BASE PROSPECTUS

TÜRKİYE GARANTİ BANKASI A.Ş.

US$6,000,000,000

Global Medium Term Note Programme

Under this US$6,000,000,000 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(s) (as defined below) or investor(s).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"); *provided* that the Notes may be offered and sold in the United States only in registered form. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US$6,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to: (a) 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, and/or (b) one or more investor(s) purchasing Notes (or beneficial interests therein) directly from the Issuer. 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 certain 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 all other jurisdictions. 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 (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) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to Notes having a maturity of one year or more 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 (a "**Member State**"). Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus 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.

This document constitutes "listing particulars" for the purposes of Notes issued under the Programme having a maturity of less than one year that are to be admitted to the Official List and to trading on the Main Securities Market. This document has been approved as listing particulars by the Irish Stock Exchange. Application may be made to the Irish Stock Exchange for Notes having a maturity of less than one year to be admitted to the Official List and to trading on the Main Securities Market.

References in this Base Prospectus to the Notes being "**listed**" (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms or Pricing Supplement, 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 (to the extent required by applicable law or regulation) a tranche issuance certificate (*tertip ihraç belgesi*) 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 5 February 2016 and (to the extent required by applicable law or regulation) the approved tranche issuance certificate will be obtained from the CMB before any sale and issuance of a Tranche of 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**") or a pricing supplement (the "**Pricing Supplement**"), as the case may be, which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Central Bank of Ireland and the Irish Stock Exchange, in the case of Notes having a maturity of one year or more, or the Irish Stock Exchange, in the case of Notes having a maturity of less than one year. Copies of such Final Terms and Pricing Supplements will also be published on the Issuer's website at https://www.garantiinvestorrelations.com/en/debt-information/GMTN/GMTN/48/2723/0.

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(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been rated BBB (for long-term) and F2 (for short-term) by Fitch Ratings Ltd. ("**Fitch**") and Notes issued under the Programme are expected to be rated Baa3 (for long-term) and P-3 (for short-term) by Moody's Investors Service Limited ("**Moody's**" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), the "**Rating Agencies**"). The Bank has also been rated by the Rating Agencies and JCR Eurasia Rating ("**JCR Eurasia**") as set out on pages 138 and 139 of this Base Prospectus. Each of the Rating Agencies is established in the EU 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 ("**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. JCR Eurasia is not established in the EU and is not registered in accordance with the CRA Regulation and JCR Eurasia is therefore not included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation. Notes may either be rated (including by any one or more of the rating agencies referred to above) or unrated. Where a Tranche of Notes is rated (other than an unsolicited rating), such rating will be disclosed in the applicable Final Terms or Pricing Supplement and (if rated by Fitch and/or Moody's) will not necessarily be the same as the rating assigned to the Programme and/or the Notes 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 revision, suspension or withdrawal at any time by the assigning rating agency.

Arranger

BofA Merrill Lynch

Dealers

Banco Bilbao Vizcaya Argentaria, S.A.	**BNP PARIBAS**	**BofA Merrill Lynch**
Citigroup	**Commerzbank**	**Deutsche Bank**
Goldman Sachs International	**HSBC**	**J.P. Morgan**
MUFG	**Morgan Stanley**	**SMBC Nikko**
Société Générale Corporate & Investment Banking		**Standard Chartered Bank**

The date of this Base Prospectus is 24 March 2016.

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive and Notes having a maturity of one year or more. This document does not constitute a prospectus for the purpose of Notes having a maturity of less than one year or 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 applicable Final Terms or Pricing Supplement, as the case may be, 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 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 into, 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: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the 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 (or beneficial interests therein). Each investor contemplating purchasing any Notes (or beneficial interests therein) 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 (or beneficial interests therein).

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the 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/or the offer or sale of Notes (or beneficial interests therein) might 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 (or beneficial interests therein) may be lawfully offered, in compliance with any applicable registration or other

requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which is intended to permit a public offering of any Notes (or beneficial interests therein) or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, in each case except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes (or beneficial interests therein) 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 (or beneficial interests therein). In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes (or beneficial interests therein) in (*inter alia*) the United States, the European Economic Area (including the United Kingdom), Turkey, Japan, Switzerland, the People's Republic of China (the "PRC") and the Hong Kong Special Administrative Region of the PRC. See "*Subscription and Sale and Transfer and Selling Restrictions*".

This Base Prospectus has been prepared on a basis that would permit an offer of Notes (or beneficial interests therein) with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes (or beneficial interests therein) in any Member State 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 from the requirement to publish a prospectus for offers of Notes (or beneficial interests therein). Accordingly, any person making or intending to make an offer of Notes (or beneficial interests therein) in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer 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 (or beneficial interests therein) 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 upon their own examination of the Issuer and the terms of the Notes (or beneficial interests therein) being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any other securities commission or other regulatory authority in the United States and, other than the approvals of the Banking Regulation and Supervision Agency (the "BRSA"), the CMB, the Central Bank of Ireland and the Irish Stock Exchange described herein, have not been approved or disapproved by any other securities commission or other regulatory authority in Turkey or any other jurisdiction, nor have the foregoing authorities (other than the Central Bank of Ireland and the Irish Stock Exchange to the extent described herein) approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary might be unlawful.

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws or regulations. 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 might 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 should consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

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

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

Legal investment considerations might restrict certain investments. The investment activities of certain investors are subject to 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: (a) Notes (or beneficial interests therein) are legal investments for it, (b) Notes (or beneficial interests therein) can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes (or beneficial interests therein). Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Issuer has obtained the CMB approval (dated 5 February 2016 No. 29833736-105.03.01-E.1408 (the "CMB Approval") and the BRSA approval (dated 14 January 2016 No. 20008792-101.01[42]-E.528) (the "BRSA Approval" and, together with the CMB Approval, the "Programme Approvals") required for the issuance of Notes under the Programme. In addition to the Programme Approvals, to the extent required by applicable law or regulation, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Notes shall also be obtained by the Issuer prior to the issue date (the "Issue Date") of such Tranche of Notes, which date will be as specified in the applicable Final Terms or Pricing Supplement. The Issuer shall maintain or obtain (as applicable) all authorisations and approvals of the CMB necessary for the offer, sale and issue of Notes under the Programme. Consequently, the scope of the Programme Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time. Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, Decree 32), the Turkish Banking Law No. 5411 of 2005, as amended (the "Banking Law") and its related legislation and regulations, the Capital Markets Law and Communiqué No. II-31.1 on Debt Instruments of the CMB (the "Communiqué on Debt Instruments") or its related regulations.

In addition, the Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Programme Approvals. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Notes on the condition that no sale or offering of Notes (or beneficial interests therein) may be made by way of public offering or private placement in Turkey. Notwithstanding the foregoing, pursuant to the BRSA decisions dated 6 May 2010 No. 3665 and dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Notes denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes denominated in Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis in both the primary and secondary markets; *provided* that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under BRSA regulations. As such, Turkish residents should use such

licensed banks or licensed brokerage institutions while purchasing Notes (or beneficial interests therein) and transfer the purchase price through licensed banks authorised under BRSA regulations. Monies paid for the purchases of Notes are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund of Turkey (*Tasarruf Mevduatı Sigorta Fonu*) (the "SDIF").

Further to the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the "CRA") and the interests therein recorded in the CRA; *however*: (a) upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside Turkey, or (b) applicable laws or regulations might change after the date hereof such that the relevant requirement ceases to exist. The Bank submitted an exemption request through its letter to the CMB dated 14 February 2015 numbered 988/15/28 and such exemption was granted by the CMB in the CMB Approval. As a result, this requirement will not be applicable to the Notes issued pursuant to such CMB Approval. Notwithstanding such exemption, the Issuer is required to notify the CRA within three İstanbul business days from the applicable Issue Date of a Tranche of Notes of the amount, Issue Date, ISIN code (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

There might be other risks, including some risks of which the Issuer is unaware, that 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 of 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.

U.S. INFORMATION

This Base Prospectus may be 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 or by any U.S. person 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 by the Issuer or a Dealer.

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 (or beneficial interests therein) 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 upon Rule 144A under the Securities Act ("Rule 144A") or any other applicable exemption. Each investor in 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 (or beneficial interests therein) to it might be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A or under Section 4(a)(2) of the Securities Act.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined in "*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 (or beneficial interests therein), to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes (or beneficial interests therein) 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*".

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes (or beneficial interests therein) that are "restricted securities" within the meaning of 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 such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes (or beneficial interests therein) to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the 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

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 BRSA Accounting and Reporting Regulation related to the procedures and principles regarding banks' accounting practices (the

"**BRSA Accounting and Reporting Regulation**"), other regulations of the BRSA regarding accounting records of banks, circulars and pronouncements published by the BRSA and the Turkish Accounting Standards, which is applied to the extent matters are not regulated under Turkish laws, the Group publishes financial statements in Turkish Lira that have been prepared and presented in accordance with IFRS. The Group's annual IFRS financial statements ("**IFRS Financial Statements**") incorporated by reference herein as of and for the years ended 31 December 2013, 2014 and 2015 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 ("**Board**"), in accordance with the requirement for the mandatory rotation of auditors every seven years under Turkish regulations, selected Deloitte to be its external audit firm, effective as of 1 January 2010, and decided to maintain the same audit firm for the fiscal year 2016.

The IFRS Financial Statements incorporated by reference herein have been audited by Deloitte in accordance with the International Standards on Auditing. The Group's audit reports for the years ended 31 December 2013, 2014 and 2015 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 335,000 thousand, TL 415,000 thousand and TL 342,000 thousand recorded on the consolidated statements of financial position as of 31 December 2013, 2014 and 2015, respectively (resulting in TL 115,000 thousand being included in the 2013 income statement as income from the partial reversal of such provisions, TL 80,000 thousand being charged to the income statement as an expense in 2014 and TL 73,000 thousand being included in the income statement in 2015 as income from the partial reversal of such provisions; the remaining amounts (all incurred before 2012) were charged as an expense during the applicable periods). Although these provisions did not impact the Group's level of tax or capitalisation ratios, if the Group had not established these provisions, then its net income might have been higher in such years (or, in 2013 and 2015, lower). Deloitte has qualified its audit reports in respect of each such year because general provisions are not permitted under IFRS. See Deloitte's reports on the IFRS Financial Statements incorporated by reference into this Base Prospectus.

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 the BRSA Accounting and Reporting Regulation ("**BRSA Financial Statements**"). The Bank's BRSA Financial Statements are filed with the Borsa İstanbul A.Ş. ("**Borsa İstanbul**") and are used for determinations of the Bank's and the Group's compliance with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios. The BRSA Financial Statements are audited or reviewed, as applicable, by Deloitte. The unconsolidated BRSA Financial Statements for 2013, 2014 and 2015 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 included herein have been extracted from the Group's IFRS Financial Statements without material adjustment. Potential investors in the Notes should note that this Base Prospectus also includes certain financial information for the Bank only, which has been extracted from the Bank's 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 (except to the extent immaterial) that are companies controlled by the Bank (*i.e.*, the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee). The entities that were consolidated in the IFRS Financial Statements as of 31 December 2015 were Garanti Bank International NV ("**GBI**"), Garanti Finansal Kiralama A.Ş. ("**Garanti Leasing**"), Garanti Bank Moscow ("**GBM**"), Garanti Faktoring Hizmetleri A.Ş. ("**Garanti Factoring**"), Garanti Emeklilik ve Hayat A.Ş. ("**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**"), Garanti Yatırım Menkul Kıymetler A.Ş. ("**Garanti**

Securities"), Garanti Yatırım Ortaklığı A.Ş. ("**Garanti Investment Trust**"), Garanti Portföy Yönetimi A.Ş. ("**Garanti Asset Management**"**),** Garanti Filo Yönetim Hizmetleri A.Ş. ("**Garanti Fleet**"), Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş. ("**Garanti Technology**") and Garanti Filo Sigorta Aracılık Hizmetleri A.Ş. ("**Garanti Fleet Insurance Agency**"), which was established on 20 March 2014 and has been consolidated from such date, and (while not legal affiliates, the following entities are special purpose entities established for the purpose of the Bank's "diversified payment rights" programme, and are thus required to be consolidated) Garanti Diversified Payment Rights Finance Company and RPV Company. The IFRS Financial Statements incorporated herein for previous periods included these same consolidated entities except Domenia Credit IFN SA ("**Domenia**"), which was acquired by Garanti Romania on 14 November 2014 through a merger process and not included in the IFRS Financial Statements for 2013 and 2014.

While the BRSA Accounting and Reporting Regulation has been converging with IFRS over recent years, such regulation still differs 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 the BRSA Accounting and Reporting Regulation or the BRSA Financial Statements.

Accounting Policy Changes

As of 1 November 2015, the Group changed its accounting policy for investment property from the historical cost method to the fair value method in accordance with IAS 40. Accordingly, independent appraisal firms performed a valuation study on each of the Group's investment properties registered in the ledger. The changes resulting from the accounting policy change were accounted retrospectively in the respective income statements for the periods they occurred.

As of 31 December 2015, the Group changed its accounting policy to account for taxation-related levies and liabilities in the periods in which the actions resulting from such liabilities occurred (in accordance with IFRIC 21 (*Levies*)) instead of applying the accrual basis of accounting as in prior years.

As of 31 December 2015, in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions started to be calculated and accounted for in the fee and commission income recognised in prior years but reimbursed in subsequent periods.

As of 31 December 2015, the Group began presenting its customers' investments in pension funds on a net basis as per the requirements of IAS 39. Accordingly, as of 31 December 2014, the Group netted TL 6,164,056 thousands (TL 4,309,289 thousands in 2013) of such investments, which are accounted as assets of Garanti Pension and Life (the Group's pension business) for the corresponding liabilities of these investments to the relevant customers.

Due to the aforementioned accounting policy changes, the Group's financial statements for 2013 and 2014 were restated as per IAS 8. The table below sets out the effects of the adjustments to certain financial information of the Group for 2013 and 2014:

As of December 31, 2014	**Reported**	**Adjustments**	**Restated**
		(TL thousands, except where indicated)	
Deferred Tax Asset	901,126	24,695	925,821
Other Assets	29,835,924	(6,017,656)	23,818,268
Total Assets	**243,907,093**	**(5,992,961)**	**237,914,132**
Other Liabilities, Accrued Expenses and Provisions	17,958,155	(6,026,907)	11,931,248
Hedging Reserve	(220,828)	29,584	(191,244)
Retained Earnings	20,539,123	4,362	20,543,485
Total Liabilities and Equity	**243,907,093**	**(5,992,961)**	**237,914,132**
Foreign Exchange Gains, net	1,017,264	13,769	1,031,033
Other Operating Income	225,063	38,060	263,123
Impairment Losses, net	(100,006)	(54,626)	(154,632)
Other Operating Expenses	(1,426,380)	(11,422)	(1,437,802)
Taxation Charge	(1,035,293)	8,553	(1,026,740)
Net Income for the Period	**3,846,265**	**(5,666)**	**3,840,599**

As of December 31, 2013	Reported	Adjustments	Restated
	(TL thousands, except where indicated)		
Deferred Tax Asset	581,695	13,232	594,927
Other Assets	26,108,693	(4,195,290)	21,913,403
Total Assets	**217,735,775**	**(4,182,058)**	**213,553,717**
Other Liabilities, Accrued Expenses and Provisions	13,752,029	(4,232,686)	9,519,343
Hedging Reserve	(239,657)	40,600	(199,057)
Retained Earnings	17,178,887	10,028	17,188,915
Total Liabilities and Equity	**217,735,775**	**(4,182,058)**	**213,553,717**
Foreign Exchange Gains, net	255,094	(40,600)	214,494
Other Operating Income	224,623	172,881	397,504
Impairment Losses, net	(68,697)	(37,000)	(105,697)
Other Operating Expenses	(1,433,331)	(63,633)	(1,496,964)
Taxation Charge	(895,085)	20,127	(874,958)
Net Income for the Period	**3,529,209**	**51,775**	**3,580,984**

Non–GAAP Measures of Financial Performance

To supplement the Group's financial statements, 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 or the BRSA Accounting and Reporting Regulation. A body of generally accepted accounting principles such as IFRS or the BRSA Accounting and Reporting Regulation 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 deducting 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 might be different from similarly titled measures reported 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 periods 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.

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 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**", "**US$**" and "**$**" 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;
- "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and
- "**Renminbi**" and "**RMB**" refer to the lawful currency of the PRC, which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan.

No representation is made that the Turkish Lira or Dollar amounts in this Base Prospectus could have been or could be converted into U.S. dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see "*Risk Factors – Risks Relating to the Group's 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 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 Bankası A.Ş. on a standalone basis and "**Group**" means the Bank and its subsidiaries (and, with respect to consolidated accounting information, entities that are consolidated into it).

In this Base Prospectus, any reference to Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or the Depository Trust Company ("**DTC**") 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 Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent.

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

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 might 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 which would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other 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 (*Bankalararası Kart Merkezi*) at www. http://www.bkm.com.tr/bkm, and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("**TurkStat**") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "**Central Bank**") at www.tcmb.gov.tr, the Turkish Treasury's website at www.hazine.gov.tr ("**Undersecretariat of Treasury**") or the European Banking Federation's website at www.ebf.fbe.eu. Such data have 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 this Base Prospectus 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement 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 Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

An investment in the Notes involves risk. In purchasing Notes, investors assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors 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 might not be aware of all relevant factors and certain factors which it currently deems not to be material might become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Base Prospectus. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its 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 as these risk factors cannot be deemed complete. If potential investors are in doubt about the contents of this Base Prospectus, then they should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risk of investment in the Notes.

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 or that other risks might not arise in the future.

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 business, financial condition and results of operations, are substantially dependent upon the political and economic conditions prevailing in Turkey.

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

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

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 might 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 slowdown or 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.

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

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

Starting in mid-2007, the global financial crisis significantly affected global economic conditions. The crisis resulted in significant declines in the value of a broad range of real and financial assets, increased volatility in financial markets and reduced availability of funding. Internationally, many financial institutions sought to raise additional capital and a number failed or merged with larger institutions. As a result of concern about the stability of the financial markets generally and the strength of counterparties in particular, many lenders and institutional investors reduced lending and, in some cases, ceased providing funding to borrowers, including other financial institutions, which significantly reduced liquidity and the availability of credit in the global financial system. Certain of these conditions persist.

The global financial crisis and related economic slowdown also significantly impacted the Turkish economy and the principal external markets for Turkish goods and services. During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.8% in 2009 but, following the implementation of fiscal and monetary measures during 2009, began to recover in the fourth quarter of 2009 and has since continued to expand (source: Turkstat). While unemployment levels have also improved since the depth of the financial crisis, they remain elevated. There can be no assurance that the unemployment rate will continue to improve, or even that it will not increase in the future. Continuing high levels of unemployment might affect the Group's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, also undermined investor confidence in recent years and resulted, and might continue to result, in a general deterioration of the financial markets. Although there have been indications of economic recovery in the eurozone, recent economic performance in Europe has been weak. Since the implementation of negative interest rates by the European Central Bank in June 2014, an increasing number of central banks in Europe have taken their policy rates below zero. In January 2016, the Bank of Japan also adopted negative interest rates. There is uncertainty in the markets as to the possible impact of these policies. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on the Group's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects and/or financial condition of the Group's customers, which, in turn, could further reduce the Group's asset quality and/or demand for the Group's products and services and negatively impact the Group's growth plans. The Group's business, financial condition and/or results of operations might also continue to be adversely affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

In addition, the Group operates in countries outside of Turkey (such as the Netherlands, Romania and Russia). Such jurisdictions also have been adversely impacted by the global financial crisis. The Group's intention is to continue expanding its operations in such jurisdictions (particularly in Romania), and in the event there are further financial crises affecting such jurisdictions or any other financial shock (such as the recent sharp decline in oil prices, which negatively affects the Russian economy and certain other Eastern European countries), this might 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 might also be weak in the upcoming years. 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 withdrawal by a member state from the European Monetary Union, any significant changes to the structure of the European Monetary Union or any uncertainty as to whether such a withdrawal or change might occur might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

In 2011, Turkey's current account deficit was US$75.1 billion, which decreased to US$48.5 billion in 2012, according to the Central Bank. The decline in 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.

The decline in the current account deficit experienced in 2012 came to an end in early 2013 as a result of the recovery in domestic demand, with the deficit in 2013 rising to US$63.6 billion. To combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US$43.6 billion and US$32.1 billion in 2014 and 2015, respectively, as a result of their negative effect on domestic demand and GDP.

If the value of the Turkish Lira relative to the U.S. dollar and other relevant trading currencies changes, then the cost of importing oil and other goods and services and the value of exports might both change in a corresponding fashion, resulting in potential increases or decreases in the current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank closely monitors the U.S. Federal Reserve's actions and takes (and has taken) certain actions to maintain price and financial stability. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates, the Central Bank tightened further the liquidity of the Turkish Lira. See "*Foreign Exchange and Currency Risk*".

Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon foreign trade. Thus, 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. In 2015, exports to the EU decreased by 7% in U.S. dollar terms due to the decline in the euro against the U.S. dollar. Regional conflicts and sanctions implemented against Russia and sanctions implemented by Russia against Turkey as a result of the conflict in Syria have negatively affected Turkey's exports, with its exports to its neighbouring countries in the south falling significantly. See "*Terrorism and Conflicts*" below. While diversification in the export markets towards other regional countries has partially offset the negative impact of declines in demand from certain countries, the EU remains Turkey's largest export market. A decline in demand for imports from the EU, Russia or neighbouring countries 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.

Turkey is an energy import-dependent country and recorded US$34.3 billion of net energy imports in 2015, which declined from US$49.9 billion in 2014. It should be noted that Turkey's current account deficit declined to US$32.2 billion in 2015 due to the recent declines in the price of oil, which was partially offset by the weak performance of exports; *however*, this might be reversed. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for

imported energy and thus any geopolitical development concerning energy security could have a material impact on Turkey's current account balance.

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

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

Negative changes in the government and political environment, including the failure of the government to devise or implement appropriate economic programmes, might adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Turkey has been a parliamentary democracy since 1923. Unstable coalition governments have been common, and in the over 90 years since its formation Turkey has had numerous short-lived governments, with political disagreements frequently resulting in early elections. Furthermore, though its role has diminished in recent years, the Turkish military establishment has historically played a significant role in Turkish government and politics, intervening in the political process.

