considered as loans or other receivables with limited recovery as grouped in Group (c) below, or

(iv) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a bank has made several loans to a customer and any of these loans is included in this group, then all of the bank's loans to such customer will be classified in this group even though some of the bank's loans to such customer would otherwise have been included in Group I above. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; *however*, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2% of the cash loan portfolio *plus* 0.4% of the non-cash loan portfolio for closely-monitored loans are required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than vehicle and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; *provided* that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

(c) *Loans and Other Receivables with Limited Collection Ability*: This group involves 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 where if the problems observed are not eliminated, they are likely to give rise to loss,

(ii) the credibility of whose debtor has weakened and where the loan is deemed to have weakened,

(iii) collection of whose principal and interest or both has 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 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 due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

(d) *Loans and Other Receivables with Remote Collection Ability*: This group involves loans and other receivables:

(i) that seem unlikely to be repaid or liquidated under existing conditions,

(ii) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement,

(iii) whose debtor's creditworthiness is deemed to have significantly weakened but which are not 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 is 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) *Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:

(i) that are deemed to be uncollectible,

(ii) collection of whose principal or interest or both has 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 is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. Banks must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review and monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment dated 21 September 2012 made on the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month on which the payment of such loans and receivables has been delayed.

The Regulation on Provisions and Classification of Loans and Receivables also requires Turkish banks to provide a general reserve calculated at 1% of the cash loan portfolio *plus* 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) for standard loans; and a general reserve calculated at 2% of the cash loan portfolio *plus* 0.4 % of the non-cash loan portfolio for closely-monitored loans. In addition, 25% of such rates will be applied for each check that remains uncollected for a period of five years after issuance. Pursuant to the amendment dated 21 September 2012 made on Regulation on Provisions and Classification of Loans and Receivables, at least 40% of the reserve amount calculated according to the above mentioned ratios shall be reserved by 31 December 2012, at least 60% shall be reserved by 31 December 2013, at least 80% shall be reserved by 31 December 2014 and 100% shall be reserved by 31 December 2015.

Banks with consumer loan ratios greater than 20% of their total loans and banks with non-performing consumer loan (classified as frozen receivables (excluding vehicle and housing loans)) ratios greater than 8% of their total consumer loans (excluding vehicle and housing loans) (pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a 4% general provision for outstanding (but not yet due) consumer loans (excluding vehicle and housing loans) under Group I, and an 8% general provision for outstanding (but not yet due) consumer loans (excluding vehicle and housing loans) under Group II (the **Consumer Loans Provisions**).

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 is higher than ten times its equity calculated pursuant to the Regulation on Equity of Banks, a 0.3% general provision ratio is 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 may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Turkish banks are 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 on

1 November 2006, by applying the general provision rate applicable for cash loans. In addition to the general provisions, special provisions must be set aside for the loans and receivables in Groups III, IV and V in the amounts of 20%, 50% and 100%, respectively.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "frozen receivables." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to the amendment dated 21 September 2012 made to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: Cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Mass Housing Administration or the Privatization Administration and B-type investment profit sharing funds; member firm receivables arising out of credit cards and gold reserved within the applicable bank; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organization for Economic Co-operation and Development (the **OECD**) and securities issued directly or guaranteed by the European Central Bank; transactions made with the Treasury, the Central Bank, the Mass Housing Administration or the Privatization Administration or transactions that are guaranteed by securities issued directly or guaranteed by such institutions; guarantees issued by banks operating in OECD member countries; sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits; and bonds and debentures issued by banks operating in Turkey.

Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate, provided that their appraised value is sufficient; export documents appurtenant to bill of lading or carrier's receipt and negotiable instruments obtained from real or legal persons based upon actual commercial relationships.

Category III Collateral: Commercial enterprise pledges, export documents, vehicle pledges, mortgages on aircraft or ships, suretyships of creditworthy natural persons or legal entities and other client promissory notes of natural persons and legal entities.

Category IV Collateral: Any other security not otherwise included in Categories I, II or III.

Assets owned by banks and leased to third parties under financial lease agreements must also be classified in accordance with the above-mentioned categories.

While calculating the special provision requirements for non-performing loans, the value of collateral received from the borrower will be deducted from the frozen receivables in Groups III, IV and V above in the following proportions in order to determine the amount that will be subject to special provisioning:

Category	Discount Rate
Category I collateral	100%
Category II collateral	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeds the amount of the NPL, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the NPL.

According to Article 11 of the Regulation on Provisions and Classification of Loans and Receivables, in the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether Group III, IV or V) for at least the following six month period and to be provided against in line with the relevant loan group provisioning level. After this six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables may be reclassified to the "Refinanced/Restructured Loans and Receivables Account." The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables are collected on a yearly basis.

The Regulation on Provisions and Classification of Loans and Receivables was amended on 9 April 2011 and 25 December 2012. According to Provisional Article 5 of the regulation, which is not applicable after 31 December 2013, debt classified as Closely Monitored Loans and Other Receivables (*i.e.*, Group II receivables) granted to real persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such restructured debt may be classified Standard Loans and Receivables (*i.e.*, Group I receivables), provided that at least 10% of the total debt has been repaid. Any such debt classified under Group I that is reclassified as Group II or that is restructured or is continued to be monitored under Group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as Group I, provided that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as Loans and Receivables with Limited Collection Ability (*i.e.*, Group III receivables) until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 5 described above, if real persons or legal entities residing in Libya or having business activity relating to Libya (other than those described in the preceding paragraph) incur other debt that is classified under Group III, IV or V, then the debt relating to Libya will be reclassified in the same group as such debt; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the bank. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified as "Refinanced/Restructured Loans and Receivables Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,

- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,

- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and

- the payments foreseen in the payment plan are not delayed.

Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restructured in their annual and interim financial reports.

The Regulation on Provisions and Classification of Loans and Receivables was amended on 21 September 2012. According to Provisional Article 7 of the regulation, which will be effective until 31 December 2013, restructured debts classified as Group II receivables granted by the banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria may be classified as Group I receivables; *provided* that at least 10% of the total debt has been repaid. Any such debt classified under Group I that is reclassified as Group II debt or that is restructured or is continued to be monitored under Group II as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as Group I debt; *provided* that at least 15% of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilized, then such debt shall be classified as Group III debt until 5% of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Group III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 7 described above, if there are loans or any other receivables classified under Groups III, IV and V (excluding loans granted to real persons or legal entities residing in Syria or engaged in activities relating to Syria), then such debt shall be reclassified in the same group as the debt relating to Syria as described in the preceding paragraph; *however*, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

According to Provisional Article 6 of the regulation, which will be effective until 31 December 2013, debt classified as Group II receivables granted by the banks to be used in the maritime sector can be restructured twice.

Any debt restructured pursuant to the paragraph above may be reclassified to the "Refinanced/Restructured Loans and Receivables Account" if:

- at least 5% of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months,

- at least 10% of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months,

- at least 15% of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year, and

- the payments foreseen in the payment plan are not delayed.

Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restructured in their year-end and interim financial reports to be disclosed to the public.

Capital Adequacy

In order to implement Basel II into Turkish law, on 28 June 2012, the BRSA issued a new regulation on measurement and assessment of capital adequacy of banks, which entered into force on 1 July 2012. Article 45 of the Banking Law defines "Capital Adequacy" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8%.

The BRSA is authorized to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8%. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio of 8%.

Under the Regulation on Equity of Banks, subordinated loans (which as defined can also include bonds) to a bank are grouped as "primary subordinated loans" and "secondary subordinated loans" and are listed as one of the items that constitute "Tier II" capital. The portion of primary subordinated loans equal to an amount from 15% up to 50% of "Tier I" capital is included in the calculation of "Tier I" capital. The portion of total subordinated debts and primary subordinated debts that exceed 50% of "Tier I" and the portion of general reserves that exceeds 125 per 10,000 of the total of the sum as a basis for credit risk, market risk and operational risk is not taken into consideration in calculating the "Tier II" capital.

See also a discussion of the potential implementation of Basel III in "*Basel III*" below.

Tier II Rules under Turkish Law. Secondary subordinated debts are regulated under the Regulation on Equity of Banks. According to this 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" are listed as one of the items that constitute a bank's supplementary capital (*i.e.,* "Tier II" 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." The portion of primary subordinated debts that is not included in the calculation of "Tier I" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50% of "Tier I" capital is not taken into consideration in the calculation of "Tier II" 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 II" 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 II" 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 II capital. A secondary subordinated debt is taken into account in the calculation of "Tier II" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The Regulation on Equity of Banks 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 notarized 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 to be made after receipt of the BRSA's consent). 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 utilized as one single drawdown if utilized 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 authorize the inclusion of the loan or debt instrument in the calculation of "Tier II" 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 utilization), 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.