Beginning in 2013, Turkish politics have been particularly volatile. Protests starting in May 2013 in İstanbul, and spreading to Ankara and other major cities in Turkey, against plans to replace Gezi Park, an urban park in İstanbul's central Taksim Square, with a commercial development, and resulting confrontations among protestors and security forces, contributed to a significant increase in the volatility of Turkish financial markets. Later in 2013, Turkish politics entered a second phase of uncertainty, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who then resigned) on suspicions of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Turkish government, police and judiciary. The government's responses to these events have included the removal of certain prosecutors and police from their offices and proposals to change the manner in which the police and judicial authorities are supervised by the national government, which has led to concerns about the separation of powers. These events, which coincided with the U.S. Federal Reserve's decision to reduce monthly asset purchases, contributed to significant declines in the value of the Turkish stock market and the Turkish Lira. While these circumstances have receded and the Bank's management does not believe that these events have had a material long-term negative impact on Turkey's economy or the Group's business, financial condition and/or results of operation, it is possible that these or other political circumstances could have such an impact and/or a negative impact on investors' perception of Turkey, the strength of the Turkish economy and/or the value and/or price of an investment in the Notes.

Elections were held in Turkey on 7 June 2015 resulting in no party receiving a majority of the members of parliament. The parties with seats in parliament could not form a coalition within the period provided in the Turkish Constitution; therefore, early elections were held on 1 November 2015. In this election, the Justice and Development Party (known as the AKP) received approximately 49% of the vote and a significant majority of the members of parliament, thus enabling it to form a single-party government. Notwithstanding this, social and political conditions remain challenging, including with increased tension resulting from Turkey's conflict with the People's Congress of Kurdistan (formerly known as the PKK) (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). The events surrounding any future elections and/or the results of such elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to independence of Turkey's institutions, Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumors and/or uncertainties)

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

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

Emerging markets such as Turkey are subject to greater risk 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 market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus their price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

Investors' interest in Turkey might be negatively affected by events in other emerging markets or the global economy in general, which 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 in the past and might become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates over 100% during the 1990s; *however*, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009 and to 4.0% in 2011, which was the lowest level in many years. Consumer price inflation was 7.4%, 8.2% and 8.8% in 2013, 2014 and 2015, respectively, with producer price inflation during those years of 7.0%, 6.4% and 5.7%, respectively. The volatility of global prices of major commodities such as oil, cotton, corn and wheat might increase supply-side inflation pressures throughout the world and might result in an increase in inflation. As Turkey's official inflation target is 5.0%, recent levels of inflation have exceeded the target. The annual consumer price inflation reached 8.8% in 2015, principally due to the volatility in exchange rates (which has a delayed impact) and increased food prices, which more than offset declining oil prices. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

Turkey is located in a region that has been subject to ongoing political and security concerns. Political uncertainty within Turkey and in certain neighbouring countries, such as Armenia, Georgia, Iran, Iraq and Syria, has historically been one of the risks associated with an investment in Turkish securities. Regional instability has also resulted in an influx of displaced persons in Turkey, which might increase. In recent years, political instability has at times increased markedly in a number of countries in the Middle East, North Africa and Eastern Europe, such as Ukraine, Libya, Tunisia, Egypt, Syria, Iraq, Jordan, Bahrain and Yemen. Unrest in those countries might have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy.

The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution are difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, which authorisation has been periodically extended.

Elevated levels of conflict have arisen in Iraq and Syria as militants of the Islamic State of Iraq and Syria ("**ISIS**") seized control of key Iraqi cities, which has caused a significant displacement of people. In August and September 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria. Recent developments in Iraq also raise concerns as Iraq is one of Turkey's largest export markets, ranking third in 2015 according to TurkStat. On 20 July 2015, a suicide bomber in Suruç, a Turkish town bordering Syria, killed at least 32 Turkish civilians and wounded nearly 100 civilians, which attack is suspected to have been carried out by ISIS. Following such incident, Turkey initiated air strikes against ISIS in Syria and against the People's Congress of Kurdistan (also known as PKK) (an organisation that is listed as a terrorist organisation by various states and organisations, including Turkey, the EU and the United States) in northern Iraq. Since July 2015, Turkey has been subject to a number of bombings, including in tourist-focused centres in İstanbul and in the city centre in Ankara, which have resulted in a number of fatalities and casualties. Such incidents have increased in frequency and are likely to continue to occur periodically.

In late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey's airspace, which has resulted in a deterioration in the relationship between Turkey and Russia. As of January 2016, Russia implemented economic sanctions against Turkey primarily aiming at Turkey's agriculture, tourism and construction sectors. While the long-term impact of these events on Turkey's economic and geopolitical circumstances is unpredictable, heightened tensions between Turkey and Russia over Syria could materially negatively affect the Turkish economy, including through any negative impact on Turkey's access to Russian energy supplies (Russia was one of the largest trading partners of Turkey according to Turkstat and a large supplier of natural gas in 2015). Any such negative impacts could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the price of the Notes.

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

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups as well as other political unrest within its territory. In particular, Turkey has been in conflict for many years with the PKK. Turkey has from time to time been the subject of terrorist bomb attacks, including bombings in its tourist and commercial centres in İstanbul, Ankara and various coastal towns and (especially in the southeast of Turkey) attacks against its armed forces. As described above, following the suicide bomb attack at the Syria border, Turkey started air strikes against the PKK in northern Iraq on 24 July 2015. The PKK has since been suspected of further bombings in Turkey, and the clashes between Turkish security forces and the PKK have intensified in the southeastern part of Turkey. The intensifying conflict with the PKK might negatively impact political and social stability in Turkey.

The above circumstances have had and could continue to have a material adverse effect on the Turkish economy and/or the Group's business, financial condition and/or results of operations, including as a result of the reduced revenues from tourism following heightened terrorist activity and its coverage in the international media.

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

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks 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 2015 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 might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group has a significant exposure to Turkish governmental and state-controlled entities. As of 31 December 2015, 86% of the Group's total securities portfolio (13% of its total assets and equal to 110% of its shareholders' equity) was invested in securities issued by the Turkish government. Also, the Group has exposure to the Turkish government through the Group's participation in financing state- sponsored infrastructure projects, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or deterioration of the Turkish government's creditworthiness. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or a downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and might have a material adverse effect on the Group's business, financial condition and/or results of operations. Similarly, enforcing rights against governmental entities might be subject to structural, political or practical limitations.

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

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels is projected to occur over the coming years in anticipation of a continuing growth in international tourism, which might or might not in fact occur. Any such overdevelopment might lead to a rapid decline in prices of these properties or the failure of some of these projects. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this could have a material adverse effect 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. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

The 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 might have an adverse impact on the Group's customers' ability to honour their obligations to the Group.

Risks Relating to the Group's Business

Counterparty Credit Risk – The Group is exposed to its counterparties' credit risk

As a large and diverse financial organisation, 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, as a result of which the Group could suffer material credit losses. See "*Risk Management*".

As of 31 December 2015, 9.0% and 10.4% of the Group's performing cash loans excluding financial leases and factoring receivables were credit card and general purpose consumer loans, respectively, which historically have had among the highest rate of payment default and are uncollateralised. The percentage of non-performing loans ("**NPLs**") increased from 2.9% as of 31 December 2013 to 3.1% as of 31 December 2014 and then to 3.3% as of 31 December 2015. Changes in NPL ratios can occur for various reasons, including changes in the levels of new NPLs, collection performance and the amount and nature of the Group's cash loans. For example, the level of NPLs might rise as the Group focuses its lending growth toward higher-yielding consumer and SME loans. In 2015, the increase in NPLs (particularly the NPLs in retail banking, which increased from 2.5% as of 31 December 2014 to 3.6% as of 31 December 2015) resulted from the political uncertainty and macro volatility in Turkey. The Bank's management expects political and economic developments to have a continuing negative impact on SMEs, which might result in an increase in the ratio of NPLs. Additionally, the Group might classify certain of its loans that are at high risk of default as NPLs, which might result in higher levels of NPLs and, as a result, higher levels of provisioning. Furthermore, the Group's exposures to certain borrowers (particularly for loans for infrastructure and energy projects) are large and the Group is likely to continue making such large loans where such an investment is determined by the Group to be a credit-worthy transaction. The Group's exposure to credit risk could lead to a material adverse effect on the Group's business, financial condition and/or results of operations.

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 might 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 might 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 might 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) might

not be sufficient and the Group might 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 increase 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.

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 sector data, as of 31 December 2015, there was a total of 52 banks (including domestic and foreign banks, including participation banks, but excluding the Central Bank) licensed to operate in Turkey, with the top seven banking groups (including the Group), three of which were state-controlled, holding approximately 79.1% of the banking sector's total loan portfolio in Turkey (excluding participation banks and development and investment banks), 77.9% of the total bank assets (excluding participation banks and development and investment banks) in Turkey and approximately 78.5% of the total customer 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.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BNP Paribas, Sberbank, Citigroup, ING, Bank Hapoalim, Bank Audi sal, Burgan Bank, Rabobank, Intesa Sanpaolo, Bank of Tokyo-Mitsubishi UFJ, Commercial Bank of China and Qatar National Bank are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices; *however*, some of such institutions have (or might) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, could increase competition in the market. Similarly, the expansion of foreign banks' presence in Turkey, in addition to direct investment, might lead to further competitive pressures.

Competition has been particularly strong in certain sectors where state-controlled banks and foreign-owned banks have been active, such as SME lending and general purpose loans, for which state-controlled banks have been aggressive in terms of pricing. To date, the Bank has been successful in competing with other banks, extending loans at relatively low costs and using advanced technology to launch new products and services; *however*, this might not continue in the future. Competitors might direct greater resources and be more effective in the development and/or marketing of technologically-advanced products and services that might compete directly with the Group's products and services, which might adversely affect the acceptance of the Group's products and/or lead to adverse changes in the spending and saving habits of the Group's customer base. Similarly, the Group might not be able to maintain its market share if it is not able to match its competitors' pricing and/or keep pace with the competitors' development of new products and services. Increased competition might affect the Group's 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.

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

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

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

The Group is subject to a number of banking, consumer protection, competition, antitrust and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries in which the Group operates. 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.

Turkish banks' capital adequacy requirements will be further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are being phased in through 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the Regulation on the Equities of Banks (the "**2013 Equity Regulation**") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "**2012 Capital Adequacy Regulation**"), both of which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (a) introduced 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 (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "other assets". The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in a bank's Tier II capital. See "*Capital Adequacy*".

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into effect on 1 January 2014 and regulates the procedures and principles regarding the calculation of additional core capital amount. In this context, the BRSA further published: (a) its decision dated 18 December 2015 No. 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 No. 6619 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

The Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015).

Furthermore, in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the Regulation on Measurement of Liquidity Coverage Ratios of Banks was published in the Official Gazette dated 21 March 2014 and numbered 28948 (the "**Regulation on Liquidity Coverage Ratios**"). According to this regulation, the liquidity coverage ratios of banks cannot fall below 100% on an aggregate basis and 80% on a foreign currency-only basis; *however*, pursuant to the BRSA decision dated 26 December 2014 No. 6143 (the "**BRSA Decision on Liquidity Ratios**"), for the period from 5 January 2015 to 31 December 2015, such ratios were applied as 60% and 40%, respectively, and, pursuant to the BRSA Decision on Liquidity Ratios, such ratios have (and shall be) applied as increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. If the Bank and/or the Group is unable to maintain its capital adequacy, leverage or liquidity ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations. See "*Turkish Regulatory Environment*" below for a further discussion on Basel III.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "**2015 Capital Adequacy Regulation**"), entering into force on 31 March 2016 and at such time replacing the 2012 Capital Adequacy Regulation. The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. See "*Turkish Regulatory Environment – Capital Adequacy*." The BRSA also amended certain regulations and communiqués as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599 (also entering into force on 31 March 2016) in accordance with the Basel Committee's Regulatory Consistency Assessment Programme ("**RCAP**"), which is conducted by the Bank for International Settlements ("**BIS**") and reviews Turkey's compliance level with Basel regulations. These new amendments include revisions to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("**D-SIBs**") regulation (the "**D-SIBs Regulation**"), which sets forth additional capital requirements for those banks classified as D-SIBs. See "*Turkish Regulatory Environment – Capital Adequacy.*"

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, and there is still uncertainty as to what impact these changes might have. In addition, the Turkish government (including the BRSA or the Central Bank) has introduced (and might introduce in the future) new laws and regulations that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards, increase reserves, increase provision requirements for loans, limit mortgage loan-to-value ratios or otherwise introduce rules that will negatively affect the Group's business and/or profitability (*e.g.*, see "*Turkish Regulatory Environment –Consumer Loan, Provisioning and Credit Card Regulations*"). The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector (see "*Turkish Banking Sector — Competition*"). Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability might be materially adversely impacted until (if ever) such changes could be incorporated into the Group's pricing.

Such measures could also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and might need to access more expensive sources of financing to meet its funding requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with regulatory requirements or laws could expose the Group to potential liabilities and fines and/or damage its reputation.

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 credit cards, deposits and loans (including mortgage 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 ("**GPS**") and Garanti Mortgage) was to be fined TL 213 million in connection with this investigation, and on 16 August 2013 the Bank paid three quarters of this administrative penalty (*i.e.*, TL 160.04 million), in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision (which was received on 17 July 2013). Notwithstanding this payment, the Bank has objected to this decision through proceedings in the administrative courts, which proceedings are still pending as of the date of this Base Prospectus. See "*The Group and its Business – Litigation and Administrative Proceedings*".

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

The significant and rapid increase in the Group's loan portfolio (including a significant portion of unseasoned loans) over recent years has increased the Group's credit exposure and requires continued monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management structure. The Group intends to increase its loan portfolio further, 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 or in Turkey's principal export markets 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 of its loan portfolio or the credit quality of its creditors within prudent risk parameters 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 – The Group might be negatively affected by volatility in interest rates

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 interest-earning 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 globalisation of markets and increased competition, the Group's net interest margin has declined in recent years and might be volatile in future periods. This volatility 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. For example, an increase in interest rates could cause interest expense on deposits (which are typically short-term and reset interest rates frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential reduction in net interest income. See "*Risk Management*".

An increase in interest rates (such as the large increases that the Central Bank implemented in its January 2014 meeting to combat the increase in Turkey's current account deficit) might reduce the demand for loans from the Group and might result in mark-to-market losses on certain of its securities holdings, reducing net income or shareholders' equity. On the other hand, a decrease in the general level of interest rates might 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 might 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 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. As long as the Turkish financial markets remain volatile and subject to uncertainty, mismatch between the Group's short-term liabilities (*e.g.*, deposits) and long-term assets 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 U.S. 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 U.S. dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt. As of 31 December 2015, 48.9% of the Group's total loans and advances to customers and banks, of which 61.5% was in U.S. dollars and 35.6% was in euro, as well as a significant portion of its off-balance sheet commitments such as letters of credit, were foreign currency-risk-bearing. Similarly, any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. dollar by 25.4% compared to year-end 2014; *however*, on a real basis, based upon the CPI-based real effective exchange rate, there was only a 6.9% real depreciation compared to year-end 2014. In particular, the value of the Turkish Lira depreciated against major currencies in 2015 largely due to the increased risk perception in global markets regarding the market's expectation of U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey held on 7 June 2015 and 1 November 2015 and other political events described above. Against these developments, the Central Bank prepared a roadmap to react to a possible rate hike by the U.S. Federal Reserve. The roadmap, which has as its base case a normalisation process by the U.S. Federal Reserve, proposes the implementation of tight liquidity for the Turkish Lira, a balanced foreign exchange liquidity and financial sector policies that are supportive of a tighter monetary policy. In December 2015, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25%. While the impact of such increase (and any future rate increases) is uncertain, this initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In the first two months of 2016, the Turkish Lira appreciated against the U.S. dollar by 1.50%. In this context, instead of responding to the U.S. Federal Reserve's actions by changing the interest rates and implementing the roadmap, the Central Bank tightened further the liquidity of the Turkish Lira. Having declined to 7.62% in March 2015, the Central Bank's average funding rate increased initially to 8.34% in April 2015 and then climbed to 8.81% as of the end of 2015. The Central Bank's average funding rate

further increased to 9.14% in February 2016, but then subsequently decreased to below 9% in March due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting.

A significant portion of the Group's assets and liabilities (including off-balance sheet commitments such as letters of credit) are denominated in, or indexed to, foreign currencies, primarily U.S. dollars and euro. If the Turkish Lira is devalued or depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's U.S. dollar-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Therefore, if the Group's liabilities denominated in (or indexed to) foreign currencies exceed its assets denominated in (or indexed to) foreign currencies, including any financial instruments entered into for hedging purposes, then a devaluation or depreciation of the Turkish Lira could adversely affect the Group's financial condition even if the value of these assets and liabilities has not changed in their original currency. In addition, the Group's lending operations depend significantly upon the Group's capacity to match the cost of its foreign currency-denominated (or indexed) liabilities with the rates charged by the Group on its foreign currency-denominated (or indexed) assets. A significant devaluation or depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies and could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange rates 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 might 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. 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 might be restricted or available only at a high cost and the Group might have difficulty extending and/or refinancing its existing wholesale financing such as syndicated loans and eurobonds. 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 might result in asset versus liability maturity gaps and ultimately liquidity concerns in the event of a banking crisis or similar event. 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 a trend of increases in the Group's loan-to-deposit ratio, which was 107%, 107% and 109% as of 31 December 2013, 2014 and 2015, respectively. Accordingly, the Group has funded this growth in loans through the sale of securities and the use of borrowing facilities in addition to deposits and it might do so in the future.

If deposit growth does not fully fund loan and asset growth, then the Group would be increasingly dependent upon other sources of financing, including long-term funding via syndicated loans, "future flow" transactions and eurobonds. If any member of the Group were to seek to raise long-term financing but is unable to at an acceptable price, or at all, then such funds 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 might expand its activities in commercial banking, which is constituted in considerable part by project financing and granting commercial loans. Project financing loans are often denominated in foreign currency and generally have longer maturities than traditional funding provided to corporations. Such longer maturities might 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 long-term loan markets, might 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) might require the Group to liquidate some of its assets. Any liquidation of the Group's assets in such circumstances might be executed at prices below what the Group believes to be their intrinsic values.

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 lead creditors to form a negative view of the Group's liquidity, which 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 might be impaired by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or negative views about the prospects of the sectors to which the Group lends. While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) could adversely affect the Group's business, financial condition and/or results of operations. For example, in case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which might adversely affect borrowing using certain capital market instruments (such as "future flow" transactions and eurobonds). See also "*Foreign Currency Borrowing and Refinancing Risk*" below.

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

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- and medium-term periods for their own account, including investments in Turkish government securities and securities issued by Turkish and foreign corporations. The Group has historically made significant investments in high-yielding Turkish government securities, resulting in a material percentage of the Group's net income being derived from these investments. 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 might reduce interest income on any new investments whereas possible increases in interest rates might 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 represent a large majority of the Group's securities portfolio, 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 might 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 debt, which might result in difficulty in refinancing or might increase its cost of funding, particularly if the Group and/or Turkey suffer(s) a 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 medium- and 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 continue to raise) longer term funds from syndicated loans, "future flow" transactions, bond issuances, bilateral loans and other transactions, many of which are denominated in foreign currencies. As of 31 December 2015, the Group's total foreign currency-denominated loans and advances from banks and subordinated liabilities constituted 15.0% of its consolidated liabilities and equalled 54.9% of its foreign currency-denominated assets with maturities of one year or more (15.0% and 59.0%, respectively, as of 31 December 2014), and approximately 90.9% 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 materialise, 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 might increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt.

These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency. 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 might be unable to sustain the level of earnings on its securities portfolio obtained during recent years

The Group has historically generated a significant portion of interest and similar income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2013, 2014 and 2015 accounting for 25.4%, 23.1% and 19.1%, respectively, of its total interest income (and 20.5%, 17.4% and 16.8%, respectively, of its gross operating income, including trading gains on securities, before deducting interest expense and fee and commission expense). The Group also has obtained large realised gains from the sale of securities in the available-for-sale portfolio. The CPI-linked securities in the Bank's investment portfolio have been providing high real yields compared to other government securities, which also have been generating high nominal yields in a high inflation environment, but their impact on the Bank's earnings will vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income might not be as large in coming years. As securities in its portfolio are repaid, the Group might not be able to re-invest in assets with a comparable return. In addition, 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. As such, the Group might experience declining levels of earnings from its securities portfolio. If the Group is unable to sustain its level of earnings from its securities portfolio, then this could have a material adverse effect on its business, financial condition and/or results of operations. In addition, as the Group's investment portfolio is heavily concentrated in Turkish government securities, see also "*Risks Relating to Turkey – Government Default*" above.

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, and the Group derives a proportion of its income from trading profits. 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.

Risk Management Strategies – The Group's efforts to control and manage risk might 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 might 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 the use of historical market data, which might not always accurately 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 might 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 held by the Group that are not traded on public markets might be assigned values that the Group calculates using mathematical risk-based models, which models might not accurately measure the actual risks of such assets, resulting in potential 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 might 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 might have a material adverse impact on the Group's reputation, together with its business, financial condition and/or results of operations.

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

Dependence upon Banking and Other Licenses – Group members might 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 have a current Turkish and/or other applicable license for all of its banking and other operations. The Bank's management believes that the Bank 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.

Access to Capital – The Group might 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 business. Such capital ratios depend in part upon the level of risk-weighted assets. The Bank's management expects that continued growth in Turkey and further penetration of banking services 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) and, as a result, that there will be a continuing increase in the Group's risk-weighted assets.

The increase in lending might adversely affect the Group's capital adequacy ratios, which also might be affected by potential changes in law as to the manner in which capital ratios are calculated (see "*Banking Regulatory Matters*" below and "*Pressure of Profitability*" above). Additionally, it is possible that the Bank's and/or 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 might need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets in order to remain competitive in the Turkish banking environment, particularly in line with the Group's growth strategy. Should the Group desire or be required to raise additional capital, that capital might not be available at all or at a price that the Group considers to be reasonable. If any or all of these risks materialise, 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 or trigger other risks that the Group faces

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, 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 the availability of such liquidity in the market 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 or any other combination of risks occurs, then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorised transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruption

to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, fraud or errors might be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which might further increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and control operational risk, then the Group might suffer losses that could have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

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

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

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 or 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 might 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 might not be any governmental or other support in the event of illiquidity or insolvency

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

Leverage Risk – The Group might become over-leveraged

One of the principal causes of the recent global financial crisis was the excessive level of debt prevalent in various sectors of the global economy, including the financial sectors of many countries. While there were many reasons for this over-leverage, important factors included the low cost of funding, the over-reliance by creditors (particularly investors in structured transactions) on the analysis provided by rating agencies (which reliance was often encouraged by regulatory and other requirements that permitted capital to be applied based upon the 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 might 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 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 İstanbul 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 might not continue with the Group. In addition, the Group's success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully 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 could be adversely affected by interruptions to or the improper functioning of its information technology systems

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

Any failure, interruption or breach in security of the Group's IT systems could result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period of time, then it 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 IT 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 IT systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its IT systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the Group's IT systems or increased costs associated with such systems could have a material adverse effect on the Group's business, financial condition and/or results of operations.

International Operations – Adverse changes in the regulatory and economic environment in Turkey or other 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 ("**RUB**"). Adverse changes in the regulatory environments, tax and or other laws, economic and political conditions, relevant exchange rates and/or other circumstances in Turkey or the other 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 Shareholders – The Group intends to continue its dealings with the BBVA Group, the Doğuş Group and other shareholders although these might give rise to apparent or actual conflicts of interest

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 Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**") and its affiliates (collectively the "**BBVA Group**") and the Doğuş Group). With respect to the Bank, all credits with respect to, and services provided to, its related parties (including members of the BBVA Group and the Doğuş Group (such as Garanti Technology's provision of IT services to the Doğuş Group) are made on an arm's-length basis and all credit decisions with respect to its related parties are required to be approved by the affirmative vote of two-thirds of the Board (other members of the Group have similar requirements). From time to time the Group has purchased and sold assets (including equity participations and real estate) and services to/from BBVA Group companies and 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. Where applicable, 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*".

Furthermore, the Bank's shareholders might disagree on material matters of policy relating to the Group, which disagreements might result in disputes between the shareholders, negatively impact the ability of the Group to take actions and/or result in negative publicity regarding the Group. The occurrence of these or similar circumstances could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Independent Directors – Independent directors constitute a minority of the Bank's directors

As a majority of the members of the Board are associated with BBVA or the Doğuş Group, the opinions held by the Bank's directors might 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. See "*Management*".

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

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

The BRSA's rules require Turkish banks to publish their annual financial reports on their websites. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements, interim management reports and corporate governance compliance reports. In recent years, many Turkish banks (including the Bank) have also prepared financial statements using IFRS for certain reporting periods, with their financial statements being available first under BRSA principles and only subsequently made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. In addition, banks that are listed on the Borsa İstanbul, such as the Bank, are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the price of the issuer's securities (both through the Turkish government's Public Disclosure Platform's website and the bank's own website). Nonetheless, investors might not have access to the same depth of disclosure relating to the Bank as they would for investments in banks in the EU, the United States and certain other markets.

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

The Group's audit reports for the years ended 31 December 2013, 2014 and 2015 were qualified with respect to general provisions that were allocated by the Group. In 2009, the Group's management elected to take an additional 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; *however*, in 2013 the Bank's management reversed TL 115,000 thousand of these provisions. In 2014, the Bank's management decided to increase the level of general provisions by TL 80,000 thousand to TL 415,000 thousand in total, and, in 2015, the Bank's management decided that certain related risks had diminished and reversed TL 73,000 thousand of these provisions. As a result, as of 31 December 2015, the Group's general reserves amounted to TL 342,000 thousand.

The Bank's auditor has qualified its audit and review reports for such periods as general provisions are not permitted under IFRS. Although these provisions do not impact the Group's level of tax or capitalisation ratios, the Group's net income might otherwise be higher in the periods in which such provisions are established and lower in the periods in which such provisions are reversed. The Bank has moved (and expects to move) certain of its general provisions to specific provisions due to re-classifying certain of its loans that are at a high risk of default as NPLs. Such provisions might be increased or reversed by the Group in future periods, which might cause the Group's net income to be higher or lower in future periods than it otherwise would be. The auditor's statements on such qualification can be found in its opinion attached to each of the applicable financial statements incorporated by reference herein.

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

Risks Relating to the Structure of a Particular Issue of Notes

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

Optional Redemption – If the Issuer has the right to redeem any Notes at its option, this might limit the market value of the Notes concerned and an investor might 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 might similarly be true prior to any redemption period.

To the extent Notes have an optional redemption feature, the Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on such Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and might only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Reinvestment risk should be an important element of an investor's consideration in investing in Notes with a redemption feature.

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 might 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 with respect to a Series of Notes, this might affect the secondary market and the market value of such Notes

since the Issuer might 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, then the spread on the applicable Notes might be less favourable than then-prevailing spreads on comparable securities tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer so converts from a floating rate to a fixed rate in such circumstances, then the fixed rate might be lower than then-prevailing market rates.

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

For Notes denominated in a Specified Currency other than U.S. dollars that are held through DTC, if a Noteholder wishes to receive payment in that Specified Currency, then it would need to open and maintain a bank account in the Specified Currency. Any Noteholder who does not maintain such a bank account will be unable to receive payments on such Notes in the Specified Currency. Absent an affirmative election to receive such payments in the Specified Currency, the Exchange Agent will convert any such payment made by the Issuer in the Specified Currency into U.S. dollars and the holders of such Notes will receive payment in U.S. dollars through DTC's normal procedures. See Condition 7.9.

Under Condition 7.8, if the Fiscal Agent receives cleared funds from the Bank in respect of Turkish Lira-denominated Notes held other than through DTC after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. dollar amounts Noteholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If it is not possible for the Fiscal Agent to purchase U.S. dollars with any Turkish Lira funds received, then the relevant payments in respect of the Notes will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira-denominated Notes for the purposes of Condition 7.8 is irrevocable: (a) its exercise might (at least temporarily) affect the liquidity of the applicable Notes, (b) a Noteholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, then Noteholders will receive the relevant amount in Turkish Lira.

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

Potential Price Volatility – Notes which are issued at a substantial discount or premium might 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 Relating to Notes Denominated in Renminbi

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

Renminbi Convertibility – Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside the PRC, which may adversely affect the liquidity of investments in Renminbi Notes

Renminbi is not freely convertible as of the date of this Base Prospectus. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies despite significant reduction in the control by the PRC Government in recent years over trade transactions involving the import and export of goods and services and other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong and a number of other jurisdictions (the "**Applicable Jurisdictions**") have been permitted to engage in the settlement of current account trade transactions in Renminbi.

On 13 October 2011, the People's Bank of China (the "**PBoC**") promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (the "**PBoC FDI Measures**") as part of the implementation of the PBoC's detailed foreign direct investment ("**FDI**") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi-denominated cross-border loans. On 14 June 2012, the PBoC further issued the implementing rules for the PBoC FDI Measures, which provide more detailed rules relating to cross-border Renminbi direct investments and settlement. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBoC is still necessary.

On 5 July 2013, the PBoC promulgated the "Circular on Policies related to Simplifying and Improving Cross-Border Renminbi Business Procedures," which sought to improve the efficiency of the cross-border Renminbi settlement process and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the permitted capital contribution amount is required for each FDI transaction.

Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

As the MOFCOM Circular and the PBoC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that: (a) the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, (b) any pilot schemes for Renminbi cross-border utilisation will not be discontinued or (c) new regulations in the PRC will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

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

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. The PBoC has established a Renminbi clearing and settlement mechanism for participating banks in the Applicable Jurisdictions through settlement agreements with certain banks (each an "**RMB Clearing Bank**") to act as the RMB clearing bank in the Applicable Jurisdictions. Notwithstanding these arrangements, the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in relation to cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. These banks are only allowed to square their open positions with the relevant RMB Clearing Bank after consolidating the Renminbi trade position of banks outside the Applicable Jurisdictions that are in the same bank group of the participating banks concerned with their own trade position, and the relevant RMB Clearing Bank only has access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations in relation to cross-border trade settlements. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from foreign exchange transactions or conversion services. Where onshore liquidity support from the PBoC is not available, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

Although the Issuer's primary obligation is to make all payments with respect to Renminbi Notes in Renminbi, where a Renminbi Currency Event is specified in the applicable Final Terms or Pricing Supplement, in the event access to Renminbi becomes restricted to the extent that, by reason of RMB Inconvertibility, RMB Non-Transferability or RMB Illiquidity (each as defined in Condition 7.11), the Issuer is unable to make any payment in respect of the Renminbi Note in Renminbi, the terms of such Renminbi Notes will permit the Issuer to make payment in U.S. dollars converted at the Spot Rate, all as provided in Condition 7.11. The value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the market place.

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

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to Renminbi Notes will be made in Renminbi unless a RMB Currency Event is specified in the applicable Final Terms or Pricing Supplement, and a RMB Currency Event occurs, in which case payment will be made in U.S. dollars. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, then the value of any investment in Renminbi Notes in terms of the U.S. dollar or other applicable foreign currency will decline.

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

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

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

Investors might be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong or such other RMB Settlement Centre(s) as may be specified in the applicable Final Terms or Pricing Supplement. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (a) for so long as the Renminbi Notes are represented by Global Notes held with the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or any such other RMB Settlement Centre(s) in accordance with prevailing Euroclear and/or Clearstream, Luxembourg rules and procedures or the rules and procedures of such alternative clearing system, or (b) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or such other RMB Settlement Centre(s) in accordance with prevailing rules and regulations. Other than as described in Condition 7.11, the Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Risks Relating to the 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 effectively subordinated to those of certain other creditors

While Notes issued with the terms and conditions set out in this Base Prospectus (the "**Conditions**") will rank equally with all of the Bank's other unsecured and unsubordinated indebtedness, they will be effectively subordinated to the Bank's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Turkish law (including, without limitation, liabilities that are preferred by reason of reserve and/or liquidity requirements required by law to be maintained by the Bank with the Central Bank, claims of individual depositors with the Bank to the extent of any amount that such depositors are not fully able to recover from the SDIF, claims that the SDIF might have against the Bank and claims that the Central Bank might have against the Bank with respect to certain loans made by it to the Bank). In addition: (a) creditors of the Bank benefiting from collateral provided by the Bank will have preferential rights with respect to such collateral (*e.g.*, creditors in

a covered bond programme) and (b) creditors of a foreign branch of the Bank might have preferential rights with respect to the assets of such branch. Any such preferential claims might reduce the amount recoverable by the Noteholders on any dissolution, winding up or liquidation of the Bank and might result in an investor in the Notes losing all or some of its investment.

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

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14592 dated 12 January 2009, which was 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%, (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%, (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%, and (d) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Also, in the case of early redemption, the redemption date could be considered to be the maturity date and withholding tax rates could apply accordingly. Unless provided otherwise in the applicable Final Terms or Pricing Supplement, the Bank will have the right to redeem a Series of Notes at any time (including in the case of Floating Rate Notes) prior to their maturity date if, 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 (which shall, for the avoidance of doubt, be the date on which the applicable Final Terms or Pricing Supplement is signed by the Bank), 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 an equivalent rate of return as their investment in the redeemed Notes and, in the case of any Floating Rate Notes, the redemption could take place on any day 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 might similarly be true in the period before such time when any relevant change in law or regulation is yet to become effective.

Interest Rate Risk – The value of Notes might be adversely affected by movements in market interest rates

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

Majority Decisions - The Conditions of the Notes contain provisions which permit their modification without the consent of all investors in the applicable Series

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 holders of the Notes of a Series, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who

voted in a manner contrary to the majority. As a result, decisions might be taken by the Noteholders of a Series that are contrary to the preferences of any particular Noteholder.

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

Although the Notes have been authorised by the CMB pursuant to Decree 32, the Capital Markets Law, the Communiqué on Debt Instruments and other related legislation as debt securities to be offered outside of Turkey and this Base Prospectus has been approved by the Central Bank of Ireland as described herein, 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 interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*".

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

Further Issues – The Bank may issue further Notes of any Series, which would dilute the interests of an existing holder of the Notes of such Series

As permitted by Condition 17, the Bank may from time to time without the consent of the Noteholders of a Series create and issue further Notes of that Series; *provided* that such further Notes will be required to be fungible with the existing Notes of such Series for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k). To the extent that the Bank issues further Notes of a Series, the interests of an existing holder of the Notes of such Series (*e.g.*, in respect of any meeting of holders of the Notes of that Series (see "*Majority Decisions*" above)) will be diluted.

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

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

In addition, under Turkey's International Private and Procedure Law (Law No. 5718), a judgment of a court established in a country other than Turkey may not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments; *however*, Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts. Nevertheless, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there

is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. The same might apply for judgments obtained in other jurisdictions. For further information, see "*Enforcement of Judgments and Service of Process*".

U.S. Foreign Account Tax Compliance Act Withholding – FATCA withholding might affect payments on the Notes

The U.S. Foreign Account Tax Compliance Act (sections 1471 through 1474 of the Code; with any regulations thereunder or official interpretations thereof, intergovernmental agreements between the United States and other jurisdictions facilitating the implementation thereof (each such agreement, an "**IGA**") and any law implementing any such IGA, together "**FATCA**") imposes a reporting regime and, potentially, a 30% withholding tax with respect to: (a) certain payments from sources within the United States and (b) "foreign passthru payments" ("**Foreign Passthru Payments**") (a term not yet defined as of the date of this Base Prospectus) made to certain non-U.S. financial institutions that do not comply with the FATCA reporting regime or investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The Bank would likely 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 might receive less interest or principal than expected.

If the Notes are in global form and held within a Clearing System, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems (see "*Taxation – FATCA*"); *however*, FATCA might affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also might affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA might affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the Common Depositary, Common Safekeeper or other nominee for a Clearing System (as bearer or registered holder of Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems, their nominees, custodians or other intermediaries.

Prospective investors should refer to the section "*Taxation – FATCA.*"

Change in Law – 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 upon English law in effect as of 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.

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

In relation to any issue of Notes represented by a Bearer Global Note and having denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount ("**Specified Denomination**"), it is possible that interests in such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount that is less than the minimum Specified Denomination in his account with the relevant clearing system: (a) would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination and (b) may not receive a definitive Note in bearer form in respect of such holding (should definitive Notes replace the applicable Bearer Global Notes) and would need to purchase or sell a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes 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 might be illiquid and difficult to trade.

Clearing Systems - Reliance upon 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/or Clearstream, Luxembourg or may be deposited with or registered in the name of a nominee for DTC. Except in the circumstances described in the applicable Global Note, investors in a Global Note 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 therein 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 thereunder by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely upon the procedures of the relevant clearing system and its participants to receive payments in respect of their interests in the related 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, EU and United Nations rules impose similar restrictions (the SDNs and other targets of these restrictions being together the "**Sanction Targets**"). As the Bank is not a Sanction Target, these rules do not prohibit United States or European investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group's current policy is not to engage in any business with Sanction Targets, to

the extent that the Group invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Group might incur the risk of indirect contact with Sanction Targets. In addition, there can be no assurance that current counterparties will not become Sanction Targets in the future. See "*The Group and its Business – Compliance with Sanctions Laws*".

Risks Relating to the Market generally

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

Financial Transaction Tax

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

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

No Secondary Market – An active secondary market in respect of the Notes might never be established or might be illiquid and this would adversely affect the value at which an investor could sell the Notes

Notes will have no established trading market when issued, and one might never develop. If a market does develop, it might not be very liquid. Therefore, investors might 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. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes might be adversely affected.

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

The market price of an investment in the 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 price of an investment in the Notes without regard to the Bank's financial condition or results of operations.

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

Exchange Rate Risks and Exchange Controls – If an investor holds Notes which are not denominated in the investor's home currency, then such investor will be exposed to movements in exchange rates adversely affecting the value of 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

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

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

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

The expected initial credit rating(s) of a Tranche of Notes (if any) will be set out in the relevant Final Terms or Pricing Supplement for such Tranche. Any relevant rating agency may lower, suspend or withdraw its rating if, in the sole judgment of the relevant rating agency, the credit quality of the applicable Notes has declined or is in question. If any credit rating assigned to any Series is lowered, suspended or withdrawn, then the market price of the applicable Notes might decline. In addition to the ratings of the Programme and/or the Notes provided by Moody's and Fitch, and the ratings of the Bank by Moody's, Fitch, Standard & Poor's and JCR Eurasia, one or more other independent credit rating agency(ies) might assign credit ratings to the Issuer or the Notes. Also, if any credit rating assigned to BBVA is lowered or put on negative watch, then such change might have a negative impact on the Issuer's credit rating. The ratings might not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that might affect the value or market price of 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. Similar ratings on different types of securities do not necessarily mean the same thing. Ratings on any Notes also do not address the marketability of investments in such Notes or any market price. Any change in the credit ratings of any Notes or the Bank could adversely affect the price that a subsequent purchaser will be willing to pay for investments in such Notes. The significance of each rating should be analysed independently from any other rating.

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

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

The Bank is a public joint stock company organised under the laws of Turkey (specifically, under the Banking Law). Certain of the directors and officers of the Bank named herein reside inside Turkey and all or a significant portion of the assets of such persons might be, and substantially all of the assets of the Bank are, located in Turkey. As a result, it might not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement proceedings before the competent Turkish courts. In accordance with Articles 50 to 59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States. 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 U.S. federal or any other non-Turkish securities laws.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

(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 and the Irish Stock Exchange, shall be incorporated into, 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 2013, 2014 and 2015;

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

(c) the Terms and Conditions of the Notes contained in the previous base prospectus dated 19 April 2013 (on pages 68 to 98 (inclusive)) prepared by the Issuer in connection with the Programme;

(d) the Terms and Conditions of the Notes contained in the previous base prospectus dated 27 March 2014 (on pages 80 to 113 (inclusive)) prepared by the Issuer in connection with the Programme; and

(e) the Terms and Conditions of the Notes contained in the previous base prospectus dated 27 March 2015 (on pages 76 to 109 (inclusive)) prepared by the Issuer in connection with the Programme.

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 and by the Irish Stock Exchange. 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 into this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The BRSA Financial Statements incorporated by reference into this Base Prospectus, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate).

Copies of documents incorporated by reference into this Base Prospectus are available on the Bank's website at: https://www.garantiinvestorrelations.com/en/financial-information/IFRS-Financial-Statements-full-report/IFRS-Financial-Reports/68/0/0 (with respect to the Group's IFRS Financial Statements), https://www.garantiinvestorrelations.com/en/financial-information/Bank-Only-Financial-Statements-full-report/BRSA-Unconsolidated-Financials/67/0/0 (with respect to the Bank's BRSA Financial Statements), https://www.garantiinvestorrelations.com/en/financial-information/Consolidated-Financial-Statements-full-report/BRSA-Consolidated-Financials/66/0/0 (with respect to the Group's BRSA Financial Statements) https://www.garantiinvestorrelations.com/en/images/pdf/BaseProspectusDatedApril2013_2.pdf (with respect to the Terms and Conditions of the Notes contained in the previous base prospectus dated 19 April 2013), https://www.garantiinvestorrelations.com/en/images/pdf/BaseProspectusdated-March2014.pdf (with respect to the Terms and Conditions of the Notes contained in the previous base prospectus dated 27 March 2014) and https://www.garantiinvestorrelations.com/en/images/pdf/BaseProspectusdated-March2015.pdf (with respect to the Terms and Conditions of the Notes contained in the previous base prospectus dated 27 March 2015) (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus).

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

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 Tranche of Notes at the time of its issuance, prepare a supplement to this Base Prospectus or publish a new Base Prospectus or other prospectus for use in connection with any subsequent issue of Notes in accordance with Article 16 of the Prospectus Directive.

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

OVERVIEW OF THE GROUP AND THE PROGRAMME

The Group

The following text should be read in conjunction with, and is qualified in its entirety by, the detailed information and the IFRS Financial Statements (including the notes thereto) incorporated by reference into this Base Prospectus.

The Group is a leading Turkish banking group with a significant market share in Turkey, being (as per published BRSA financial statements as of 31 December 2015) the second largest private banking group in Turkey in terms of 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 14.0 million customers as of 31 December 2015 (approximately 12.5 million retail customers, 1.3 million small and medium enterprise ("**SME**") customers, 51,500 commercial customers and 2,000 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 (*inter alia*) 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 2015, the Bank's services in Turkey were provided through a nationwide network of 971 domestic branches and offices as well as through sophisticated digital channels ("**DCs**"), such as automated teller machines ("**ATMs**"), call centres, internet banking and mobile banking. Internationally, the Bank has nine foreign branches (one in Malta, one in the Grand Duchy of Luxembourg and seven 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 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).

Based upon the 31 December 2015 IFRS Financial Statements, the Group had total assets of TL 274.8 billion, loans 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 175.7 billion and shareholders' equity (including non-controlling interests) of TL 32.0 billion. The Group's return on average equity was 13.1% during 2015. The Bank's shares have been listed on the Borsa İstanbul (or its predecessor the İstanbul 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, which was followed in 2014 by the Bank becoming the only Turkish entity included in the OTCQX ADR 30 Index (which is a market capitalisation-weighted index representing the 30 largest and most liquid companies on the OTCQX marketplace). In 2015, the Bank was named to the OTCQX® Best 50, which is a ranking provided to 50 top performing companies that traded on the OTCQX marketplace in 2014.

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 GPS), 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 GPS. 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) BBVA, which holds a 39.90% interest in the Bank, and (b) Doğuş Holding, the holding company of the Doğuş Group of companies (the "**Doğuş Group**"), with the Doğuş Group holding a 10.00% interest in the Bank. Doğuş Holding, Doğuş Nakliyat ve Ticaret A.Ş. and Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş. (together, the "**Doğuş Shareholders**") and BBVA entered into a shareholders' agreement dated 1 November 2010 (the "**2010 Shareholders' Agreement**") setting out provisions relating to the governance and management of the Bank and further amended and restated such agreement with an agreement dated 19 November 2014 (the 2010 Shareholders' Agreement as so amended and restated, the "**Amended Shareholders' Agreement**"), which amendments became effective as of 27 July 2015. The Bank is not a party to the shareholders' agreement between the Doğuş Shareholders and BBVA. See "*Ownership – Amended Shareholders' Agreement*" and "*Management – Board of Directors*".

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 centralisation ratio of 99%, which references the share of the transactions of the Bank's branches that are processed through the Bank's centralised operations centre (the Bank being the first Turkish bank to establish such centralised operations),
- 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,
- broad geographic coverage through extensive branch network and omni-channel convenience with an integrated experience across the Bank's channels, and
- commitment to corporate governance, ethics and corporate values.

Strategy

The Group's overall strategy is to approach its customers in a transparent, clear and responsible manner, to continuously improve customer experience by offering products and services that are tailored to their needs

and to maintain sustainable growth by creating value for its shareholders. The Group intends to achieve this goal by:

- identifying opportunities for growth in the Group's lending portfolio, while maintaining a strong credit quality,
- using continuing efforts to preserve a strong and diversified funding mixture,
- improving customers' experience,
- effectively expanding its customer base,
- increasing digitalisation of the customer base and digital sales,
- optimising capital allocation to ensure sustainable growth, and
- improving efficiencies.