The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the new Basel II regulations (discussed further in "*Basel II*" below) is on the calculation of risk-weighted assets related to credit risk. The new 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 will largely stem 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 currently results in a 100% risk weighting for Turkey; *however*, the Turkish law implementing Basel II principles in Turkey (*i.e.*, the "Turkish National Discretion") revises this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign exchange-denominated claims on the Central Bank will also have a 0% risk weight. As a result of these implementation rules, the impact of the new regulations is expected to be fairly limited when compared to the previous regime. The BRSA has announced that these new regulations will result in a decrease of 0.20% in the capital adequacy levels of the Turkish banking system as of 31 July 2012. This figure is consistent with the Bank's own experience and thus no additional capital needs are projected for the Bank in the short term due to this change in the regulatory capital adequacy framework.

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.

Effective from 1 March 2013, the reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, precious metal deposit accounts, deposit accounts, deposit/participation accounts up to 1 month, 3 month, 6 month and 1 year maturities	12.5%
Deposit/participation accounts and precious metal deposit accounts up to 1 year and longer maturities and cumulative deposits/participation accounts	9%
Other liabilities up to 1 year maturity (including 1 year)	12.5%
Other liabilities up to 3 year maturity (including 3 year)	10.5%
Other liabilities longer than 3 year maturity	6%
Special fund pools	Ratios for corresponding maturities above

Effective from 1 March 2013, the reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.50%
Deposits/participation accounts up to 1 month maturity (including 1-month)	11.50%
Deposits/participation accounts up to 3 month maturity (including 3-month)	11.50%
Deposits/participation accounts up to 6 month maturity (including 6-month)	8.50%
Deposits/participation accounts up to 1 year maturity	6.50%
Deposits/participation accounts up to 1 year and longer maturities and cumulative deposits/participation accounts	5%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	11.50%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	8%
Other Turkish Lira liabilities longer than 3-year maturity	5%
Special fund pools	Ratios for corresponding maturities above

The reserve requirements also apply to gold deposit accounts. Furthermore, pursuant to recent amendments to the communiqué regarding reserve requirements numbered 2005/1 issued by the Central Bank (the **Communiqué Regarding Reserve Requirements**), banks are permitted to maintain: (a) up to 60% (at least half of which must be in US Dollars) of the Turkish Lira reserve requirements in US Dollars and/or Euro (first 35% at 1.4 times, the following 5% at 1.5 times, the next 5% at 1.9 times, the next 5% at 2.2 times, the next 5% at 2.4 times and the next 5% at 2.5 times the reserve requirement) and up to 30% of the Turkish lira reserve requirements in standard gold (first 15% at 1.4 times, the following 5% at 1.5 times, the next 5% at

2.0 times and the next 5% at 2.5 times the reserve requirement), and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold. An amendment to the Communiqué Regarding Reserve Requirements was published in the Official Gazette on 17 April 2013. With effect from 26 April 2013, the composition of banks' Turkish Lira reserve requirements in US Dollars and/or Euro will change as follows: first 35% at 1.4 times, the following 5% at 1.7 times (currently 1.5 times), the next 5% at 2.1 times (currently 1.9 times), the next 5% at 2.4 times (currently 2.2 times), the next 5% at 2.6 times (currently 2.4 times) and the next 5% at 2.7 times (currently 2.5 times) the reserve requirement. There are no changes to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold. In addition, pursuant to an amendment to the Communiqué Regarding Reserve Requirements that entered into force on 28 September 2012, banks are required to maintain their required reserves against their US Dollar-denominated liabilities in US Dollars only.

Furthermore, pursuant to an amendment to the Communiqué Regarding Reserve Requirements entered into force on 31 December 2012, 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.

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 are as follows:

(a) for the last quarter of 2013 and the first, second and third quarters of 2014: 2 additional points if its leverage ratio is below 3%, 1.5 additional points if its leverage ratio is between 3% (inclusive) and 3.25% and 1 additional point if its leverage ratio is between 3.25% (inclusive) and 3.5%,

(b) for the last quarter of 2014 and the first, second and third quarters of 2015: 2 additional points if its leverage ratio is below 3%, 1.5 additional points if its leverage ratio is between 3% (inclusive) and 3.5% and 1 additional point if its leverage ratio is between 3.5% (inclusive) and 4%, and

(c) beginning from the last quarter of 2015 (inclusive): 2 additional points if its leverage ratio is below 3%, 1.5 additional points if its leverage ratio is between 3% (inclusive) and 4% and 1 additional point if its leverage ratio is between 4% (inclusive) and 5%.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008).