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 Conditions of any particular Tranche of Notes, the applicable Final Terms or Pricing Supplement, as the case may be. This overview only relates to the Conditions of the Notes as set out in this Base Prospectus. Notes may be issued under the Programme in a form other than that contemplated in such Conditions, and where any such Notes are to be: (a) admitted to trading on the Main Securities Market or another regulated market for the purposes of MiFID or (b) offered to the public in the European Economic Area in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

This Overview constitutes a general description of the Programme for the purposes of 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. BNP Paribas Citigroup Global Markets Limited Commerzbank Aktiengesellschaft Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International Mitsubishi UFJ Securities International plc Morgan Stanley & Co. International plc SMBC Nikko Capital Markets Limited Société Générale Standard Chartered Bank 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 US$6,000,000,000 (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, Renminbi, Sterling, U.S. dollars, Turkish Lira. Czech Koruna, Romanian Leu 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 or Pricing Supplement. 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*". Payment in respect of Notes denominated in Renminbi may be

made in U.S. dollars if RMB Currency Event is specified in the applicable Final Terms or Pricing Supplement and a RMB Currency Event occurs. See "*Terms and Conditions of the Notes – Condition 7.11*".

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 or Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or as a result of an acceleration due to an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
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 as of the applicable Issue Date). Unless otherwise set forth in the applicable Final Terms or Pricing Supplement, 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 US$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" (for long-term) and "F2" (for short-term) by Fitch and Notes issued under the Programme are expected to be rated "Baa3" (for long-term) and "P-3" (for short-term) 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 or Pricing Supplement 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 revision, suspension or withdrawal at any time by the assigning rating agency.
ERISA:	Subject to certain conditions, the Notes may be invested in with the assets of an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), a "plan" as defined in and subject to Section 4975 of the Code or any entity whose underlying assets include "plan assets" of any of the foregoing. See "*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*".
Listing and Admission to Trading:	Application has been made to the Irish Stock Exchange for certain Notes issued within 12 months after the date of this Base Prospectus 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 or Pricing Supplement 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 are or will be (as applicable) 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, Switzerland, the PRC and the Hong Kong Special Administrative Region of the PRC, 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 or Pricing Supplement. 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 to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both in "offshore transactions" to non-U.S. persons in reliance upon the exemption from registration provided by Regulation S, to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") in reliance upon 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 or Pricing Supplement, 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 issued in new global note ("**NGN**") form, as stated in the applicable Final Terms or Pricing Supplement, be delivered on or prior to the original Issue Date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear and Clearstream, Luxembourg; and

(b) if the Bearer Global Notes are not 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 or Pricing Supplement will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that a Bearer Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any 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 such Note due prior to the applicable Exchange Date (as defined below) will be made (against presentation of such Temporary Bearer Global Note if such Temporary Bearer Global Note is not issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has/have given a like certification (based upon the certifications it has received) to the Fiscal Agent.

For any Temporary Bearer Global Note, on and after the date (the "**Exchange Date**) which is 40 days after such 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 (a) interests in a Permanent Bearer Global Note of the same Series or (b) definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms or Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms or Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given; *provided* that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a

Temporary Bearer Global Note (or a beneficial interest therein) will not be entitled to collect any payment of interest, principal or other amount due on or after the applicable Exchange Date unless, upon due certification, exchange of such Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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 or Pricing Supplement 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 the applicable 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 Registered Global Note**") or, if so specified in the applicable Final Terms or Pricing Supplement, 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 upon 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 Registered Global Note (including one held by DTC or its nominee) 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 by the Issuer or any person acting on its behalf in transactions exempt from the registration requirements of the Securities Act: (a) to QIBs or (b) 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 to the Issuer 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: (a) deposited with a custodian for, and registered in the name of a nominee of, the DTC or (b) deposited with a common depositary or, if the Registered Global Notes are to be held under the New Safekeeping Structure ("**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 or Pricing Supplement. 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 or Pricing Supplement will also indicate whether such Registered Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that a Registered Global Note is to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any 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 or Pricing Supplement, by a global note in registered form (an "**IAI Global Note**" and, together with a Rule 144A Global Note and a Regulation S Registered Global Note, each a "**Registered Global Note**"). An interest in an IAI Global Note sold to an Institutional Accredited Investor 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 or Pricing Supplement, Definitive IAI Registered Notes will be issued, and interests in a Rule 144A Global Note may be purchased, only in minimum denominations of US$500,000 and integral multiples of US$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 (as defined in Condition 7.4). 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 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: (a) an Event of Default has occurred and is continuing, (b) 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, (c) 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 (d) 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 (d) 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 from 8.00 p.m. (London time) on the day immediately following the applicable due date 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 27 March 2015 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions of the Notes herein, in which event a new prospectus or a supplement to this 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/PRICING SUPPLEMENT

Set out below is the form of Final Terms or Pricing Supplement which will be completed, as the case may be, for each Tranche of Notes issued under the Programme.

[NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE CENTRAL BANK OF IRELAND HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.][1]

[*Date*]

TÜRKİYE GARANTİ BANKASI A.Ş.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the Notes)
under the US$6,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the base prospectus dated 24 March 2016 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive][2] (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][2] and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer's website (https://www.garantiinvestorrelations.com/en/debt-information/GMTN/GMTN/48/2723/0).

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the base prospectus dated [*original date*] [and the supplement[s] to it dated [*date*] [and [*date*]] which are incorporated by reference in the base prospectus dated 24 March 2016. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive][2] and must be read in conjunction with the base prospectus dated 24 March 2016 [and the supplement[s] to it dated [*date*] [and [*date*]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive][2] (the "**Base Prospectus**"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the Issuer's website (https://www.garantiinvestorrelations.com/en/debt-information/GMTN/GMTN/48/2723/0).

[*The following alternative language applies in the case of Notes having a maturity of less than one year or which 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.*][1]

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1 *Include for Notes having a maturity of less than one year or which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances in which a prospectus is required to be published under the Prospectus Directive where in each case a Pricing Supplement is to be completed in place of Final Terms.*

2 *Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances in which a prospectus is required to be published under the Prospectus Directive.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the base prospectus dated 24 March 2016 [and the supplement[s] to it dated [*date*] [and [*date*]] (the "**Base Prospectus**"). This document constitutes the Pricing Supplement for the Notes described herein and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the Issuer's website (https://www.garantiinvestorrelations.com/en/debt-information/GMTN/GMTN/48/2723/0).

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms or Pricing Supplement.*]

[*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.*][3]

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 22 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denomination(s):	[ ] [and integral multiples of [ ] in excess thereof] *(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))* *(Note – where multiple denominations above [€100,000] or equivalent are being used, the following sample wording should be followed:*

[3] *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.*

			"[€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 and year*]][4]
9.		Interest Basis:	[ ] per cent. Fixed Rate] [ ] month [[*currency*][LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR]] +/- [ ] per cent. Floating Rate] [Zero coupon] (*see paragraph [14]/[15]/[16] 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]

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

			[Not Applicable] [(*see paragraph [18]/[19]/[20] below*)]
13.	(a)	Status of the Notes:	Senior
	(b)	Date Board approval for issuance of Notes obtained:	[ ] [Not Applicable] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a)	Rate(s) of Interest:	[ ] per cent. *per annum* payable in arrear on [the/each] Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date/[*specify other*][5] (*Amend appropriately in the case of irregular coupons. In the case of Modified Fixed Rate Notes, insert regular interest payment dates and also complete paragraph (g) below as applicable. Paragraph (g) is not relevant to Fixed Rate Notes where Interest Periods and Interest Amounts are not subject to adjustment and either (a) a customary Following Business Day Convention is to apply in accordance with Condition 7.6 to any date for payment that is not a Payment Business Day or (b) such payment dates are not otherwise to be subject to adjustment by reference to any other Business Day Convention.*)
	(c)	Fixed Coupon Amount(s): *(Applicable only to Notes in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)*	[[ ] per Calculation Amount] [Not Applicable]

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

(d)	Broken Amount(s):		[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(Applicable only to Notes in definitive form. Not applicable to Renminbi-denominated Fixed Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are subject to adjustment)		
(e)	[Day Count Fraction:		[30/360] [Actual/Actual (ICMA)] [Actual/365 (Fixed)]][6]
			(*Delete this sub-paragraph in the case of Modified Fixed Rate Notes*)
(f)	[Determination Date(s):		[[ ] in each year][Not Applicable]]
			(*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
(g)	Modified Fixed Rate Notes:		[Applicable/Not Applicable]
			(*Modified Fixed Rate Notes are Fixed Rate Notes: (i) the terms of which provide for Interest Periods and Interest Amounts to be subject to adjustment or (ii) for which Interest Periods and Interest Amounts are not subject to adjustment but a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day. If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Periods and Interest Amounts subject to adjustment:	[Applicable/Not Applicable]
	(ii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
			(*Only applicable where Interest Periods and Interest Amounts are subject to adjustment*)
	(iii)	Specified Business Centre(s):	[/Not Applicable]
			(*Only applicable where Interest Periods and*

[6] Applicable to Renminbi-denominated Fixed Rate Notes.

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

(iv) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)] [Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

(v) Payment Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]

(*Only applicable where Interest Periods and Interest Amounts are not subject to adjustment and a specified Payment Business Day Convention is to apply to any date for payment that is not a Payment Business Day*)

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

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

15. Floating Rate Note Provisions: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

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

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

(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable][7]

[7] Only not applicable in the case of Modified Floating Rate Notes.

		(Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)
(c)	Specified Business Centre(s):	[ ][Not Applicable][8] *(Note that this paragraph relates to Interest Period end dates and not the date of payment to which paragraph 23 relates. Complete unless paragraph (m) below is applicable. See note to paragraph (a) above for guidance)*
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ][Not Applicable]
(f)	Screen Rate Determination:	[Applicable/Not Applicable]
	• Reference Rate:	[ ] month [[*currency*][LIBOR/EURIBOR/TRLIBOR/ROBOR/PRIBOR/HIBOR/SIBOR/NIBOR/WIBOR/CNH HIBOR].
	• Relevant Time:	[ ] (*11.00 a.m. in the case of LIBOR, EURIBOR, ROBOR, PRIBOR, SIBOR, WIBOR and HIBOR, 11.15 a.m. in the case of CNH HIBOR, 11.30 a.m. in the case of TRLIBOR and 12.00 p.m. in the case of NIBOR*)
	• Relevant Financial Centre:	[London] [Brussels] [Istanbul] [Bucharest] [Prague] [Hong Kong] [Singapore] [Oslo] [Warsaw]
	• Interest Determination Date(s):	[ ] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET 2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the second Istanbul business day prior to the start of each Interest Period if TRLIBOR, the second Bucharest business day prior to the start of each Interest Period if ROBOR, the second Prague business day prior to the start of each Interest*

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

Period if PRIBOR,the first day of each Interest Period if HIBOR, the second Singapore business day prior to the start of each Interest Period if SIBOR, the second Oslo business day prior to the start of each Interest Period if NIBOR, the second Warsaw business day prior to the start of each Interest Period if WIBOR and the second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR)

- 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: [Applicable/Not Applicable]

- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]

(*In the case of a LIBOR or EURIBOR-based option, the first day of the Interest Period*)

(h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

(i) Margin(s): [+/-] [ ] per cent. *per annum*

(j) Minimum Rate of Interest: [[ ] per cent. *per annum*][Not Applicable]

(k) Maximum Rate of Interest: [[ ] per cent. *per annum*][Not Applicable]

(l) Day Count Fraction:

[Actual/Actual (ICMA)]
[Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]

(m) Modified Floating Rate Notes: [Applicable/Not Applicable]

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

(i) Payment Business Day [Following Business Day Convention/Modified

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

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8.2:		Minimum period: [ ] days Maximum period: [ ] days
18.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] 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, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 5 clearing system 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 Fiscal Agent*)

19.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent*)
20.	Final Redemption Amount:		[ ] per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:		
	(a)	Form:	[Bearer Notes:] [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on not less than 60 days' written notice given at any time/only upon the occurrence of an Exchange Event][at any time at the request of the Issuer] [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Notes [on not less than 60 days' written notice given at any time/only upon the occurrence of an Exchange Event/at any time at the request of the Issuer]] [Definitive Bearer Notes] [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 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." 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 Bearer Global Note exchangeable for Definitive Notes.*)

[Registered Notes:]

[Regulation S Registered Global Note registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] exchangeable for Definitive Registered Notes [only upon the occurrence of an Exchange Event][at any time at the request of the Issuer]]

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

[Definitive Regulation S Registered Note]

[Rule 144A Definitive 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 [only upon the occurrence of 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 Note(s) 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.	Specified Financial Centre(s):	[/Not Applicable] (*Note that this paragraph relates to the date of payment and not Interest Period end dates to which sub-paragraph 15(c) relates. Delete this paragraph if sub-paragraphs 14(g)(vi) or 15(m)(iii) are completed*)
24.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

25.	USD Payment Election:	[Applicable/Not Applicable] (*Only applicable for Notes the Specified Currency of which is Turkish Lira*)

PROVISIONS APPLICABLE TO RMB NOTES

26.	RMB Currency Event:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
	(a) Party responsible for calculating the Spot Rate:	[[ ] (the "**Calculation Agent**")]
	(b) RMB Settlement Centre(s):	[[ ]/Not Applicable]

[THIRD PARTY INFORMATION

[*Relevant third party information,*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

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

By: .....

Duly authorised

By: .....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading:	[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange plc with effect from [●].] [Not Applicable] (*When documenting an issue of Notes that is to be consolidated and to form a single series with a previous issue, it should be indicated here that the original Notes are already listed and admitted to trading.*)
(b)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:		[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 any associated defined terms*]. *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the Notes to be issued have been specifically rated, that rating.)* [Each of] [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**").] [[*Insert legal name of credit rating agency*] is established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**").] [[*Insert legal name of credit rating agency*] is not established in the European Union but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the European Union and registered

under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**").]

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

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

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

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

[Save for any fees payable to the [Managers /Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer of the Notes. The [Managers/Dealers] and/or their [respective] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)]

4. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ] per cent. *per annum* The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

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

6. OPERATIONAL INFORMATION

(a)	ISIN:	[ ][Not Applicable]
(b)	Common Code:	[ ][Not Applicable]
(c)	CUSIP:	[ ][Not Applicable]

(d)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(e)	Delivery:	Delivery [against/free of] payment
(f)	Names and addresses of additional Paying Agent(s) (if any):	[ ][Not Applicable]
(g)	Deemed delivery of clearing system notices for the purposes of Condition 15:	[Any notice delivered to Noteholders through a clearing system will be deemed to have been given on the [first] [second] [business] day after the day on which it was given to the relevant clearing system.][Not Applicable]
(h)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][*include this text for Registered Notes which are to be held under the NSS*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of [these Final Terms/this Pricing Supplement], should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][*include this text for Registered Notes which are to be held under the NSS*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. DISTRIBUTION

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

8. REASONS FOR THE OFFER [ ]

(*See "Use of Proceeds" in Base Prospectus. If the reason for the offer is different from general corporate purposes, then such specific reason will need to be included here.*)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, unless otherwise agreed by the Issuer and the relevant Dealer(s) or investor(s) at the time of issue, will be incorporated by reference into, or attached to, each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) or investor(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms or Pricing Supplement (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/Pricing Supplement" and "Form of the Notes" for a description of the content of Final Terms or the Pricing Supplement 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 amended and restated agency agreement dated 27 March 2015, as supplemented by a supplemental agency agreement dated 24 March 2016 (as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made among the Issuer, The Bank of New York Mellon, London Branch as fiscal and principal paying agent and exchange agent (the "**Fiscal Agent**" and the "**Exchange Agent**", which expression shall, in each case, include any successor fiscal agent and exchange agent) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Bank of New York Mellon, New York Branch as transfer agent (together with the Registrar (as defined below), the "**Transfer Agents**", which expression shall include any additional or successor transfer agent) and The Bank of New York Mellon (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 or the Pricing Supplement, as the case may be, attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Conditions**"). References to the "**applicable Final Terms**" or "**Pricing Supplement**" are to Part A of the Final Terms or the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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 in their terms to be consolidated and form a single series and (b) the terms and conditions of which are identical in all respects except for their respective Issue Dates and, in certain circumstances, Interest Commencement Dates (unless this is a Zero Coupon Note) and/or Issue Prices, each as specified in the applicable Final Terms or Pricing Supplement.

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 27 March 2015 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 or Pricing Supplement will be published on the Issuer's website (https://www.garantiinvestorrelations.com/en/debt-information/GMTN/GMTN/48/2723/0). 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, the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement 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 or Pricing Supplement 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 or Pricing Supplement, the applicable Final Terms or Pricing Supplement, as the case may be, 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 or Pricing Supplement 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 No. II-31.1 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 or Pricing Supplement.

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 SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**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 to be the holder for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, and 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 its 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 Pricing Supplement or as may otherwise be approved by the Issuer and the Fiscal Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by direct and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes of the same Series in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case only in the Specified Denomination(s) (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the Specified Denomination) and only in accordance with the 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) set out in the applicable Final Terms or Pricing Supplement) (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 (if so requested by the specified transferee and at the risk of such 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) being transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail to the transferor. No transfer of a Registered Note will be valid unless and until entered in the Register.

2.3 Costs of registration

Noteholders will not be 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;

(c) such other arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders; or

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

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 bond, note or similar 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 the time of the incurrence thereof, exceed 15 per cent. of the consolidated total assets of the Issuer (as shown in the most recent audited consolidated financial statements of the Issuer prepared in accordance with IFRS).

4.2 Interpretation

For the purposes of these Conditions:

"**Direct Recourse Securities**" means securities (other than Covered Bonds) issued in connection with any securitisation of receivables or other payment rights, asset-backed financing or similar financing structure (created in accordance with normal market practice) and whereby all payment

obligations secured by a Security Interest or having the benefit of a Security Interest are to be discharged principally from such assets or revenues, or by direct unsecured recourse to the Issuer;

"**IFRS**" means the requirements of International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (the "**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time); 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 for distribution to any Noteholder upon such Noteholder's written request to the Fiscal Agent:

(a) not later than six months after the end of each financial year of the Issuer, English language copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding financial year, and all such annual financial statements of the Issuer shall be accompanied by the report of the auditors thereon; and

(b) not later than 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 any Person, any company: (a) in which such Person holds a majority of the voting rights, (b) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (c) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person. In relation to the consolidated financial statements of the Issuer, a Subsidiary shall also include any other Person that is (in accordance with applicable laws and IFRS) consolidated into the Issuer.

6. INTEREST

6.1 Interest on Fixed Rate Notes

This Condition 6.1 applies to Fixed Rate Notes only. The applicable Final Terms or Pricing Supplement, as the case may be, 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 or Pricing Supplement 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, any applicable Determination Date and whether the provisions relating to Modified Fixed Rate Notes will be applicable.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) *per annum* equal to the 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, the Interest Amount payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount, where a Fixed Coupon Amount is specified in the applicable Final Terms or Pricing Supplement, to the Fixed Coupon Amount so specified; *provided* that the Interest Amount payable on any Interest Payment Date will, if so specified in the applicable Final Terms or Pricing Supplement, amount to the Broken Amount so specified.

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 or Pricing Supplement, 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, with 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.

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

6.2 Interest on Floating Rate Notes

This Condition 6.2 applies to Floating Rate Notes only. The applicable Final Terms or Pricing Supplement, as the case may be, 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 or Pricing Supplement will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Specified Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates, the Day Count Fraction and whether the provisions relating to Modified Floating Rate Notes will be applicable. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement 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 Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms or Pricing Supplement, 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 or Pricing Supplement 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.

(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 or Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent 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 Series of Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms or Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Final Terms or Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms or Pricing Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms or Pricing Supplement 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 (if there is only one quotation on the Relevant Screen Page); or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR, EURIBOR, TRLIBOR, ROBOR, PRIBOR, HIBOR, SIBOR, NIBOR, WIBOR or CNH HIBOR as specified in the applicable Final Terms or Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) 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 or Pricing Supplement) 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 or Pricing Supplement 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 or Pricing Supplement 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.

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

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

The Fiscal Agent 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 Interest Amount payable on the Floating Rate Notes for the relevant Interest Period or any other 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.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms or Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms or Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms or Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; *provided however* that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

6.3 Notification of Rate of Interest and Interest Amounts

In the case of Floating Rate Notes and Modified Fixed Rate Notes where Interest Periods and Interest Amounts are specified in the applicable Final Terms or Pricing Supplement as being subject to adjustment, the Fiscal Agent will cause, in the case of Floating Rate Notes, the Rate of Interest and, in either case, 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 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 Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

6.4 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 and Condition 7.11 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.

6.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from (and including) the date for its redemption unless payment of principal in respect of such Note is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note (or part thereof) have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

6.6 Day Count Fraction and Business Day Convention

(a) Day Count Fraction

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

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms or Pricing Supplement:

(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 or Pricing Supplement) 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;

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

(ii) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms or Pricing Supplement, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated:

(A) in the case of Fixed Rate Notes, on the basis of a year of 360 days with 12 30-day months; and

(B) in the case of Floating Rate Notes, on a formula basis as follows:

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

where:

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

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

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of such period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of such period, unless such number is 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(iii) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms or Pricing Supplement, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365 (or, if any portion of such period falls in a leap year, the sum of (I) the actual number of days in that portion of the period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the period falling in a non-leap year divided by 365);

(iv) if "Actual/365 (Fixed)" is specified in the applicable Final Terms or Pricing Supplement, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 365;

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

(vi) if "Actual/360" is specified in the applicable Final Terms or Pricing Supplement, the actual number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360;

(vii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms or Pricing Supplement, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated on a formula basis as follows:

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

where:

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

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

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of such period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

"**D_1**" is the first calendar day, expressed as a number, of such period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in such period, unless such number would be 31, in which case D2 will be 30; and

(viii) if "30E/360 (ISDA)" is specified in the applicable Final Terms or Pricing Supplement, the number of days in the Interest Period or the Relevant Period, as the case may be, divided by 360, calculated on a formula basis as follows:

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of such period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day of such period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of such period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day of such period falls;

"**D_1**" is the first calendar day, expressed as a number, of such period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in such period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(b) Business Day Convention

If a Business Day Convention is specified in the applicable Final Terms or Pricing Supplement 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:

(i) in the case of Floating Rate Notes where Specified Periods are specified in accordance with Condition 6.2 above, the Floating Rate Convention, such Interest Payment Date: (A) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of sub-paragraph (2) below shall apply *mutatis mutandis* or (B) in the case of (y) above, shall be postponed to the next day 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

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

(iii) 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

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

6.7 Interpretation

In these Conditions:

"**Business Day**" means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Specified Business Centre (other than the Trans-European Automatic Real-Time Gross Settlement Express Transfer (TARGET 2) System (the "**TARGET 2 System**")) specified in the applicable Final Terms or Pricing Supplement;

(b) if the TARGET 2 System is specified as a Specified Business Centre in the applicable Final Terms or Pricing Supplement, then a day on which the TARGET 2 System is open; and

(c) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (ii) in relation to any sum payable in euro, a day on which the TARGET 2 System is open;

"**Interest Amount**" means the amount of interest;

"**Interest Period**" means the period means the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or, as the case may be, first) Interest Payment Date;

"**Reference Rate**" means, unless otherwise specified in the applicable Final Terms or Pricing Supplement: (a) the London interbank offered rate ("**LIBOR**"), (b) the Euro-zone interbank offered rate ("**EURIBOR**"), (c) the Turkish Lira interbank offered rate ("**TRLIBOR**"), (d) the Hong Kong interbank offered rate ("**HIBOR**"), (e) the Romanian interbank offered rate ("**ROBOR**") (f) the Prague interbank offered rate ("**PRIBOR**"), (g) the Singapore interbank offered rate ("**SIBOR**"), (h) the Norwegian interbank offered rate ("**NIBOR**"), (i) the Warsaw interbank offered rate ("**WIBOR**") or (j) the CNH Hong Kong inter-bank offered rate ("**CNH HIBOR**") in each case as specified in the applicable Final Terms or Pricing Supplement;

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

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

7. PAYMENTS

7.1 Method of payment

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 that processes payments in the Specified Currency.

Payments in respect of principal and interest on the Notes will be subject in all cases to: (a) any fiscal or other laws 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 thereon after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such 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: (a) where in global form and held under the new safekeeping structure, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) in all other cases, the close of business 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 (in each case, the "**Record Date**"). Notwithstanding the previous sentence, if: (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than US$250,000 (or its approximate equivalent in any other Specified Currency), then payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank (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.

Except as set forth in the final sentence of this paragraph, 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 that 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 will be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of 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

Except as provided in the Deed of Covenant, 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 case may be, as the beneficial owner 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 such person's share of each payment so made by or on behalf of the Issuer to, or to the order of, the holder of such Global Note. Except as provided in the Deed of Covenant, no person other than the registered holder of the relevant Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

Notwithstanding the foregoing provisions of this Condition, 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 Business Day

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

For these purposes:

"**Payment Business Day**" means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

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

(ii) any Specified Financial Centre (other than the TARGET 2 System) specified in the applicable Final Terms or Pricing Supplement; and

(iii) if the TARGET 2 System is specified as a Specified Financial Centre in the applicable Final Terms or Pricing Supplement, a day on which the TARGET 2 System is open;

(b) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (ii) in relation to any sum payable in euro, a day on which the TARGET 2 System is open; and

(c) in the case of any payment in respect of a Global Note, a day on which DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, settle(s) payments in the applicable Specified Currency (or, with respect to DTC, U.S. dollars).

"**Payment Business Day Convention**" means, if the Payment Business Day Convention is specified in the applicable Final Terms or Pricing Supplement as the:

(a) Following Business Day Convention, the next following Payment Business Day;

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

(c) Preceding Business Day Convention, the immediately preceding Payment Business Day.

7.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of a Note 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 such Note;

(c) the Early Redemption Amount of such Note;

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

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

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

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 "USD Payment Election" is specified as being applicable in the applicable Final Terms or Pricing Supplement, the Specified Currency is Turkish Lira and interests in the Notes are not represented by a Registered Global Note registered in the name of DTC or its nominee, then a Noteholder as of the applicable Record Date may, not more than 10 and not less than five Business Days before the due date (the "**Relevant Payment Date**") for the next payment of interest and/or principal on a Note (such period, the "**USD Election Period**"), give an irrevocable election to any Agent to receive such payment in U.S. dollars instead of Turkish Lira (each, a "**USD Payment Election**"). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Noteholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the "**Lira Amount**") to be paid by the Issuer in respect of the Notes the subject of such USD Payment Elections and which is to be converted into U.S. dollars and paid to the holders of such Notes on the Relevant Payment Date in accordance with the provisions of this Condition 7.8 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 U.S. dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. dollar amounts) as soon as reasonably practicable thereafter.

(d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable after receipt of such notification from the Exchange Agent, 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 U.S. dollar payment is made; and

(ii) in the case of Notes in global form, a Noteholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of 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.

(f) 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.

(g) Notwithstanding any provisions of these Conditions or the applicable Final Terms or Pricing Supplement, in respect of any Notes that are the subject of a USD Payment Election in respect of any payment, the definition of Payment Business Day shall, for the purposes of such payment on the Relevant Payment Date, be deemed to include a day (other than

Saturday or Sunday) on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.9 Payments on Notes held through DTC in a Specified Currency other than U.S. dollars

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

7.10 RMB account

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

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

7.11 RMB Currency Event

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

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

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms or Pricing Supplement (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 6.2(g)):

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

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

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"**RMB Currency Events**" means any one of RMB Illiquidity, RMB Non-Transferability and RMB Inconvertibility;

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

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

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

"**Spot Rate**" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter RMB exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall, acting reasonably and in good faith, determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including, among other things, pricing information obtained from the RMB non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

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 or Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms or Pricing Supplement.

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 or Pricing Supplement 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 or Pricing Supplement to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Notes at any time at their Early Redemption Amount together (if appropriate) with interest accrued and unpaid to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two authorised signatories of the Issuer stating that the requirement referred to in sub-paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

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

This Condition 8.3 applies to Notes 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 or Pricing Supplement, as the case may be, contain provisions applicable to any Issuer Call and must be read in conjunction with this Condition 8.3 for full information on any Issuer Call. In particular, the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement, 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 or Pricing Supplement 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 or Pricing Supplement together (if applicable) with interest accrued and unpaid to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms or Pricing Supplement.

In the case of a partial redemption of Notes under this Condition 8.3, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption, and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

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

This Condition 8.4 applies to Notes 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 or Pricing Supplement, as the case may be, contain provisions applicable to any Investor Put and must be read in conjunction with this Condition 8.4 for full information on any Investor Put. In particular, the applicable Final Terms or Pricing Supplement 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 or Pricing Supplement, 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 or Pricing Supplement 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 applicable) with interest accrued and unpaid 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:

(a) if this Note is in definitive form and held outside Euroclear, Clearstream, Luxembourg or DTC, then the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, 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 such Paying Agent's order or under its control, and

(b) if this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, 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 or DTC, as applicable (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 DTC, as applicable, 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, 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 of the first Tranche of the Series, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or Pricing Supplement or, if no such amount or manner is so specified in the applicable Final Terms or Pricing Supplement, 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:

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

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 or Pricing Supplement 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), (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 by the Issuer and/or its Subsidiaries

The Issuer and/or any of its Subsidiaries may at any time purchase or otherwise acquire 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 (and the related Coupons and Talons) may be held, resold or, at the option of the Issuer or any such Subsidiary (as the case may be) for those Notes held by it, surrendered to any Paying Agent

and/or the Registrar for cancellation; *provided* that any such resale or surrender of a Note shall include a sale or surrender (as applicable) of all related unmatured Coupons and Talons.

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, in the case of definitive Bearer Notes, 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 such withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for Taxes in respect of the Note or Coupon by reason of such holder having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

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

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder of the relevant Note or, as the case may be, Coupon would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Business Day (as defined in Condition 7.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer 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 holder of the relevant Note or Coupon, 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 payable 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 and unpaid to (but excluding) the date of repayment, if any of the following events (each, an "**Event of Default**") shall have occurred and be continuing:

(a) if default is made by the Issuer in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; 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: (A) such Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of sub-paragraphs (i), (ii) and/or (iii) above, and/or (B) the maximum amount payable by the Issuer or such Material Subsidiary under such guarantee and/or indemnity of the Issuer or such Material Subsidiary in the case of sub-paragraph (iv) above, exceeds US$50,000,000 (or its equivalent in other currencies); 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 ceases or threatens to cease to carry on the whole or a substantial part, or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Noteholders, or the Issuer or any of its Material Subsidiaries 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 the whole or substantially the whole of its business and/or assets to, the Issuer or one or more other Subsidiaries 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 IFRS financial statements 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 or Pricing Supplement.

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 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, 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) of such Registered Notes at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published 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, as applicable, for communication by them to the holders of interests in 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 interests in the Notes on such day as is specified in the applicable Final Terms or Pricing Supplement after the day on which such 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 (including any of these Conditions), the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the person who convened (or, if applicable, caused the Issuer to convene) such meeting giving at least five days' notice which, in the case of a meeting convened by the Issuer, will be given to applicable Noteholders in accordance with Condition 15. The quorum at any such meeting for passing an Extraordinary Resolution is one or more person(s) holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or

more person(s) being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions 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 person(s) holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more person(s) holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they vote on the resolution, and on all Couponholders.

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

16.2 Modification

The Fiscal Agent and the Issuer may agree in writing, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions, the Deed of Covenant or 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 those of the Notes, or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue, and so that the same shall be consolidated and form a single Series with the outstanding Notes; *provided* that the Issuer shall ensure that such further notes will be fungible for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k).

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 in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), 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 Articles 58 and 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 (as applicable) underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes; *however*, for any particular Series, the Bank may agree (and so specify in the applicable Final Terms) with the relevant Dealer(s) or investor(s) that the proceeds of the issuance of such Series shall be used for one or more specific purpose(s), such as environmental development or sustainability.

SUMMARY FINANCIAL AND OTHER DATA

The following summary financial and other data 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's Business – Audit Qualification*". Note that the Group's consolidated capital adequacy ratios are calculated based upon numbers prepared in accordance with BRSA regulations.

	2013[(2)(3)]	**2014**[(3)]	**2015**
		(*TL thousands*)	
Net interest income	7,118,805	8,349,687	10,230,005
Net fee and commission income	2,667,043	2,852,232	2,718,490
Other operating income	1,092,329	1,792,610	1,704,015
Total operating income	**10,878,177**	**12,994,529**	**14,652,510**
Impairment losses, net[(1)]	(1,510,314)	(1,718,787)	(1,860,682)
Other operating expenses	(4,911,921)	(6,408,403)	(8,030,499)
Total operating expenses	**(6,422,235)**	**(8,127,190)**	**(9,891,181)**
Income before tax	**4,455,942**	**4,867,339**	**4,761,329**
Taxation charge	(874,958)	(1,026,740)	(953,909)
Net income for the period	**3,580,984**	**3,840,599**	**3,807,420**

(1) "Impairment losses, net" includes provisions for loan losses, net and reversal of general reserves, net.

(2) The effect of changes to foreign exchange gain in "other operating income" and "taxation charge" made by the Bank for 2013 consolidated financial statements amounted to TL 83,320 thousand of foreign exchange loss and TL 16,664 thousand of deferred tax income for 2013.

(3) As of 31 December 2015, the Group restated its prior years' financials as per IAS 8 due to accounting policy changes. For details, please see "*Presentation of Financial and Other Information - Accounting Policy Changes*".

	As of 31 December					
	2013[3]	**% of Total**	**2014**[3]	**% of Total**	**2015**	**% of Total**
	(TL thousands, except for percentages)					
Assets						
Cash and balances with central banks	6,849,292	3.2	6,596,475	2.8	6,802,108	2.5
Financial assets at fair value through profit or loss	538,145	0.3	1,086,670	0.54	660,193	0.2
Loans and advances to banks	11,639,668	5.54	10,815,218	4.5	14,378,087	5.2
Loans and advances to customers	131,315,161	61.5	148,081,415	62.2	175,681,692	63.9
Other assets[1]	21,946,351	10.2	23,851,216	10.0	25,812,148	9.4
Investment securities	38,609,492	18.1	44,197,153	18.6	46,072,823	16.8
Investment in equity participations	41,788	-	40,896	-	41,216	-
Tangible assets, net	2,018,893	0.9	2,319,268	1.0	4,376,178	1.6
Deferred tax asset	594,927	0.3	925,821	0.4	1,013,552	0.4
Total assets	**213,553,717**	**100.0**	**237,914,132**	**100.0**	**274,837,997**	**100.0**
Liabilities						
Deposits from banks	6,733,280	3.1	7,114,771	3.0	6,960,181	2.5
Deposits from customers	112,461,129	52.7	126,292,539	53.1	149,154,274	54.3
Obligations under repurchase agreements and money market fundings	16,007,738	7.5	12,021,165	5.0	16,567,796	6.0
Loans and advances from banks and other institutions	34,189,584	16.0	38,218,041	16.1	39,959,934	14.5
Bonds payable	10,835,298	5.1	14,438,356	6.0	15,511,597	
Subordinated liabilities	147,491	0.1	140,766	0.1	159,792	0.1
Current tax liabilities	133,384	0.1	450,209	0.2	376,779	0.1
Provisions, other liabilities and accrued expenses[2]	9,520,016	4.4	11,948,711	5.0	14,141,954	5.2
Total liabilities	**190,027,920**	**89.0**	**210,624,558**	**88.5**	**242,832,307**	**88.4**
Total shareholders' equity and non-controlling interests	**23,525,797**	**11.0**	**27,289,574**	**11.5**	**32,005,690**	**11.6**
Total liabilities, shareholders' equity and non-controlling interests	**213,553,717**	**100.0**	**237,914,132**	**100.0**	**274,837,997**	**100.0**

(1) Includes "Goodwill, net".
(2) Includes deferred tax liabilities.
(3) As of 31 December 2015, the Group restated prior years' consolidated financials as per IAS39 due to accounting policy changes. For details, please see "*Presentation of Financial and Other Information - Accounting Policy Changes*".

Since the end of 2015 to the date of this Base Prospectus, the Bank has issued various series of Notes under the Programme, which Notes had an aggregate nominal amount equivalent to approximately US$30 million.

Key Performance Indicators

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

Ratios	As of (or for the year ended) 31 December		
	2013[14][15]	2014[13][15]	2015[13]
Net interest margin[1]	3.6%	3.7%	3.9%
Adjusted net interest margin[2]	2.9%	3.0%	3.2%
Net yield[3]	4.4%	4.5%	4.6%
Adjusted net interest income as a percentage of average interest-earning assets[3][4]	3.6%	4.2%	4.1%
Net fee and commission income to total operating income	28.2%	25.0%	21.2%
Cost-to-income ratio[5]	50.4%	50.6%	53.3%
Operating expenses as a percentage of total average assets[6]	2.3%	2.2%	2.3%
Non-performing loans to total gross cash loans	2.9%	3.1%	3.3%
Free capital ratio[7]	9.8%	10.3%	9.7%
Group's capital adequacy ratios[8]			
Tier I capital adequacy ratio[9]	12.76%	12.77%	12.82%
Total capital adequacy ratio[9]	13.70%	13.86%	13.53%
Allowance for probable loan losses to non-performing loans[10]	96.0%	96.3%	89.6%
Return on average total assets[11]	1.8%	1.7%	1.5%
Return on average shareholders' equity[12]	15.8%	15.2%	13.1%

(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). The above 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 44.3%, 44.4% and 48.1% for 2013, 2014 and 2015, respectively.

(6) Operating expenses for purposes of this calculation are total operating expenses excluding impairment losses, net, depreciation and amortisation 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) 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.

(8) Calculated in accordance with BRSA regulations for the Group.

(9) The total capital adequacy ratio is calculated by dividing: (a) the "Tier I" capital (*i.e.*, its share capital reserves and retained earnings) *plus* the "Tier II" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt, unrealised 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 comprises 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. Capital adequacy ratios are based upon BRSA regulations. See "*Capital Adequacy*" below, including with respect to calculations made after 1 January 2014.

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

(11) 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).

(12) 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).

(13) The capital adequacy ratio for 31 December 2014 and 31 December 2015 is calculated in accordance with Basel III rules, which came into effect on 1 January 2014.

(14) The effects of corrections to foreign exchange gain in "other operating income" and "taxation charge" made in the Group's financial statements for 2013 amounted to TL 83,320 thousand of foreign exchange loss and TL 16,664 thousand of deferred tax income for 2013.

(15) As of 31 December 2015, the Group restated its prior years' financials as per IAS 8 due to accounting policy changes. For details, please see "*Presentation of Financial and Other Information - Accounting Policy Changes*".

CAPITALISATION OF THE GROUP

The following table sets forth the total capitalisation of the Group as of the indicated dates. 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) incorporated by reference into this Base Prospectus.

	As of 31 December		
	2013[3]	**2014**[3]	**2015**
Share capital	5,146,371	5,146,371	5,146,371
Share premium	11,880	11,880	11,880
Non-controlling interests	162,825	193,733	226,617
Unrealised (losses)/gains on available-for-sale assets	(494,581)	88,631	(283,792)
Hedging reserve[1]	(199,057)	(191,244)	(241,097)
Actuarial gain/(loss)	(1,458)	(53,170)	(76,718)
Revaluation surplus on tangible assets[4]	-	-	1,590,481
Translation reserve[1]	554,878	367,064	696,557
Legal reserves	1,156,024	1,182,824	1,229,498
Retained earnings	17,188,915	20,543,485	23,705,893
Total shareholders' equity and non-controlling interests	**23,525,797**	**27,289,574**	**32,005,690**
Long-term debt[2]	23,160,413	24,888,212	26,242,912
Total Capitalisation	**46,686,210**	**52,177,786**	**58,248,602**

(1) The Group started applying net investment hedges for its investments in foreign operations from 1 July 2013; accordingly, the Group's hedging reserves and translation reserves of prior years have been shown in gross amounts for comparison purposes.

(2) 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.

(3) As of 31 December 2015, the Group restated its prior years' financials as per IAS 8 due to accounting policy changes. For details, please see "*Presentation of Financial and Other Information - Accounting Policy Changes*".

(4) As of 1 November 2015, the Group changed its accounting policy for land and buildings from the historical cost method to the fair value method in accordance with the Turkish Accounting Standards (TAS 16 - Property, Plant and Equipment).

THE GROUP AND ITS BUSINESS

Overview of 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) incorporated by reference into this Base Prospectus.

The Group is a leading Turkish banking group with a significant market share in Turkey, being (as per published BRSA financial statements as of 31 December 2015) the second largest private banking group in Turkey in terms of 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 14.0 million customers as of 31 December 2015 (approximately 12.5 million retail customers, 1.3 million SME customers, 51,500 commercial customers and 2,000 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 (*inter alia*) 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 2015, the Bank's services in Turkey were provided through a nationwide network of 971 domestic branches and offices as well as through DCs, such as ATMs, call centres, internet banking and mobile banking. Internationally, the Bank has nine foreign branches (one in Malta, one in the Grand Duchy of Luxembourg and seven 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 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).

Based upon the 31 December 2015 IFRS Financial Statements, the Group had total assets of TL 274.8 billion, loans to customers of TL 175.7 billion and shareholders' equity (including non-controlling interests) of TL 32.0 billion. The Group's return on average equity was 13.1% for 2015. The Bank's shares have been listed on the Borsa İstanbul (or its predecessor the İstanbul 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, which was followed in 2014 by the Bank becoming the only Turkish entity included in the OTCQX ADR 30 Index (which is a market capitalization-weighted index representing the 30 largest and most liquid companies on the OTCQX marketplace). In 2015, the Bank was named to the OTCQX® Best 50, which is a ranking provided to 50 top performing companies that traded on the OTCQX marketplace in 2014.

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 İstanbul 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 İstanbul 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 a subsidiary of the General Electric Company (such subsidiary, "**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.

Doğuş Holding 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*) GEAM 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 increased to 25.01% stake in the Bank without changing the joint control and management principles agreed to between Doğuş Holding and BBVA).

On 19 November 2014, Doğuş Holding and members of the Şahenk family entered into a share purchase agreement with BBVA under which BBVA agreed to purchase shares representing 14.89% of the Bank's issued share capital then in issue. On 27 July 2015, the transfer of shares was finalised and the Doğuş Group's and BBVA's shares in the Bank were 10.00% and 39.90%, respectively. See "*Ownership*".

The Doğuş Shareholders and BBVA are parties to the Amended Shareholders' Agreement, which amends and restates the 2010 Shareholders' Agreement, providing for the revision of certain provisions relating to the governance and management of the Bank, which amendments became effective as of 27 July 2015. The Bank is not a party to this shareholders' agreement. See "*Ownership – Amended Shareholders' Agreement*".

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 "future flow" transactions.

- 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, person-to-person mobile money transfers and mobile applications such as iGaranti and BonusFlash.

- 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 Bank was the first bank in Turkey to establish a centralised operation centre (named ABACUS) to execute the operational transactions of its branches and customers. Approximately 99% of the operational transactions of the Bank's branches are processed through ABACUS, which benefits from a dynamic team of experts. The centralised operations centre also coordinates the provision of cash to the Bank's branches, aiming to ensure the greatest efficiency of the Bank's cash operations.

- The Group's high-quality and dynamic employee base is supported by the Group's experienced management team. Approximately 70% 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 programme. The Bank's management also seeks to foster a culture of

innovation, whereby employees are encouraged to submit innovative ideas. Although the Bank hires many new employees, the Bank's management also recognises 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 sustainable 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 maintain strong asset quality.

- 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 monitor and respond to issues effectively. 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 and omni-channel convenience with an integrated experience across the Bank's channels. The Group has tripled its branch network since 2002, reaching all of Turkey's cities through its 983 branches (as of 31 December 2015). Backed by its investments in technology since the 1990s, the share that digital channels held in the non-financial transactions at the Bank reached 91% in 2015. As of 31 December 2015, the Group operated over 4,500 ATMs (facilitating over 200 different transactions), had a leading financial call centre (more than 69.4 million customer contacts in 2015) and had significant market shares in internet and mobile banking.

Strategy

The Group's overall strategy is to approach its customers in a transparent, clear and responsible manner, to continuously improve customer experience by offering products and services that are tailored to their needs and to maintain sustainable growth by creating value for its shareholders. The Group intends to achieve this goal by:

- identifying opportunities for growth in the Group's lending portfolio, while maintaining a strong credit quality,
- using continuing efforts to preserve a strong and diversified funding mixture,
- improving customers' experience,
- effectively expanding its customer base,
- increasing digitalisation of the customer base and digital sales,
- optimising capital allocation to ensure sustainable growth, and
- improving efficiencies.