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100% liquidity adequacy before the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the

regulation) and second maturity period (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80% liquidity adequacy for its foreign currency liabilities.

The regulations further state that until 31 December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities; *however*, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

Foreign Exchange Requirements

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, banks' boards of directors are 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 regulation of the BRSA related to the authorization and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. 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 reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on Borsa İstanbul. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

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, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The results of such audits are reported to the Ministry of Finance, which has broad remedial powers. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

The 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 authorized 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 held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance, 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 consultation with the Treasury, the BRSA and the Central Bank.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorization from the Undersecretariat of the Treasury or (ii) the Undersecretariat of the 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 Treasury, are to be determined together by the Treasury and the SDIF.

(c) *Power to require Advances from Banks*

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required 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.

(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 funds 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 funds 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 funds and accounts as determined by the BRSA 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 Act, 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.

Since 5 July 2004, up to TL 50,000 of the amounts of a depositor's deposit accounts have benefited from the SDIF insurance guarantee. Such amount was increased to TL 100,000 as of 13 February 2013.

Cancellation of Banking License

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:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,
- the bank is not complying with liquidity requirements,
- the bank's profitability is such as to make it unable to conduct its business in a secure manner,
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,
- the assets of such bank have been impaired in a manner weakening its financial structure,
- the by-laws and internal regulations of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- such bank fails to establish internal audit, supervision and risk management systems or to effectively conduct such systems or any factor impedes the supervision of such systems, or
- imprudent acts of such bank's managers materially increase or weaken the bank's financial structure,

then the BRSA may require such bank:

- to increase its equity capital,

- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
- to increase its loan provisions,
- to stop extension of loans to its shareholders,
- to dispose of its assets in order to strengthen its liquidity,
- to limit its new investments,
- to limit its salary or other payments,
- to cease its long-term investments,
- to comply with the relevant banking legislation,
- to cease its risky transactions,
- to take all actions to decrease any foreign exchange and interest rate risks, and/or
- 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 its having taken such actions or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to increase its liquidity and/or capital adequacy,
- to dispose of its fixed assets and long-term assets,
- to decrease its operational costs,
- to postpone its payments, excluding the regular payments to be made to its members,
- not to make available any cash or non-cash loans to certain third persons or legal entities,
- to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to apply the aforementioned actions,
- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank, and/or
- 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 or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank to:

- limit or cease its business for a temporary period,
- apply various restrictions, including restrictions with respect to resource collection and utilization,

- remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers,
- make available long-term loans that will be secured by the shares or other assets of the controlling shareholders,
- limit or cease its non-performing operations and to dispose of its non-performing assets,
- merge with one or more other banks,
- provide new shareholders in order to increase its equity capital,
- cover its losses with its equity capital, and/or
- take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of such bank would jeopardize the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) such bank cannot cover its liabilities as they become due, (e) the total amount of the liabilities of such bank exceeds the total amount of its assets or (f) the controlling shareholders of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardized 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 license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF.

In the event that the license 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 license is published in the Official Gazette. From the date of revocation of such bank's license, 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. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking license 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. 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 Industry and Commerce, as well as the Corporate Governance Communiqué, when preparing their annual reports.

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 authorized to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, 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. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines, the Corporate Governance Communiqué and the above mentioned Regulation issued by the Ministry of Industry and Commerce. These reports include the following information: management and organization structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

The Regulation on the Preparation and Publication of Annual Reports, published in the Official Gazette No. 26333 on 1 November 2006, regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. 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. Each bank must submit an electronic copy of its annual report to the BRSA by the end of April and keep a copy of it in its headquarters and each branch and publish it on its website by the end of May.

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 30 December 2011, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on Borsa İstanbul, including the Bank. Although the Corporate Governance Communiqué is, as of the date of this Base Prospectus, in force for all listed companies, the regulation provides a one-year exception for banks and so its provisions have become applicable to the Bank starting from 30 December 2012. The CMB further amended the Corporate Governance Communiqué on 22 February 2013 (published in the Official Gazette dated 22 February 2013 No 28567) providing for specific exemptions and/or rules applicable to banks that are traded on Borsa İstanbul. The Corporate Governance Communiqué replaced the main corporate governance requirements that the Bank complied with prior to 30 December 2012, although there are certain other additional miscellaneous corporate governance requirements under other Turkish law and regulations which it will remain subject to (*i.e.*, those that apply to non-listed companies and banks). The CMB has granted a grace period for the publicly traded banks to comply with the Corporate Governance Communiqué by no later than June 2013.

The Bank is currently working toward taking the remaining necessary steps, including appointing the remaining necessary independent director, at its ordinary general assembly scheduled to take place on 30 April 2013. Where the Bank does not comply with any of the non-mandatory principles applicable to it under the Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of the Bank's annual report.

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 capitalization and the market value of their free-float shares, subject to recalculation on an annual basis. The CMB has classified 23 companies for 2012 as "Tier 1" companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to "Tier 2" and "Tier 3" companies. The Bank is classified as a "Tier 1" company.

The mandatory principles under the Corporate Governance Communiqué include: (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.

Listed companies are required to have independent board members, which should constitute one third of the board of directors and should not be fewer than two; *however*, as per the amendment to the Corporate Governance Communiqué dated 22 February 2013, this number is applied as a total of three independent members for banks that are traded on Borsa İstanbul (with the audit committee members of banks to qualify as independent members of the board of directors). The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier 1" 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 authorized 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.

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 related party transactions, transactions concerning the establishment of security, pledge and mortgage for third parties and transactions which are deemed "material." "Material transactions" are described as the lease, transfer or establishment of rights *in rem* over the total or a substantial part of the listed company's assets, acquire or lease of a material asset, establishing privileges or changes in the scope of current privileges and delisting of the company. 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 two thirds majority of the attendees who may vote; *however*, in the event of attendance of shareholders representing not less than one-half of the voting rights, a simple majority of the attendees would be sufficient (unless a larger majority is required pursuant to such company's articles of association).

The new Capital Markets Law authorizes 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 with these principles.

Anti-Money Laundering and Combating the Financing of Terrorist Policies

Turkey is a member country of the FATF and has enacted laws and regulations 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. See "*Risk Factors – Political, Economic and Legal Risks relating to Turkey – Combating the Financing of Terrorism*."

Minimum standards and duties under such law and related legislation 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.

The Capital Markets Law

The recently enacted new Capital Market Law contains important amendments to the prior capital market rules relating to the: (a) issue of new shares below their nominal value, (b) corporate governance principles, (c) public disclosure rules, (d) listing requirements, (e) profit distribution, (f) exit rights and squeeze outs, (g) reporting requirements, (h) regulatory sanctions and administrative fines, (i) collective investment schemes and (j) certain capital market instruments (including derivatives) and capital market activities in line with the legislation standards of the European Union. Although the new law introduced major changes to the regulatory regime, the interpretation of these new rules and requirements will become more clear upon the enactment of the new secondary legislation. The new law requires the CMB to replace all existing secondary legislation by 30 December 2013 and, until then, the provisions of the existing secondary legislation that do not contradict with the new Capital Markets Law will continue to apply.

Additionally, with the recent enactment of the new Capital Markets Law, a new stock exchange named Borsa Istanbul has been established to replace the Istanbul Stock Exchange and the Gold Exchange. Borsa Istanbul became operative as of 5 April 2013. It has assumed the assets and liabilities of the Istanbul Stock Exchange and the Gold Exchange (which have both ceased to exist) and Borsa Istanbul functions as a stock exchange and gold exchange in Turkey.

Basel III

The Basel Committee has recently adopted further revisions to Basel II (*i.e.*, Basel III), but there is no certainty as to whether these most recent Basel III revisions will be implemented by the BRSA in Turkey and, if so, when and in what form. Although an official timetable for the adoption of Basel III in Turkey has not been announced by the BRSA, the regulations are expected to be implemented between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee. In early 2013, draft regulations amending the Regulation on Equity of Banks as well as the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were made available by the BRSA.

The draft regulation amending the Regulation on the Equity of Banks, as published on the official website of the BRSA on 1 February 2013, introduces the following changes: (a) introducing core capital as a component of equity, (b) determining which additional Tier I capital items are included as Tier I capital along with core capital, (c) determining detailed correction principles concerning items included within the own funds accounts, (d) changing the principles by which minority rights and shares owned by third persons are considered within the consolidated open funds account and (e) ensuring that the borrowing instruments included in additional Tier I capital and supplementary capital are removed from the records should a bank's capital adequacy ratio decrease below a determined threshold, with the aim of recovering losses or making them convertible to equity. In light of the foregoing changes, the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks required amendment and the draft regulation amending the

Regulation on the Measurement and Evaluation of Capital Adequacy of Banks proposes to: (i) introduce a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier I capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis and (ii) place certain factors currently deducted from equity to risk weight in determining capital adequacy.