Business

The Bank is organised 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 GPS), 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 GPS). 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 12.5 million retail banking customers as of 31 December 2015.

The Bank's management believes that the strengths of the Bank's Retail Banking Department include: (a) a customer-centric approach with an emphasis on customer satisfaction (with dedicated call centres and periodic measurement), (b) the strength of its branch network and DCs, (c) innovative marketing approach, (d) a strong sales culture, including sales-oriented branch staff and centralised 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 retail 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 (from 478 at the end of 2006 to 980 as of 31 December 2015) with the goal of increasing the number of the Bank's retail customers and obtaining a stronger and more diversified deposit base. Deposits from the retail banking business are the largest funding source of the Bank, reaching TL 39 billion of Turkish Lira deposits and US$10 billion of foreign currency deposits as of 31 December 2015 (TL 35.1 billion of Turkish Lira deposits and US$9.1 billion of foreign currency deposits as of 31 December 2014).

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 14.4% in 2014 to TL 33.4 billion and then increased a further 12.5% in 2015 to TL 37.6 billion. 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. In 2014 and 2015, the retail mortgage loan book grew by 13.4% and 17.2%, respectively, 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 law, the average loan-to-value ratio of the Bank's retail mortgage book at origination was slightly above 61% as of 31 December 2015. The average original term of its mortgages on such date was 7.97 years, with most loans having an original maturity of either 5 or 10 years. The Bank had a market share of 14.15% (with respect to outstanding balance) as of 31 December 2015 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 2014, the Bank's vehicle loan book declined by 8.0% and then grew by 14.5% in 2015. The Bank's market share (by outstanding balance) was 24.3% as of 31 December 2015, 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 17.5% in 2014 and then a further 4.6% in 2015. The Bank's market share (including overdraft, by outstanding balance) was 11.0% as of 31 December 2015 according to BRSA data. The Bank seeks to capture market share through various central marketing approaches, including loyalty-based approaches such as pre-approved loan limits. 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 conducted to increase utilisation of overdraft accounts. As of 31 December 2015, the number of overdraft accounts operated by the Group was approximately 1.8 million, with an aggregate overdraft risk of TL 540 million.

Investment Products. The Bank's retail banking investment products include mutual funds, government bonds and equity securities. As of 31 December 2015, the Bank had TL 7.7 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 utilising 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 790,000 customers as of 31 December 2015.

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 6.1 million in December 2015. Moreover, the Bank extensively utilises DCs in providing cash management services – for example, more than 16.3 million cardless transactions in 2015 (*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, DCs 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 (affluent, upscale or mass market) based upon their average total loan, investment and deposit balances and then are further assigned to 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*: As of 31 December 2015, the Bank had approximately 6,900 customers in its "affluent" category. These customers comprised approximately 0.06% of the Bank's retail customers as of such date. 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. As of such date, there were 12 dedicated branches 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 75,000 and US$500,000. As of 31 December 2015, the Bank had approximately 437,500 customers in its upscale segment, including customers with the potential of having personal financial assets of over TL 75,000. These customers comprised approximately 3.5% of the Bank's retail customers as of such date. 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 2015, the Bank had approximately 12 million "mass market" customers, comprising the vast majority 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, effective utilisation of digital channels and leveraging its leading market position in cash management (particularly employer payroll and utility payments). As the total number of branches has grown, accessibility of the Bank to bankable customers in the market has continued to expand. For example, the Bank has opened "small-branches" in locations where the local market might not require a full-service branch.

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 2015, the Group was the second 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 31 December 2015, the Group had over 600,000 point of sale ("**POS**") terminals (including shared POSs

and virtual POSs), with a cumulative market share as of such date of 20.57% in acquiring volume according to the BKM. On the issuance side, as of 31 December 2015, the total number of credit cards in issue was approximately 9.7 million (of which 5.8 million were active (*i.e.*, used at least once in the last three months)), with an issuing volume market share as of such date of 19.23% according to the BKM.

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 7.3 million cards in issue and approximately 254,000 merchant partners as of 31 December 2015. The Group issues VISA, Mastercard and AMEX branded 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 2015, there were 1.1 million Miles&Smiles cards in issue. Turkish Airlines tenders this programme every few years and, while an expensive programme 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 programme allows cardholders to customise 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 2015, there were approximately 140,000 Flexi cards in issue.

- "Money Card" was introduced in 2009 and provides the Group access to over 1,350 sales points of Migros (a large Turkish grocery store) and affiliated stores (outlets) and their millions of customers. As of 31 December 2015, there were 331,935 Money Cards. Migros tenders this programme 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.

- GPS has also licensed the Bonus Card brand to other banks, which as of 31 December 2015 had over 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 GPS' 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 8,000,000 in annual sales and a maximum of fifty employees). 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 2015, the Bank served approximately 1.3 million SME customers.

The Bank's management believes that the strengths of the Bank's 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 DCs and (c) sophisticated IT systems and CRM infrastructure to allow pro-active sales processes.

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 has undertaken 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 approximately 156,000 active SME customers as of 31 December 2015, 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 and number of employees: "Micro" (being those with annual sales of under TL 1,000,000 and up to ten employees) and "Small" (being those with annual sales of between TL 1,000,000 and TL 8,000,000 and up to 50 employees). As of 31 December 2015, 81% and 19% of the SME Banking Department's customers were in the Micro and Small 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 larger companies, with the department having separate "İstanbul-Ankara" and "Anatolia" units for a more efficient use of the sales team and to facilitate a particular focus on regions in which the Bank has a relatively small market share. In each such unit, customers are segmented as "Large Scale Commercial" (companies with more than 250 employees and/or annual sales and asset size over TL 40,000,000) and "Commercial" (companies with more than 50 employees and/or annual sales and asset size over TL 8,000,000). 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 approximately 51,500 customers as of 31 December 2015, the Bank's Commercial Banking Department increased the number of commercial branches and employs numerous commercial client-dedicated customer service representatives and 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's management believes that the Bank has become the principal banking partner in Turkey of many major multinational and domestic corporations through a strategic approach that has emphasised 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 2,300 corporate clients as of 31 December 2015. These clients belonged to over 320 corporate groups, of which approximately half 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.

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 the Corporate Banking Department 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 centralises 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 utilises 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 maximise the Bank's risk-adjusted return-on-capital and the net interest margin of its balance sheet and to minimise 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 utilises 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 centralised 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 the Bank's 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 analyse 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 Board. 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 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 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 analyses 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 a certain number of its consolidated subsidiaries to the Group's net income and total assets as of the indicated dates:

Assets	Ownership[1]	As of 31 December 2013[6]	2014[6]	2015
Türkiye Garanti Bankası	N/A	84.1%	83.8%	83.6%
GBI	100%	5.9%	5.3%	5.3%
Garanti Holding and Romania businesses[2]	100%	2.4%	2.2%	2.5%
Garanti Leasing/Fleet[3]	100%	1.8%	1.8%	1.9%
Garanti Factoring	81.84%	0.9%	1.2%	1.0%
Garanti Pension and Life	84.91%	0.5%	0.5%	0.5%
GBM	100%	0.5%	0.2%	0.1%
Garanti Securities	100%	0.0%	0.0%	0.0%
Garanti Asset Management	100%	0.0%	0.0%	0.0%
Garanti Technology	100%	0.0%	0.0%	0.0%
Garanti Diversified Payment Rights Finance Company[5]	-	2.9%	3.4%	3.5%
RPV Company[5]	-	1.0%	1.6%	1.6%

Net Income[4]	Ownership[1]	For the year ended 31 December 2013[6]	2014[6]	2015
Türkiye Garanti Bankası	N/A	88.9%	87.7%	88.5%
Garanti Pension and Life	84.91%	3.5%	4.0%	4.8%
Garanti Leasing/Fleet[3]	100%	1.3%	3.1%	3.4%
Garanti Holding and Romania businesses[2]	100%	1.5%	0.4%	1.4%
GBI	100%	3.6%	3.2%	0.9%
Garanti Factoring	81.84%	0.4%	0.5%	0.6%
Garanti Technology	100%	0.1%	0.4%	0.2%
Garanti Asset Management	100%	0.1%	0.3%	0.2%
Garanti Securities	100%	0.2%	0.1%	0.2%
GBM	100%	0.4%	0.3%	(0.2)%
Garanti Diversified Payment Rights Finance Company[5]	-	0.0%	0.0%	0.0%
RPV Company[5]	-	0.0%	0.0%	0.0%

(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 BV and in the following Romanian businesses as of 31 December 2015: Garanti Romania, Motoractive and Ralfi through G Netherlands BV. The ownership in the Romanian businesses increased from 73.27% to 100.00% in December 2010 following the acquisition of Leasemart Holding BV, the other shareholder of G Netherlands. On 14 November 2014, Domenia was acquired by Garanti Romania as a result of a merger process.

(3) Garanti Fleet is fully owned by the Bank's subsidiaries (principally Garanti Leasing) and subject to full consolidation in order to reflect the Bank's and its subsidiaries' ownership of Garanti Leasing. In October 2014, the Bank's interest in Garanti Leasing increased from 99.96% to 100%. Garanti Fleet Insurance Agency was established on 20 March 2014 as a subsidiary of Garanti Fleet and has been fully consolidated under Garanti Fleet since its establishment.

(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.

(5) Garanti Diversified Payment Rights Finance Company and RPV Company are special purpose entities established for the Bank's fund-raising transactions, and are consolidated in the accompanying consolidated financial statements. Neither the Bank nor any its affiliates has any shareholding interests in these companies. These companies have assets and liabilities in their financial statements resulting from the fund-raising processes, many of which are eliminated during the consolidation processes.

(6) Contribution of the Bank and a certain number of its consolidated subsidiaries to the Group's net income and total asset has been restated in the Group's financial statements for 2013 and 2014 due to accounting policy changes. For details, please see "*Presentation of Financial and Other Information - Accounting Policy Changes*".

The following provides brief summaries of each of the Bank's material subsidiaries (including GPS 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 Technology, which is described in "Information Technology" below.

Garanti Bank International

Established in Amsterdam in 1990 as a wholly-owned subsidiary of the Bank, GBI operates through its head office in the Netherlands, its branch in Germany and representative offices in Turkey, Switzerland and Ukraine. GBI is supervised by De Nederlandsche Bank an de Autoriteit Financiele Markten under Dutch and European Union laws and regulations. As a "global boutique bank", GBI offers financial solutions to its customers worldwide in the areas of trade and commodity finance, private banking and structured finance.

GBI generated a net income of €13.6 million in 2015 (€48.3 million in 2014). GBI's total assets amounted to €4,997 million as of 31 December 2015 (€4,870 million as of 31 December 2014).

Garanti Pension and Life

Garanti Pension and Life, founded in 1992 in İstanbul, offers life insurance policies and private pensions. The company utilises 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. Garanti Pension and Life had a market share of 16.5%, with 992,539 thousand participants according to the Pension Monitoring Centre (*Emeklilik Gözetim Merkezi*) as of 25 December 2015. Garanti Pension and Life managed a portfolio of TL 7.6 billion as of 31 December 2015 and held a 15.6% market share in pension fund assets under management as of 25 December 2015 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 2015 the company serviced approximately 1.8 million insurance policyholders, on which business it generated TL 329 million in written premia in 2015 (TL 319 million in premia in 2014). Garanti Pension and Life increased its direct premium production by 3.1% in 2015 as compared to 2014 and had a market share of 8.9% as of 31 December 2015 as published by the Insurance Association of Turkey (*Türkiye Sigorta Birliği*). Garanti Pension has been the most profitable company of the sector since 2010 according to the Insurance Associaton of Turkey as of 30 September 2015.

Since 2007, Garanti Pension and Life has also been marketing, promoting and selling certain general insurance products of its previously affiliated entity Eureko Sigorta A.Ş. pursuant to a general insurance agency agreement. These products are sold to bancassurance customers through the Group's distribution network.

Garanti Pension and Life had net income of TL 194,445 thousand in 2015 (TL 171,424 thousand in 2014).

Garanti Leasing and Garanti Fleet

In 1990, the Bank established a leasing company, Garanti Leasing. In 2014, Garanti Leasing executed 3,126 new financial leasing deals (principally for the leases of real estate) and recorded a total of US$800 million in new leases, as compared to 3,171 new financial leasing deals (US$943 million in new leases) in 2014. As of December 2015, the company was the second in the Turkish leasing sector with a market share of 13.52% for new contracts and it also was second in the market with a 12.56% market share in terms of transaction volume, each according to the Turkish Financial Institutions Association (*Finansal Kurumlar Birliği*). As of 31 December 2015, Garanti Leasing's consolidated total assets (including Garanti Fleet) were TL 5,710,262 thousand (TL 4,744,396 thousand as of 31 December 2014).

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 827,165 thousand in total assets as of 31 December 2015 (TL 632,076 thousand as of 31 December 2014) and had a fleet size of 15,553 vehicles as of such date.

Garanti Fleet Insurance Agency, which was established on 20 March 2014, has been consolidated under Garanti Fleet since its establishment.

In 2015, Garanti Leasing (on a consolidated basis with Garanti Fleet) had net income of TL 135,880 thousand.

Garanti Holding and Romania Businesses

GHBV, 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 GHBV, which is the sole shareholder of G Netherlands. G Netherlands is the shareholder of Garanti Romania, Motoractive and Ralfi, each founded in Romania.

G Netherlands was incorporated on 3 December 2007 in Amsterdam, the Netherlands and is an intermediate holding company with no trading activities. As of 31 December 2015, G Netherlands had investments in three Romanian companies specialising in financial services: Garanti Romania (99.9964%), which provides banking activities; Motoractive (99.99997%), which provides financial leases; and Ralfi (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 in April 2007 and is a 100% subsidiary thereof. On 14 November 2014, Domenia, a mortgage provider company existed at the original acquisition of GHBV in 2010, was acquired by Garanti Romania as a result of a merger process.

Garanti Romania 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 2015, Garanti Romania operated 84 branches, 32 of which were located in the capital city Bucharest. The bank offers a full scope of universal banking products and services to its 357,304 customers from the retail, SME and corporate segments. With 258,725 credit and debit cards and 6,619 active (10,124 in total) POS terminals, Garanti Romania ranked in the top ten in terms of the numbers of issued credit cards (with a market share of 5.65% (including non-banking financial institutions) and 7.87% excluding non-banking financial institutions), in the issued credit cards market as of 31 December 2015 and POS terminals (with a market share of 7.01%) in Romania, according to the public figures available from the Romanian National Bank as of 31 December 2015.

Motoractive is a joint-stock company incorporated in Romania. Motoractive undertakes leasing activities, mainly motor vehicles but also industrial plant and office equipment. Motoractive had 1,234 customers with 3,174 active contracts as of 31 December 2015 and has an extensive partnership network.

Ralfi's main activity is to provide consumer loans, particularly sales finance and personal loans. As of 31 December 2015, Ralfi had 66,674 clients.

The consolidated asset size of GHBV was approximately €2.3 million as of 31 December 2015 (€2.0 million as of 31 December 2014). GHBV contributed €18.4 million to the Group's consolidated net income in 2015, as compared to €6.7 million in 2014.

Garanti Factoring

Garanti Factoring, founded in 1990, is one of Turkey's oldest factoring companies. As of the date of this Base Prospectus, 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 the 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. The company recorded US$6,142 million in volume of receivables financed through factoring in 2015 (US$7,808 million in 2014), representing a market share of 14.60% as of 31 December 2015 (15.00% as of 31 December 2014) in Turkey according to the Association of Financial Institutions (*Finansal Kurumlar Birliği*). In the Group's consolidated net income for 2015, a net income of TL 25,430 thousand was included for the company (TL 20,516 thousand in 2014). Garanti Factoring's total assets amounted to TL 2,970,521 thousand as of 31 December 2015 (TL 2,989,573 thousand as of 31 December 2014).

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'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 72 employees as of 31 December 2015. As of 31 December 2015, GBM's total assets amounted to RUB 11.5 million (RUB 14.2 million as of 31 December 2014) and its net loss in 2015 was RUB 205,566 thousand (net income RUB 221,391 thousand in 2014).

Having defined its core businesses as corporate and commercial banking, GBM provides services to well-known medium to large-size Russian companies as well as leading Turkish and Spanish companies operating in the country. The loan portfolio is diversified and is focused on key sectors of the economy, such as the manufacturing, automotive, iron and steel, mining, agriculture, machinery, food production, and transportation sectors. GBM also offers services to large-scale Turkish tourism operators in Russia.

Garanti Securities

Garanti Securities is a subsidiary of the Bank and one of the leading securities houses and investment banks in Turkey. Garanti Securities serves Turkish and international customers in the areas of investment banking, brokerage, research and treasury.

As one of the leading investment banks, Garanti Securities has successfully completed numerous mergers and acquisition, equity offerings, debt offerings and privatisation transactions, with a total transaction size of more than $50 billion from its establishment in May 1991 through 31 December 2015 ($4 billion in 2015 alone).

Garanti Securities provides equity brokerage services through its sales team and benefits from the Bank's branch network while providing its services to its retail clients. As of 31 December 2015, Garanti Securities market share in the equity market was 6.95% (ranked third in the market) according to Borsa İstanbul and in the futures market was 8.95% (ranked second in the market) according to Turkish Derivative Exchange (*Vadeli İşlem ve Opsiyon Borsası*) (TurkDex).

From the beginning of 2015, Garanti Securities' treasury department has been providing pricing to listed single stock and index options. The company has been acting as a market maker in the Turkish equity derivatives market and achieved TL 1.88 billion in volume in 2015 on the futures and options market, compared to a TL 35.2 million in volume in 2014. In 2015, foreign exchange client transaction volumes also increased to US$75.2 billion from US$8.8 billion in 2014.

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 2015, Garanti Asset Management managed 16 mutual funds, in which Garanti Asset Management is also the owner/issuer, two mutual funds established under BBVA Durbana International Fund (SICAV), 20 pension funds of Garanti Pension and Life and the portfolio of Garanti Investment Trust (a closed-end fund listed on the Borsa İstanbul). The company also provides discretionary portfolio management services for both institutional and individual clients.

Garanti Asset Management's market share in terms of mutual funds was 10.4% as of 31 December 2015 according to Rasyonet, a third-party data vendor. Total assets under management amounted to TL 11.8 billion as of 31 December 2015. The market share of pension funds was 15.8% as of 31 December 2015 according to Rasyonet). The mutual funds managed by the company had a market value of US$1.3 billion as of 31 December 2015. Garanti Asset Management distributes its mutual funds through the Bank's branches,

DCs and third party distribution channels, such as TEFAS (*Türkiye Elektronik Fon Alım Satım Platformu*) (Turkish Electronic Fund Distribution Platform).

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. As of the date of this Base Prospectus, the Bank owns a 99.96% stake in GPS, which as of 31 December 2015 booked total issuing volume amounting to US$36.1 billion on approximately 9.7 million credit cards, approximately 8.6 million bank debit cards and approximately 600,000 point of sale devices. In 2015, total merchant partner acquiring volume was US$39.2 billion (US$43.5 billion in 2014). 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, specialises in housing loans and offers consultancy and support services to mortgage companies. The Group's market share in Turkish mortgage loans was 14.15% by outstanding mortgage loan balances as of 31 December 2015 according to the BRSA's weekly report. Garanti Mortgage has established collaborative relations with numerous 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 Romania and GBM, 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 doing business in China. 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 2015 the Bank's international network included more than 3,250 correspondent banks in over 162 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 10% share in Turkey's imports by value for 2015. As trade finance is a large fee generator, the Group intends to utilise 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-recognised 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.

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 utilises 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's management believes that selling additional products to the Group's existing customers is the most effective method of increasing revenues and profitability, cross-selling opportunities are actively sought and implemented.

Branch Network

As of 31 December 2015, the Bank had 983 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 all 81 cities in Turkey, with approximately half of the Bank's branches being located in the three largest cities (namely İstanbul, Ankara and İzmir). The Bank, having reached its target to have a branch in every city in Turkey, does not plan a major investment to its branch network in the near future.

Digital Channels

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

omni-channel strategy provides the Bank's clients the advantage to conduct their transactions across a variety of alternative channels at all times. Going forward, the Bank's management aims to better integrate these channels.

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

- *Improving branch performance*: By substantially expanding the use of DCs, 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 DCs has reduced the branch operating load and costs, with average cost per transaction being significantly lower for DC transactions.

- *Improving customer service and therefore retention*: Through DCs 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 DCs, which also provide opportunities for incremental fees and charges. Accumulated commission income generated solely by transactions on DCs was approximately TL 470.0 million for 2015 (TL 462.1 million for 2014).

- *Deepening relationships with customers*: DCs not only lead to operational efficiency in relation to transactions, but also portfolio efficiency via upsell and cross-selling opportunities on these channels. In 2015, 2.7 million banking products were sold to customers through the internet, mobile banking and ATMs.

In addition to high-quality banking services, DCs 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. In February 2013, the Bank launched the "Alo Garanti Call Steering" application, the first "call steering" application of its kind in the Turkish financial sector. This application allows customers to quickly conduct transactions by verbally stating the transaction to be conducted without having the need to listen to the key-in menu and simplifies the experience of a customer with the call centre.

The Bank is also using voice technology in the mobile banking platform. Mobile Interactive Assistant ("**MIA**") is a smart virtual voice assistant, which allows customers to have an experience similar to that of speaking with a live customer representative.

The Bank's DCs were recognized with multiple awards in 2015.

The Bank has also created various other mobile finance applications, which have been downloaded from the Bank's website under the "Garanti Application Store" more than 10.6 million times through 31 December 2015.

In May 2013, the Bank launched iGaranti, a mobile-only financial services application, which allows its customers to perform a wide range of innovative transactions, including quick response- based cardless POS, e-commerce and ATM payments, find location based offers and carry on voice call steering. In addition, the application allows its customers to perform transactions at any time without the need to access a branch.

Consistent with advances in technology and customer preferences, the Bank's customers are shifting their choice of distribution channel. In 2015, 86% of all transactions were realised using DCs, all of which otherwise would have had to have been accomplished through tellers. The Bank's principal DCs are described below:

- *Internet Banking & Mobile Banking*: The Bank had 4.2 million active digital banking users as of 31 December 2015. The Bank's internet banking service processed over 120 million financial

transactions and offered more than 500 types of transactions in 2015. The Bank offers mobile banking services via different platforms, including on iOS devices (the iPhone operating system), iPad devices and all Android-operated devices. As of 31 December 2015, the Bank had approximately 2.7 million active mobile customers.