In addition to these implementations, a draft Regulation on the Capital Maintenance and Cyclical Capital Buffer which regulates the procedures and principles regarding the calculation of additional core capital amount and a draft Regulation on the Measurement and Evaluation of Leverage Levels of Banks to regulate the procedures and principles for requiring maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks have been made available on the BRSA's website. The BRSA's draft regulations are expected to be implemented within 2013.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the **Clearing Systems***) currently in effect. 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.*

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 organisation" 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. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. 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 **Rules**), DTC makes book-entry transfers of Registered Notes 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 Rules are on file with the SEC. Participants with which beneficial owners of DTC Notes (**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 Beneficial Owners. Accordingly, although Beneficial Owners who hold interests in DTC Notes through Participants will not possess Registered Notes, the 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 Beneficial Owner is in turn to be recorded on the relevant Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but 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 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 Beneficial Owners. 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 Beneficial Owners of the DTC Notes; 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 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 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 shall 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 Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to 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 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 which, will be legended as set forth under "*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 Owner desiring to pledge DTC Notes to persons or entities 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 Registered Notes from DTC as described below.

The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes 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 Notes to persons or entities 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 Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depositary. 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 an account holder of 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 or entities that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, may 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 may 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 may 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 accountholders.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its accountholders. 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 direct participants in Euroclear.

The ability of an owner of a beneficial interest in a Note held through Euroclear to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take action in respect of such interest, may 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 may 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 may 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. Interests in such a Global Note through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to accountholders 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 Euroclear and/or Clearstream, Luxembourg accountholders).

Payments with respect to interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited to cash accounts of Euroclear and Clearstream, Luxembourg accountholders in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, respectively, to the extent received by each of them.

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. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries 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 (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 holders 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.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Fiscal Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is 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 and 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 under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear account holders, 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 Series, transfers of Notes of such Series between account holders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between account holders in Clearstream, Luxembourg or Euroclear and DTC participants 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 account holders and DTC 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.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders 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

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. 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 laws and relevant interpretations thereof in effect as of the date of this Offering Circular, 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 may not be treated as a resident of Turkey, depending on 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 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 person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person 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 Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10 per cent. withholding tax for notes with an original maturity of less than one year,

- 7 per cent. withholding tax for notes with an original maturity of at least one year and less than three years,

- 3 per cent. withholding tax for notes with an original maturity of at least three years and less than five years, and

- 0 per cent. withholding tax for notes with an original maturity of five years and more.

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 corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons 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.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10 per cent. and 0 per cent. in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used), which 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 where the investor is a 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.

U.S. Foreign Account Tax Compliance Act

FATCA generally imposes a withholding tax of 30 per cent. on certain payments to and from certain non-U.S. financial institutions (including entities such as the Bank). Among other requirements, a "foreign financial institution" as defined under the Code (an **FFI**), such as the Bank, that opts in to comply with FATCA will be required to enter into an agreement (an **FFI Agreement**) with the U.S. Internal Revenue Service (the **IRS**). Such an agreement will require the provision of certain information regarding the FFI's "U.S. account holders" (which could include holders of the Notes) to the IRS. The Bank may opt into the FATCA information reporting regime, and it may be required to collect information regarding the identities of holders of its Notes and deliver such information to the IRS.

In such case, holders of the Notes may be required to provide the Bank with certain information, including, but not limited to: (a) information for the Bank to determine whether the beneficial owner of a note is a United States person as defined in Section 7701(a)(30) of the Code or a United States owned foreign entity as described in Section 1471(d)(3) of the Code and any additional information that the Bank or its agent

requests in connection with FATCA and (b)(i) if the beneficial owner of a Note is a United States person, such United States person's name, address and U.S. taxpayer identification number, or (ii) if the beneficial owner of the note is a United States owned foreign entity, the name, address and taxpayer identification number of each of its substantial United States owners as defined in Section 1473(2) of the Code and any other information requested by the Bank or its agent upon request, and (c) updated information promptly upon learning that any such information previously provided is obsolete or incorrect.