- *ATMs*: The Bank's over 4,500 ATMs, as of 31 December 2015, provide around 150 different transactions (including remittances and cardless transactions). Approximately half of the transactions executed via the Bank's "Paramatik" ATMs are transactions other than cash withdrawals. 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 2015, the call centres had 50 million customer contacts and the accumulated individual sales of products through call centres was three 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 2015, the Bank had approximately 19,700 employees and the Group had approximately 23,750 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 specialised jobs (*e.g.*, headquarters jobs). In contrast, specialised jobs might 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 2015, the total net book value of the Group's tangible assets (including land, buildings and furniture) was TL 4,376,178 thousand, which was 1.6% of its total assets. The Group maintains comprehensive insurance coverage on all of the real estate properties that it owns.

Information Technology

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

The IT solutions created by Garanti Technology 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 Technology are pervasive across all channels and all levels of the Group. The services provided by Garanti Technology 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 Technology 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 Technology, which aims to provide access and monitoring with a 99.99% availability and makes real-time copies of transaction records. In 2015, Garanti Technology was responsible for the processing of approximately 488 million transactions a day on average, with up to 635 million transactions a day on peak days. The financial and core banking applications within Garanti Technology are developed by a team of over 400 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, minimise 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, Combating the Financing of Terrorist and Anti-Bribery Policies

Turkey is a member country of the Financial Action Task Force (the "**FATF**") and has enacted laws and regulations to combat money-laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, employee training, an audit function and designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board (*Mali Suçları Araştırma Kurulu*), which is the Turkish financial intelligence unit. In Turkey, all banks and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money-laundering.

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 Intelligence Unit, which is the Financial Crimes Investigation Board.

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

In an effort to ensure compliance with FATF requirements, Law No. 6415 on the Prevention of the Financing of Terrorism was introduced on 16 February 2013. This law introduced an expanded scope to the financing of terrorism offense (as defined under Turkish anti-terrorism laws). The law includes further criminalising terrorist financing and implementing an adequate legal framework for identifying and freezing terrorist assets.

In October 2014, the Organisation for Economic Co-operation and Development (the "**OECD**") Working Group on Bribery adopted the Phase 3 Report on Implementing the OECD Anti-Bribery Convention. In this report, the OECD Working Group expressed concerns about Turkey's low level of anti-bribery enforcement and recommended that Turkey improve its efforts to proactively detect, investigate and prosecute allegations of foreign bribery. The OECD Working Group also expressed concern regarding certain deficiencies in Turkey's corporate liability legislation and enforcement against legal persons and made several recommendations to address these concerns. Changes in Turkish laws, regulations and practices might arise from these recommendations, which the Bank will monitor.

Compliance with Sanctions Laws

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, SDNs, and similar rules have been put in place by other U.S. government agencies (including the State Department), the EU, the United Kingdom, the United Nations and Turkey. The Bank maintains policies and procedures designed to ensure that it complies with all such laws, regulations and orders (including those of OFAC, the EU and the United Nations) 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 a list of restricted countries and banks. 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, Fitch and JCR Eurasia as of the date of this Base Prospectus is set out below. Each of Standard & Poor's, Moody's and Fitch is established in the EU and is registered under the CRA Regulation. JCR Eurasia is not established in the EU and is not registered in accordance with the CRA Regulation. JCR Eurasia is therefore not included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Standard & Poor's (7 August 2015)

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

Moody's (28 September 2015)

Deposit Outlook:	Negative
Long Term Foreign Currency Deposit:	Baa3
Long Term Turkish Lira Deposit:	Baa3
Short Term Foreign Currency Deposit:	Prime-3
Short Term Turkish Lira Deposit:	Prime-3
Senior Unsecured Debt Outlook:	Negative
Senior Unsecured Debt:	Baa3
Baseline Credit Assessment (BCA):	ba1
Adjusted BCA:	baa3
National Scale Rating (NSR) Long Term Deposit:	Aa3.tr
NSR Short Term Deposit:	TR-1

Fitch (31 July 2015)

Outlook:	Stable
Long Term Foreign Currency:	BBB
Short Term Foreign Currency:	F2
Long Term Turkish Lira:	BBB
Short Term Turkish Lira:	F2
Viability Rating:	bbb-
Support:	2
National:	AAA (tur)

JCR Eurasia (20 May 2015)

Outlook FC/LC:	Stable
Long Term International FC:	BBB
Long Term International TL:	BBB+
Long Term National Local Rating:	AAA(TrK)
Short Term International FC:	A-3
Short Term International TL:	A-2
Short Term National Local Rating:	A-1+(TrK)
Sponsored Support:	1
Stand-Alone:	A

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. 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. On 22 January 2016, the Bank was notified of the 13th Council of State's decision rejecting the Bank's annulment action. The Bank has appealed the court's decision of rejection within the limitation period. The lawsuit is pending as of the date of this Base Prospectus.

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 and fees applicable to deposits, loans and credit card services that they offer. As part of this investigation, the Competition Board investigated the Bank and two of its subsidiaries, GPS 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 16 August 2013 the Bank paid three quarters of this administrative penalty (*i.e.*, TL 160.04 million), in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision (which was received on 17 July 2013). Notwithstanding this payment, the Bank filed an annulment action before the 2nd Administration Court of Ankara, which action was rejected. The Bank has appealed the court's decision of rejection. As of the date of this Base Prospectus, the lawsuit is pending.

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, there are two legal proceedings initiated against 12 banks (including the Bank) in this respect. The first lawsuit was dismissed by the court for lack of jurisdiction. The second lawsuit was filed on 7 January 2014 and is pending as of the date of this Base Prospectus. 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. The Bank's management has indicated that the amount of the fine imposed by the Competition Board (and any related damages successfully proven by a customer) will be sufficiently covered by the Bank's existing general provisions.

Consumer Transactions Inspection

In September 2013, the Custom and Trade Ministry ("**Custom Ministry**") initiated an audit in the Bank regarding its consumer transactions. Specifically, the Custom Ministry officials reviewed the content of the Bank's standard loan agreements executed with the consumers (*e.g.*, housing loans, auto loans, overdraft loans, general purpose loans and credit card agreements), fees and commissions that are charged to consumers and advertisements and announcements by the Bank published in the media and addressed to consumers. The inspectors of the Custom Ministry issued an audit report and the Provincial Directorate of Industry and Commerce of the Governorship of İstanbul imposed an administrative fine amounting to TL 110.11 million against the Bank according to the Law on Consumer Protection, Law No. 6502 (and the abolished Law No. 4077). The Bank paid three quarters of this administrative penalty (*i.e.*, TL 82.58 million) in accordance with the provisions of law permitting a 25% reduction if paid within 30 days after the Bank's receipt of the final decision. Notwithstanding this payment, the Bank filed a lawsuit before the İstanbul Administrative Courts for cancellation of the administrative fine. The lawsuit is pending as of the date of this Base Prospectus.

Tax Evasion Lawsuit

The Bank is a party to a lawsuit filed before the authorised department of the Paris Court of Appeals. The lawsuit is filed against a number of French citizens who were claimed to be involved in tax evasion and

similar activities with respect to their income generated from carbon emission allowances trading. The bank accounts established by two foreign individuals at the Bank and certain other international institutions as well as the transactions relating to these accounts have been investigated. The Bank's management is of the view that the Bank has complied with all applicable laws and regulations. The claims against the Bank represent an insignificant portion of this lawsuit and the Bank's management believes that the subject matter of this investigation should not have any material monetary or administrative impact on the Bank's ability to conduct its business. The lawsuit is pending as of the date of this Base Prospectus.

RISK MANAGEMENT

General

The Bank's risk management, internal audit and control activities are carried out in compliance with the applicable laws and regulations and each of these activities is independent of executive functions through an organisation that directly reports to the Board.

The Board is ultimately responsible for establishing and ensuring the effective functioning of risk management, internal audit and internal control systems and for establishing, implementing and maintaining risk management, internal audit and control strategies and policies that are compatible with the Bank's capital and risk level.

The Bank measures and monitors its risk exposure both on a consolidated and unconsolidated basis by using methods compliant with international standards and in accordance with applicable laws and regulations. Advanced risk management tools are utilised in measuring operational risk, trading risk, asset and liability risk, counterparty credit risk and credit risk.

The Bank's risk management strategies, policies and implementation procedures are reviewed periodically in line with the Bank's needs and within the scope of regulatory changes.

The Risk Management Department is responsible for preparing a capital adequacy assessment process report ("**ICAAP Report**") to be submitted to the BRSA, which report presents an assessment of the Bank's risk appetite and internal capital adequacy assessment process. In addition, the Bank submits stress test reports to the BRSA, which report address how the potential adverse effects of macroeconomic conditions in Turkey might change the Bank's three-year budget plan and set forth certain scenarios and their impact upon certain key ratios of the Bank, including its capital adequacy ratios.

A summary of the Bank's management of certain risks is set forth below. See note 26 to the 31 December 2015 IFRS Financial Statements for additional information on the management of these and other risks as of the date thereof.

Market Risk Management

The Bank measures its market risk according to applicable laws and regulations, its internal policies and procedures and internationally accepted methodologies, which are implemented in line with its structure, and reviews these continuously. Market risk is managed by measuring and limiting risk in accordance with these international standards, by allocating sufficient capital and minimising risk through hedging transactions.

Market risk is defined as the risk that the Bank faces due to market price fluctuations in the positions that it maintains on or off its balance sheet for trading purposes and is calculated daily using the VaR model. In order to identify the risks that might arise from major market volatilities, the Bank conducts regular stress tests and scenario analyses using the VaR model. The VaR is a measure of the maximum expected loss in the market value of a portfolio with a certain maturity at a certain confidence interval and a certain probability as a result of market price fluctuations. The VaR is calculated using an historical simulation method and one-year historical data at a 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model, which is also validated on an annual basis. The VaR limits are determined in accordance with capital allocations approved by the Board and dynamically updated in line with changes in the Bank's shareholders' equity. These limits are monitored and reported daily by the Risk Management Department.

The VaR stood at TL 30 million by the end of 2015 and its average value for 2015 was TL 59.2 million. In 2015, increase in the VaR was partly due to the increased volatility in the markets.

The Bank's management does not believe that market risk constitutes a material risk for the Bank given the amount of the Bank's shareholders' equity.

Interest Rate Risk Management

Market price sensitivity analyses reports for the duration/gap, economic value of equity, economic capital, net interest income, margin at risk and available-for-sale and held-to-maturity portfolios are prepared to determine the Bank's exposure to structural interest rate risks arising from maturity mismatches in its balance sheet. The Assets and Liabilities Committee (the "**ALCO**") and the Asset-Liability Management Department (the "**ALMD**") use these reports and the risk metrics for managing balance sheet interest rate risk.

The stress tests and scenario analyses carried out within the framework of structural interest rate risk are performed under a "Stress Test Programme," which measures risks resulting from Bank-specific adverse developments or major risks and vulnerabilities that may potentially result from the economic and financial environment under stress in view of regulatory and internal interest rate risk management requirements. Results of stress tests are used by the Bank as one input in determining its risk appetite, budget and limits, to establish balance sheet management strategies and to evaluate the Bank's need for capital.

The interest rate risk in the banking book is measured on an unconsolidated basis using the standard shock method. The Bank monitors the regulatory limits and reports the results to the BRSA on a monthly basis.

Liquidity Risk Management

The ALMD and the ALCO manage liquidity risk within the scope of the risk management policies that are approved by the Board. These policies aim to take appropriate and timely measures in the context of reduced liquidity in the market conditions or due to the structure of the Bank's balance sheet. As part of its contingency funding plan, the Bank monitors liquidity risk taking into account: (a) early warning signals, (b) stress levels determined according to the possible liquidity risk scenarios and the severity of the risk, (c) any cash requirements in various scenarios and (d) actions to be taken at each stress level. Within early warning indicators, indicators that can be quantified for stress test scenarios, other indicators selected by the Bank and market data are monitored on a weekly basis. The Bank monitors its liquidity risk in line with internal limits in order to assess its funding structure and liquidity capacity based upon the maturity profile of its balance sheet, manage short term funding sources effectively and ensure compliance with minimum regulatory liquidity ratios. As part of the liquidity risk stress tests, high quality liquid assets and alternative funding sources are assessed by cash flow projections in order to meet liquidity requirements under stress conditions. Core deposit and average life analyses are performed for deposits, which are an important balance sheet item for liquidity management. The Bank also monitors concentrations in its funding sources. The ALMD performs the daily liquidity management.

Credit Risk Management

Credit risk management, which is a process for consistently evaluating and monitoring credit risk, covers all credit portfolios of the Bank. The Bank has been using internal risk rating models, which were developed for corporate and commercial loan portfolios, in the loan lending process since 2003 and has incorporated these models into the applicable lending policies and procedures. These models were developed using statistical analysis of historical data in order to calculate the probability of default for each client using objective criteria. Models are also used for as part of the evaluation of more specialised lending loans.

The collection performance of a non-performing loan in any portfolio is analysed and default ratios are calculated considering the time value of money and costs incurred for making collections (*i.e.*, for commercial debt collection on the basis of segments and for retail debt collection on the basis of products and segments). The Bank's management expects to sell a portion of its NPL portfolio to the extent that the market conditions are attractive. The Bank undertakes studies to predict the level of loss ratios during an economic downturn. The Bank also examines limit utilisation ratios for its corporate, commercial and small enterprise portfolios prior to a default and calculates conversion rates of each portfolio. These ratios are used to calculate expected loss-based provisions and internal capital requirement. Moreover, under IAS 39 regarding the calculation of provisions, the Bank identifies its impaired portfolios and performs a collective

provision calculation. The Bank monitors concentrations across its portfolio with respect to internal risk ratings, sectors, regions, groups and clients. Risk-adjusted return-based limits are determined on the basis of products for retail portfolios and on the basis of sectors for corporate portfolios. While allocating general purpose, auto, mortgage, commercial mortgage, home equity, overdraft loans and commercial credit cards and credit card portfolios, which are evaluated under retail and SME lending processes, a score is developed that includes application, behavior and bureau scores. The Bank evaluates its internal capital adequacy with its stress tests and scenario analyses. As of the date of this Base Prospectus, the Bank is in the process of preparing the documents, infrastructure, corporate governance and usage areas for an application to be filed to the BRSA regarding the calculation of capital adequacy using an internal ratings-based approach.

The Bank performs qualitative and quantitative validations, in particular for credit risk models and methodologies, which are primarily used for the calculation of capital.

Operational Risk Management

Operational risk is managed by the "three lines of defence" approach within the framework of risk management policies approved by the Board. The Board is ultimately responsible for the establishment, approval and regular review of the Bank's operational risk management framework. The Board also determines the Bank's risk appetite for operational risk and related limits and the Bank's senior management ensures consistent and efficient implementation and maintenance of the operational risk management framework for the Bank's activities, processes and products.

All business lines and departments of the Bank take part in the first line of the "three lines of defence" approach adopted for operational risk management and manage their operational risks within the scope of the Bank's policies and implementation principles.

The second line of defence, comprised of Risk Management Department, the Internal Control Unit and the Compliance Department, include risk specialists who support: (a) the senior management's understanding and management of the operational risk that the Bank is exposed to and (b) the Board's monitoring of operational risk management activities. The Risk Management Department designs measurement and assessment tools (*e.g.*, loss data, scenario analysis, risk indicators and self-assessment) as part of the operational risk measurement and provides guidance and coordination for their use. This department prepares reports for management based upon data obtained by specialised management tools.

The Internal Audit Department, which performs internal audit activities, is the third line of defence and independently reviews operational risk management. The Internal Audit Department independently reviews all aspects of the operational risk management framework.

Reputational Risk Management

The Bank manages its reputational risk by trying to avoid transactions and activities that might negatively impact the views of legal authorities, the Bank's customers and other market participants. The Bank seeks to support transactions and activities that benefit society and the natural environment. In this context, the Bank provides its employees with training aimed at raising their awareness of reputational risk throughout the Bank and also encourages its employees to fulfil their applicable duties and responsibilities.

In order to ensure efficient management of reputational risk throughout the Bank, the Bank aims to preserve and improve its customers' opinions of the Bank and to minimize any adverse impact upon the environment. Efforts carried out to this end include: (a) monitoring the media, press and social media platforms to ensure that no issue arises that could damage the Bank's reputation, (b) managing potential impacts to the Bank's reputation, (c) ensuring that the Bank's activities are in compliance with laws and corporate standards and (d) developing processes that support the management of information security and IT-related risks.

Counterparty Credit Risk

The counterparty credit risk strategy, policy and implementation principles are defined in a policy document approved by the Board. The Bank carries out measurement, monitoring and limit-setting activities for this risk in line with its policy. In 2015, the Bank started to use the internal model method (IMM) to measure and report its counterparty credit risk, which is currently measured by using the current exposure method (CEM) for derivative transactions, repurchase transactions, security and commodity lending. Within this scope, the Bank implements risk mitigation techniques through its framework agreements (*e.g.*, ISDA, CSA and GMRA), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international law.

Management of Other Risks

The Bank manages country and transfer risk, strategic risk, concentration, residual and other risks in line with the strategies, policies and implementation procedures that it has established.

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 Board 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 Board makes all major management decisions affecting the Bank. The Board 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 Board, which should consist of at least seven members. Currently, the General Assembly has set the number of members at ten. 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 are appointed for a period of three years and a member may be re-elected.

The members of the Board 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 Amended Shareholders' Agreement

The Amended Shareholders' Agreement, which became effective as of 27 July 2015, amended and restated the 2010 Shareholders' Agreement executed between the Doğuş Shareholders and BBVA (and to which the Bank is not a party) and contains the parties' agreement regarding the composition of the Board in proportion to the shareholding that Doğuş Shareholders retain in the Bank. Accordingly, if the Doğuş Shareholders own more than 9.95% of the Bank's shares, then the parties have agreed to vote their shares at the Bank's general assembly such that: (a) the Board will consist of 10 members, (b) Board members nominated by BBVA will occupy seven board seats (two of which will be members of the Audit Committee and be deemed independent Board members pursuant to Corporate Governance Communiqué), (c) Board members nominated by the Doğuş Shareholders will occupy two board seats and (d) a Board member jointly selected by BBVA and the Doğuş Shareholders will occupy the remaining Board seat, who will also be the third independent member of the Board. As of the date of this Base Prospectus, the Doğuş Group's and BBVA's shares in the Bank are 10.00% and 39.90%, respectively.

The Amended Shareholders' Agreement further provides that:

- if the Doğuş Shareholders own 9.95% of the Bank's shares, then the parties have agreed to vote their shares at the Bank's general assembly such that: (a) the Board will consist of 10 members, (b) Board members nominated by BBVA will occupy eight board seats (two of which will be members of the Audit Committee and be deemed independent Board members pursuant to Corporate Governance Communiqué), (c) a Board member nominated by the Doğuş Shareholders will occupy one board seat and (d) a Board member jointly selected by BBVA and the Doğuş Shareholders will occupy the remaining board seat, who will also be the third independent member of the Board, and

- if the Doğuş Shareholders own less than 9.95% of the Bank's shares, then the parties have agreed to vote their shares at the Bank's general assembly such that the number and identity of members of the Board will be as selected by BBVA (which should consist of at least seven members according to the Bank's articles of association).

The Amended Shareholders' Agreement provides that the parties' directors will vote at board meetings such that: (a) the Bank's Chief Executive Officer and the Chairman of its Board will be as selected by BBVA and (b) the meeting and decision quorum at the Board meeting will be six or more persons.

Reserved Matters. The Amended Shareholders' Agreement contains the parties' agreement with respect to the following matters that BBVA (whether as shareholder of the Bank or, for board meetings, through its

appointed directors) is required to vote against unless the Doğuş Shareholders consent: (a) decisions that might adversely affect the voting rights or other rights attached to the Doğuş Shareholders' shares, (b) amendments to the constitutional documents of the Bank or any of the Bank's material subsidiaries that conflict with the rights of the Doğuş Shareholders as holders of 9.95% or more of the share capital of the Bank, (c) the liquidation of, or initiation of insolvency proceedings in relation to, the Bank or any of its material subsidiaries, (d) granting rights to any person that restricts the pre-emptive rights of the Doğuş Shareholders in capital increases and (e) the disposal or discontinuance of, or material changes to, any line of business or business entity within the Group that has a book value of 25% or more of the Group's total net assets in one financial year. Should the Doğuş Shareholders own 9.95% or less of the Bank's shares, then they will only have the rights provided to shareholders under Turkish law or the Bank's by-laws.

Corporate Governance Communiqué

On 3 January 2014, the CMB issued Communiqué No. II-17.1 on Corporate Governance (as amended, the "**Corporate Governance Communiqué**"), which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. The Corporate Governance Communiqué also contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the Board. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free float shares, subject to recalculation on an annual basis. The Bank is classified as a "Tier I" company, thus requiring it to comply with the most stringent set of requirements. The Bank is also subject to corporate governance principles stated in banking regulations and in regulations for capital markets that are applicable to banks.

Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul, including the Bank. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also to be included in such report. As of the date of this Base Prospectus, the Bank complies with the mandatory principles under the Corporate Governance Communiqué.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensuring compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict these principles.

Members of the Board

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 2018
Süleyman Sözen (Vice Chairman)	1997 (Vice Chairman since 2003)	May 2018
Ali Fuat Erbil	2015	May 2018
Sait Ergun Özen	2003	May 2018
Cüneyt Sezgin, PhD	2004	May 2018
Maria İsabel Goiri Lartitegui	2015	May 2018
Manuel Pedro Galatas Sanchez-Harguindey	2012	May 2018
Javier Bernal Dionis	2015	May 2018
Belkıs Sema Yurdum	2013	May 2018
Jaime Saenz de Tejada Pulido	2014	May 2018

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

Ferit Faik Şahenk (Chairman)

Mr. Şahenk is the Chairman of the Doğuş Group and the Bank. He has an undergraduate degree in Marketing and Human Resources from Boston College. Formerly, Mr. Şahenk served as the founder and Vice President of Garanti Securities, CEO of Doğuş Holding and Chairman of Doğuş Otomotiv. He also served as the Chairman of the Turkish-American Business Council of the Foreign Economic Relations Board (DEİK), the Chairman of the Turkish-American Business Council, the Deputy Chairman of the Turkish-United Arab Emirates Business Council and the executive board member of the Turkish-Greek Business Council of DEİK. Mr. Şahenk is an active member of the World Economic Forum and the Alliance of Civilisations Initiative. He serves at the Regional Executive Board of Massachusetts Institute of Technology's (MIT) Sloan School of Management for Europe, Middle East, South Asia and Africa and the Middle East Centre Advisory Board of the London School of Economics. Mr. Şahenk has 25 years of experience in banking and business administration.