The Bank may be required to withhold up to 30 per cent. of amounts payable with respect to Notes issued under the Programme to holders of such Notes that do not provide the Bank with information required to comply with FATCA (**Recalcitrant Holders**) or to FFIs that either do not enter into an FFI Agreement with the IRS under FATCA (**Nonparticipating FFIs**) or are not otherwise exempt from or in deemed compliance with FATCA, if such amounts constitute foreign passthru payments (**Foreign Passthru Payments**) under FATCA, which term is not yet defined. Such withholding is generally not required on payments made before the later of January 1, 2017 or the date of publication of final regulations defining Foreign Passthru Payments. Additionally, FATCA withholding on Foreign Passthru Payments will only apply to Notes that are issued after the date (the **Grandfathering Date**) that is six months after the date of filing of final regulations defining Foreign Passthru Payments or are issued before and are significantly modified after the Grandfathering Date such that they are deemed to be reissued.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership" or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

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

EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER US EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Notes may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold "plan assets" of the foregoing (each, a **Plan**). Section 406 of ERISA and Section 4975 of the Code prohibit a Plan subject to those provisions (each, a **Benefit Plan Investor**) from engaging in certain transactions with persons that 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. Employee benefit plans that are US 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) are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code; however, such plans may be subject to similar restrictions under applicable state, local, other federal or non-U.S. law (**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 is 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 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 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 non-fiduciary service providers to the Benefit Plan Investor; 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 and other Plans should consult with their legal advisors regarding the applicability of any such exemption and other applicable legal requirements.

By acquiring a Note (or a beneficial interest therein), each purchaser (and if the purchaser is a Plan, its fiduciary) is deemed to represent and warrant that either: (a) it is not acquiring the Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor, a US governmental plan, church plan or non-U.S. plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors are advised to consult their advisers with respect to the consequences under ERISA and similar laws of the acquisition, ownership or disposition of the Notes (or a beneficial interests therein).

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 19 April 2013, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. 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 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.

Any offers and sales of the Notes in the United States will 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 issued under the Programme 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 over-allot 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 price of 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 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 price of 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 U.K. laws and regulations stabilising activities may only be carried on by the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

The Issuer expects that delivery of interests in Notes will be made on the issue date for such Notes, as such date will be communicated in connection with the offer and sale of such Notes. Potential investors that are U.S. persons should note that the issue date may be more than three business days (this settlement cycle being referred to as "T+3") following the trade date of such Notes. Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in Notes issued under the Programme on the trade date relating to such Notes or the next New York business days will be required, by virtue of the fact that the Notes initially will likely settle on a settlement cycle longer than T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in Notes issued under the Programme on their trade date or the next New York business days should consult their own adviser.

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

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

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (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 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 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 on Rule 144A or (ii) it is an Institutional Accredited Investor which has delivered a duly executed investment letter from the relevant transferee substantially in the form set out in the Agency Agreement (an **IAI Investment Letter**) or (iii) it is outside the United States and is not a U.S. person;

(b) that the Notes 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 the 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 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 Global Note and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, 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 of the Issuer was the owner of such Notes, 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 Rule 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 U.S. Federal and State securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions, if then applicable;

(e) that Notes initially offered to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered

Notes or one or more IAI Global Notes and that Notes offered in offshore transactions in reliance on Regulation S will be represented by one or more Regulation S Global Notes or Definitive Regulation S Registered Notes;

(f) that the Rule 144A Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD PLEDGED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL 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 OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY 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 GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS SECURITY 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 HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

The IAI Global Notes and the Definitive IAI Registered Notes (with appropriate revisions) will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT, THE TERMS OF THE IAI INVESTMENT LETTER IT EXECUTED IN CONNECTION WITH ITS PURCHASE OF THE SECURITIES 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 OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) 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, (3) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION, PROVIDED THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO (3) OR (4) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

EACH PURCHASER AND TRANSFEREE OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY 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 GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS SECURITY 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 HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

(g) if it holds an interest in a Regulation S Global Note or a Bearer Global Note, that if it should resell or otherwise transfer such interest in the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), 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 the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS 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. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY 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 OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT ACQUIRING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS

OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, ANY "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR A US GOVERNMENTAL PLAN, CHURCH PLAN OR NON-US PLAN THAT IS SUBJECT TO ANY 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 GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW."; and

(h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes 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 of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (i) it is not acquiring the Note (or a beneficial interest therein) with the assets of an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, any "plan" as defined in and subject to Section 4975 of the Code, any entity whose underlying assets include "plan assets" of any of the foregoing or a U.S. governmental plan, church plan or non-U.S. plan that is subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note will not give rise to a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of Similar Law.

Institutional Accredited Investors who purchase Registered 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.

The IAI Investment Letter will state, among other things, the following:

(a) that the Institutional Accredited Investor has received a copy of the Base Prospectus and such other information as it deems necessary in order to make its investment decision;

(b) that the Institutional Accredited Investor understands that the Notes 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 the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in the Base Prospectus and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes 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 the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act 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 for an indefinite period of time;

(e) that the Institutional Accredited Investor is acquiring the Notes purchased by it 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 the Notes, 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 the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$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, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents in Turkey will be free to purchase and sell securities and other capital market instruments traded on financial markets abroad, and to transfer funds for the purchase of such securities abroad through bank and the intermediary institutions authorised in accordance with the Capital Markets Law and its related legislation.

Selling Restrictions

Turkey

The CMB approval based upon which any offering of Notes until 21 February 2014 will be conducted, was obtained on 26 February 2013 No. 298333736-105.03.01-410-1821 (the **CMB Approval**). Pursuant to the CMB Approval, the offer, sale and issue of Notes under the Programme has been authorised and approved by the CMB in accordance with Decree 32, the Banking Law numbered 5411 and its related legislation, and the Capital Markets Law numbered 6362 and its related legislation. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the BRSA decisions dated 6 May 2010 No. 3665, 30 September 2010 No. 3875 and 7 February 2013 No. 2.000.8792.42.2-3288, and the CMB Approval.

Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Notes (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, residents of Turkey (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets.

Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Notes (or beneficial interests therein) offshore on an unsolicited basis provided that such purchase or sale is made through banks or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through banks.

An issuance certificate (*ihraç belgesi*) and/or a tranche issuance certificate (tertip ihraç belgesi) in respect of each Tranche of Notes shall be prepared by, and the CMB approval thereof shall be obtained by, the Issuer

prior to the issue date of each such Tranche of Notes. The Issuer shall maintain the authorisation and approval of the CMB as necessary for the offer, sale and issue of Notes under the Programme.

Monies paid for purchases of 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 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 the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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 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 (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, 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 dealer to which it sells any Regulation S Notes during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may 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 may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on 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 the Securities Act, the Issuer has undertaken in 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 remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of 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

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto 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 such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above 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 this provision, the expression **an offer of Notes to the public** in relation to any Notes 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 to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

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) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;

(b) 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) 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.

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, 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

In Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed 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 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 (FINMA), and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations 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 and regulations 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 therefore.

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 such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 10 January 2013.

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 the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Bank in connection with the Programme and is not itself seeking admission of Notes issued under the Programme to the Official List or to trading on the Main Securities 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, when published, 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 auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for the years ended 31 December 2012, 2011 and 2010;

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for the years ended 31 December 2012, 2011 and 2010;

(d) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated and non-consolidated interim accounts in accordance with IFRS and Turkish GAAP on a quarterly basis.;

(e) the Agency Agreement, the Deed of Covenant, the Deed Poll and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(f) a copy of this Base Prospectus; and

(g) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where 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, each document incorporated by reference and the financial statements listed above will be available on the Issuer's website at www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports.page (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). Each Final Terms relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market are also available on the Issuer's website.

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 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 Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

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

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of either the Bank or the Group, and no material adverse change in the financial position or prospects of either the Bank or the Group, since 31 December 2012.

Litigation

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

Auditors

The IFRS Financial Statements prepared as of and for the years ended 31 December 2010, 2011 and 2012 have been audited in accordance with International Standards on Auditing by Deloitte located at Sun Plaza, Maslak Mah. Bilim Sk. No: 5, Şişli, Istanbul 34398. Deloitte, independent certified public accountants in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey. See "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*".

Dealers transacting with the Issuer

Certain of the Dealers, the Arranger and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business.

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

ISSUER

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London E14 5LB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

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60 London Wall
London EC2M 5TQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
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Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

National Bank of Abu Dhabi PJSC
One NBAD Tower
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Abu Dhabi
United Arab Emirates

FISCAL AGENT AND EXCHANGE AGENT

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REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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TRANSFER AGENT

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LISTING AGENT

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AUDITORS TO THE BANK

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