Süleyman Sözen (Vice Chairman)

Mr. Sözen is a graduate of Ankara University's Faculty of Political Sciences and worked as a Chief Auditor at the Turkish Ministry of Finance and the Undersecretariat of Treasury. Since 1981, he has served in various positions in the private sector, mainly in financial institutions. Having served on the Board since 1997, Mr. Sözen was appointed as the Vice Chairman on 8 July 2003. Mr. Sözen holds a Certified Public Accountant license and serves as the Chairman of the board of directors at Garanti Bank Moscow. Mr. Sözen also serves as a board member of Gürel İlaç and Görüş YMM and is the Chairman and the Vice Chairman at various other affiliates of Doğuş Holding. Mr. Sözen has 33 years of experience in banking and business administration.

Ali Fuat Erbil, PhD (CEO)

Mr. Erbil graduated from the Middle East Technical University's Computer Engineering Department. He obtained an MBA from Bilkent University and a PhD in Banking and Finance from İstanbul Technical University. After working as an executive at various private companies and banks, he joined the Bank in 1997 as the Senior Vice President of the Distribution Channels Department. Mr. Erbil was appointed as an Executive Vice President in April 1999, responsible for Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources departments. Since September 2015, Mr. Erbil has been serving as the President and CEO of the Bank and he is also the Chairman of Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, GPS and Garanti Technology. With 23 years of experience in banking and business administration, Mr. Erbil also serves as a board member at the Turkish Banks Association.

Sait Ergun Özen

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 Programme at Harvard Business School. He started his banking career in 1987 at a private bank's treasury department and joined the Bank in 1992. Mr. Özen served as the President and CEO of the Bank between April 2000 and September 2015. Since April 2000, he has been a Board member. Mr. Özen is also a board member at Garanti Securities, the Deputy Chairman of the board of directors at Garanti Bank Moscow and the Chairman of the board of directors at Garanti Romania. In addition, Mr. Özen serves as a board member of the İstanbul Foundation for Culture and Arts (İKSV) and the Turkish Industrialists' and Businessmen's Association (TÜSİAD), and is a board member of the Trustees of the Turkish Education Association. Mr. Özen has 28 years of experience in banking and business administration.

Cüneyt Sezgin, PhD

Mr. Sezgin received a Bachelor of Arts degree from the Middle East Technical University's Department of Business Administration, an MBA from Western Michigan University and a PhD from İstanbul University's Faculty of Economics. He has served in executive positions at several private banks and joined the Bank in 2001. Mr. Sezgin is a board member at Garanti Romania, Garanti Pension and Life, Garanti Securities and the Corporate Volunteer Association Turkey. Mr. Sezgin has been serving as a Board member since June 2004 and has been an independent Board member since April 2013. He has been serving as the Chairman of the Bank's Audit Committee. Mr. Sezgin has 27 years of experience in banking and business administration.

Manuel Pedro Galatas Sanchez-Harguindey

Mr. Manuel Galatas Sanchez-Harguindey has a degree in Business Administration and International Finance from Georgetown University. After working as an executive at various private financial entities, he joined Argentaria (now BBVA) in 1994. 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 a Board member and a member of the Audit Committee. He is also the Vice Chariman of the board of directors at Garanti Bank International N.V. At the Bank, he has been serving as a Board member since May 2011 and as an independent Board member since April 2013. Mr. Sanchez-Harguindey has 31 years of experience in banking and business administration.

Belkıs Sema Yurdum

Ms. Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed the Advanced Management Programme in Harvard Business School for senior managers in 2000. After working in a private sector company as an expert in human resources, she had a career in the banking sector from 1980 through 2005. She worked as an Executive Vice President of the Bank and held audit committee membership in various of its subsidiaries between 1992 and 2005. Since 2006, Ms. Yurdum has been engaged in senior consultancy services for various companies. She has been serving as an independent Board member since 30 April 2013. Ms. Yurdum has 36 years of experience in banking and business administration.

Jaime Saenz de Tejada Pulido

Mr. Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia Comillas (ICADE) in both Law and Economics and Business. Mr. Saenz de Tejada Pulido joined BBVA in 1992 and is currently the CFO at BBVA Group. He has also been serving as a Board member since October 2014. Mr. Saenz De Tejada Pulido has 23 years of experience in banking and business administration.

Maria İsabel Goiri Lartitegui

Ms. Goiri Lartitegui graduated with First Class Honors in Business Administration from Birkbeck, University of London and earned an MSc in Business Administration from Imperial College, University of London. She began her career as an analyst and became a fund manager at Schroder Investment Management (London), one of the largest UK asset management companies. In 1988, Ms. Goiri Lartitegui joined BBVA Asset Management as Chief Investment Officer, where she served as a board member. In 2003, Ms. Goiri Lartitegui was appointed as BBVA Head of Investor Relations, reporting to the BBVA Group's CFO. In January 2008, she became the CFO of BBVA Compass, the USA subsidiary of BBVA. In April 2011, Ms. Goiri Lartitegui was appointed as the Director of Corporate Risk Management, the Head Office Risk Unit. In July 2015, Ms. Goiri Lartitegui was appointed as the Director (Turkey) of BBVA Global Risk Management and became a Board member. Ms. Goiri has 25 years of experience in banking and business administration.

Javier Bernal Dionis

Mr. Javier Bernal Dionis has a law degree from University of Barcelona (Spain) and an MBA from IESE Business School (University of Navarra, Spain). After working in Barna Consulting Group (Barcelona) as a Partner and in Promarsa (New York, USA) as General Manager, he joined BBVA in 1996. Until 1999, Mr. Bernal Dionis was the BBVA Segment Manager of Retail Banking (Spain). From 2000 to 2003, Mr. Bernal Dionis worked independently and founded an internet portal. Since 2003, Mr. Bernal Dionis has worked in a number of different departments in BBVA: Head of Innovation and Business Development, reporting to the CEO between 2004 and 2005; Head of Business Development (Spain & Portugal) between 2006 and 2010; Head of Commercial & Retail Banking under Global Retail and Banking Business from 2011 to 2014; and Head of Business Alignment between BBVA and the Bank from 2014 to 2015. He was also a member of the BBVA Group Executive Committee between 2006 and 2010 and the Spanish and Portugal Executive Committee between 2010 and 2011. He has been serving as a Board member since July 2015 and a board member at each of Garanti Pension and Life, Garanti Bank Moscow, Garanti Bank Romania, Garanti Leasing, Garanti Securities and Garanti Payment Systems. Mr. Bernal has 25 years of experience in banking and business administration and is responsible for the coordination between BBVA and the Bank.

The Executives

In addition to the Bank's CEO, Ali Fuat Erbil, 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 Dinçer Başer	Executive Vice President	Digital Banking	2005
Aydın Düren	Executive Vice President	Legal Services	2009
B. Ebru Edin	Executive Vice President	Project Finance	1997
Halil Hüsnü Erel	Executive Vice President	Technology, Operations, Central Marketing and Business Development	1994
Gökhan Erün	Executive Vice President	Corporate Banking and Treasury	1994
Onur Genç	Executive Vice President	Retail Banking	2012
F. Nafiz Karadere	Executive Vice President	SME Banking	1999
Recep Baştuğ	Executive Vice President	Commercial Banking	1989
Osman Tüzün	Executive Vice President	Human Resources, Customer Satisfaction and Support Services	1999
Aydın Güler	Executive Vice President	Finance and Accounting	1990
Ali Temel	Executive Vice President	Chief Credit Risk Officer	2016

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

Didem Dinçer Başer

Ms. Başer graduated from Boğaziçi University's Department of Civil Engineering and earned her graduate degree from the University of California, Berkeley College of Engineering. She started her career in 2005 and worked for a global management consulting firm for seven years and left the firm as an Associate Partner. Ms. Başer joined the Bank in 2005 and worked as the Coordinator of the Retail Banking Business Line during her first seven years. She was appointed as the Executive Vice President of Digital Banking in 2012 and has also been a board member of Garanti Pension and Life. With 20 years of experience in banking and business administration, Ms. Başer is responsible for the management of digital banking and social platforms.

Aydın Düren

Mr. Düren graduated from İstanbul University's Faculty of Law and earned his graduate degree in International Law from the American University's Washington College of Law. After serving as an associate, partner and the managing partner for over 18 years at international law firms in New York, London and İstanbul, Mr. Düren joined the Bank on 1 February 2009 as the Executive Vice President in

charge of legal affairs. Mr. Düren is a board member of GPS, the Teachers Academy Foundation, Garanti Mortgage and Vice President of the Fund. Since June 2015, Mr. Düren is also the Corporate Secretary of the Bank. With 21 years of experience in banking and business administration, Mr. Düren is responsible for legal advisory services, legal collections, litigation, GPC's legal services and legal operations.

B. Ebru Edin

Mrs. Edin graduated from Boğaziçi University's Department of Civil Engineering. Mrs. Edin started her career in the banking sector in 1993. She joined the Bank's Corporate Banking division in 1997. In 1999, she was part of the team that established the Bank's Project Finance Department. Leading the department for six years as Senior Vice President, she became the Project and Acquisition Finance Coordinator in 2006. She was appointed to her current position in November 2009. In 2010, she became a member of the Sustainability Committee and, as of the date of this Base Prospectus, coordinates the Sustainability team, which was created in 2012 to implement the decisions of the Sustainability Committee. Ms. Edin is the Vice President of the Sustainable Development Association and an Associate Member of the Teachers Academy Foundation. With 22 years of experience in banking and business administration, Ms. Edin is responsible for project finance and sustainability.

Halil Hüsnü Erel

Mr. Erel graduated from the İstanbul Technical University's Department of Electronics and Communications Engineering. Prior to joining the Bank, he served as an executive at various private companies and banks. In 1994, he joined Garanti Technology as its General Manager and was appointed to his current position in June 1997. Mr. Erel is a board member of Garanti Payment Systems and the Vice Chairman of the board of directors of Garanti Technology. With 40 years of experience in banking and business administration, Mr. Erel is responsible for customer relationship management and marketing, organisation and process development, product development and innovation management, anti-fraud monitoring, the Abacus operations centre and the Bank's Technology Centre.

Gökhan Erün

Mr. Erün earned his undergraduate degree from the İstanbul Technical University's Department of Electronics and Communications Engineering and his 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 and 2004. He became the CEO of Garanti Pension and Life in September 2004 and was appointed to his current position in 2012. Mr. Erün is the Chairman of the Fund, the 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. On May 2012, Mr. Genç was appointed to the CEO position at GPS. In September 2015, he was appointed as the Deputy CEO of the Bank. Mr. Genç is a board member at Garanti Romania, Garanti Technology and GPS, the Deputy Chairman of the board of directors at Garanti Pension and Life and Garanti Securities and the Chairman of Garanti Mortgage. With 16 years of experience in banking and business administration, Mr. Genç is responsible for retail banking marketing, mass retail banking marketing, affluent banking marketing, investment banking product management, call centre, corporate brand management and marketing communications, financial institutions, insurance and pension coordination, domestic and overseas subsidiaries coordination and GPS.

F. Nafiz Karadere

Mr. Karadere graduated from the International Relations Department of Ankara University's Faculty of Political Sciences. After having worked as a senior executive at various private banks, he was appointed to his current position in May 1999. Mr. Karadere is a board member of Garanti Romania, GPS, Garanti Pension and Life, Garanti Technology, the Fund and the Vice Chairman of the board of directors at Garanti Mortgage and a Member of the Board of Trustees and the Vice Chairman of the Teachers Academy Foundation. He is also the Vice Chairman of the World Wildlife Foundation (Turkey) and the Chairman of SALT, a cultural institution founded by the Bank. With 33 years of experience in banking and business administration, Mr. Karadere is responsible for SME banking marketing.

Recep Baştuğ

Mr. Baştuğ graduated from Çukurova University's Faculty of Economics. He joined the Bank as an Internal Auditor in 1989 and worked as a Corporate Branch Manager between 1995 and 1999 and as a Commercial Regional Manager between 1999 and 2004. He served as the Commercial Banking Coordinator between 2004 and 2013 and was appointed as an Executive Vice President in January 2013. Mr. Baştuğ is a board member of Garanti Bank Moscow, Garanti Leasing and Garanti Fleet. With 25 years of experience in banking and business administration, Mr. Baştuğ is responsible for marketing commercial banking in İstanbul and Ankara, marketing commercial banking in Anatolia and consumer finance.

Osman Tüzün

Mr. Osman Tüzün graduated from the Computer Engineering Department of Middle East Technical University and received his MBA degree from Bilkent University. He started his banking career in 1992 and served at various branches and head office departments for seven years. Mr. Tüzün joined the Bank in 1999 as the Senior Vice President responsible for Branchless Banking. He served as the Senior Vice President of of Retail Banking between 2000 to 2005 and was the CEO at a private sector company between 2005 and 2008. In 2008, Mr. Tüzün returned to the Bank as the Coordinator responsible for Human Resources, and in August 2015 he was appointed as an Executive Vice President. Mr. Tüzün is the Chairman of the board of directors of the Fund. With 23 years of experience in banking and business administration, Mr. Tüzün is responsible for human resources, learning and development, construction, purchasing and real estate.

Aydın Güler

Mr. Aydın Güler graduated from İstanbul Technical University's Department of Mechanical Engineering and joined the Bank's Fund Management Department in 1990. After working at different Head Office departments for 10 years, he was appointed as the Senior Vice President responsible for Risk Management and Management Reporting in 2000. Between the years 2001 and 2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning and Analysis and was appointed as the Coordinator of the same department in 2013. In December 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Accounting and he is a board member at the Fund. With 26 years of experience in banking and business administration, Mr. Güler is responsible for assets and liabilities management, financial planning and analysis, investor relations, general accounting, consolidation and international accounting, management of tax operations and coordination with the BBVA.

Ali Temel

Mr. Ali Temel earned his undergraduate degree from Boğaziçi University's Department of Electrical and Electronic Engineering and started his carrier in the banking sector in 1990 at a private bank. Mr. Temel joined the Bank in 1997 and, after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as the Executive Vice President responsible for Commercial Banking between 1999 and 2001 and the Executive Vice President responsible for Loans between 2001 and 2012. On 10 December 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. With 25 years of experience in banking and business administration, Mr. Temel is responsible for wholesale risk, retail risk,

risk planning, monitoring and reporting, risk analytics, technology and innovation and regional loans coordination.

Conflicts of Interest

Except as described in the following sentence, 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 2010 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; *however* the Amended Shareholders' Agreement, the amendments of which will become effective simultaneously with the consummation of the share transfer under Share Purchase Agreement, changes the composition of the Board in proportion to the shareholding that Doğuş Group retains in the Bank. See "*Ownership – Amended Shareholders' Agreement*". 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 is the Bank's headquarters at Nispetiye Mahallesi, Aytar Caddesi No: 2 Levent, Beşiktaş 34340, İstanbul, Turkey. The Bank's telephone number is +90 212 318 1818.

Corporate Governance, Risk and Other Committees

In connection with the Bank's corporate governance obligations, the Bank 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 Weekly Review Committee, the Remuneration Committee, the Corporate Governance Committee, the Audit Committee and multiple risk committees.

In addition to those, three main committees focused on employees, customers and business models were set up at the Bank in October 2015: the Employee Satisfaction Committee, the Customer Satisfaction Committee and the Business Model Committee.

Certain information relating to these committees is set out below.

Credit Committee

In accordance with the Banking Law, the Board 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 authorisation limit. The Credit Committee reviews these loan proposals, decides on those that are within its approval limits and submits those that exceed its authorised limits but it deems appropriate to the Board for further review.

Weekly Review Committee

The Weekly Review Committee 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 Weekly Review 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.

Garanti Assets & Liabilities Committee

The Garanti Assets & Liabilities Committee is responsible for managing the Bank's asset and liabilities. This committee's main objectives are to assess interest rate risk, exchange rate risk and liquidity risk and to make executive decisions for managing the balance sheet taking into consideration the Bank's strategies and competitive conditions.

The Garanti Assets & Liabilities Committee performs (*among others*) the following duties:

- monitoring the liquidity positions of the Bank and its portfolio of securities that are eligible to be used in repo transactions,
- governance of the fund transfer pricing process,
- assessing the interest rate sensitivity of the balance sheet,
- assessing the effects of currency volatility on the capital adequacy ratios and profits,
- assessing the Bank's capital adequacy ratios and the effects of dividend payments on capital,
- assessing the risks and impacts of budgeted financials and differences between the net interest income and budgeted income and analysing the changes in the balance sheet, and
- monitoring risk levels assumed by the Bank in terms of structural interest rate risk, liquidity risk and structural exchange rate risk with a particular focus on the limits.

Remuneration Committee

Established on 1 January 2012 within the framework of 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 requirements of the Corporate Governance Communiqué. The Remuneration Committee reports directly to the Board. 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 at least annually in order to ensure compliance with applicable laws and regulations in Turkey as well as with market practices and updating the remuneration policy, if necessary,
- presenting a report including the findings and proposed action plans to the Board at least one time per calendar year, and
- setting and approving salary packages for executive and non-executive members of the Board, the CEO and the Executive Vice Presidents.

Corporate Governance Committee

The Board 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 predecessor to the Corporate Governance Communiqué.

Within the frame of the Corporate Governance Communiqué, the Corporate Governance Committee:

- monitors whether corporate governance principles are implemented at the Bank, determines the grounds for non-implementation, if applicable, as well as any potential conflicts of interest arising from failure to fully comply with these principles, and presents suggestions to the Board for the improvement of corporate governance practices,

- oversees the activities of the Investor Relations Department,

- evaluates the proposed nominees for independent Board membership, including those of the management and investors, considering whether the nominees fulfil the independence criteria and presents its assessment report to the Board for approval, and

- makes an assessment for election of independent members to the seats vacated due to a situation that results from the resignation of a Board member who loses his independence in order to ensure that the requisite number of independent Board members serve until a new independent Board member is appointed at the General Assembly Meeting of the Bank and presents its written assessment to the Board.

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

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

- conducting necessary preliminary evaluations for the selection of independent audit firms and appraisal and support services providers and regularly monitoring the activities of these firms,

- ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner, and

- developing audit and control processes in order to ensure ICAAP adequacy and accuracy.

Risk Committee

The Risk Committee is in charge of overseeing the Bank's enterprise corporate risk management policy and practices, and managing various potential risk exposures of the Bank, including capital adequacy, planning and liquidity adequacy. The Risk Committee is responsible for:

- evaluating and approving the risk management policy, practices and processes in order to establish and maintain an effective enterprise corporate risk management structure,

- overseeing the Bank's alignment with the risk profile approved by the Board,

- verifying that necessary actions are taken to ensure that adequate systems and resources are in place for managing the Bank's risks,

- encouraging a risk culture that will guarantee a coherent risk management and control model for the Bank and the implementation of this risk culture at all levels of the organisation,

- managing capital planning policies, practices and processes, including assessment of capital adequacy,

- assisting the Board in making sure that the Bank carries out its operations securely and properly in accordance with all laws, regulations and regulatory policies and procedures for the fulfilment of its responsibilities.

Sustainability Committee

A Sustainability Team is set up under the Sustainability Committee to carry out the sustainability activities of the Bank. The Sustainability Committee is responsible for:

- monitoring the efforts for evaluation of the risks that occur due to effects caused by the Bank in terms of energy consumption, waste management etc.,
- coordinating the integration of sustainability policy and strategy into the Bank's operations, products, services and decision-making mechanisms,
- ensuring conformity of all decisions made and all projects carried out within the framework of the sustainability structure created within the Bank with other policies and related regulations of the Bank,
- supervising the activities of task forces so formed, and
- providing information to the Board on the committee's activities, when needed.

Employee Satisfaction Committee

The Employee Satisfaction Committee is charged with determining the Bank's human resources policy, working towards enhancing employee satisfaction and loyalty, coordinating these efforts, setting out necessary action plans and implementing these action plans, if necessary. The objective of this committee is to drive the Bank's development by obtaining management support with respect to expanding learning and development and observing the implications of training upon business.

Customer Satisfaction Committee

The Customer Satisfaction Committee is responsible for devising solutions aimed at enhancing customer satisfaction and consistent experience through all of the Bank's departments. This committee also works to ensure that good practice is used across the Bank.

Business Model Committee

The Business Model Committee reviews the existing service models supporting the Bank's customer-centric strategies, with a focus on efficiency. Taking customer expectations and trends into consideration, the Business Model Committee develops efficient and leading new service models with technological advancements and innovative practices in line with the Bank's strategies.

Liquidity Risk Management Committee.

The duties and responsibilities of the Liquidity Risk Management Committee 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 might 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.

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 organisations 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 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 2015 amounted to TL 186,652 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 recognised 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, the Council of Ministers has the authority to determine the date that the contractual benefits of the participating employees will be transferred to the SSF. 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 unrecognised 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 the same independent actuary stated above, which is registered with the Undersecretariat of the Treasury. As per the independent actuary report dated 7 December 2015, the Bank had no excess obligation that needed to be provided for as of 31 December 2015.

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). On 24 December 2007, GEAM transferred shares representing a 4.65% interest in the Bank back to the Doğuş Group, which 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.

On 27 July 2015, BBVA acquired 62,538,000,000 shares in the Bank (representing 14.89% of the shares in the Bank then in issue) from Doğuş Holding and members of the Şahenk family.

As of the date of this Base Prospectus, the Doğuş Shareholders' and BBVA's shares in the Bank are 10.00% and 39.90%, respectively. The Bank's shares are traded on the 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 U.S. over-the-counter market).

The Amended Shareholders' Agreement

The Doğuş Shareholders and BBVA entered into the Amended Shareholders' Agreement to amend and restate their 2010 Shareholders' Agreement (to which the Bank is not a party), providing for the revision of certain provisions relating to the governance and management of the Bank, which amendments became effective as of 27 July 2015.

In the Amended Shareholders' Agreement, the Doğuş Shareholders agreed that they will not sell shares in the Bank to a third party during the first three years following the finalisation of the share transfer (*i.e.*, from 27 July 2015) (the "**Lock-up Period**"); *however*, if BBVA sells any of its shares in the Bank to a third party prior to the end of the Lock-up Period, then the Doğuş Shareholders will be entitled to sell a percentage of their shares in the Bank that corresponds to the proportion of the shares sold by BBVA against the total amount of shares that BBVA held prior to its sale.

Right of First Offer. The Amended Shareholders' Agreement provides that if any of the Doğuş Shareholders (upon the expiry of the Lock-up Period) or BBVA intends to sell all or any portion of its shares to a third party, then the Doğuş Shareholders or BBVA, as applicable, will be entitled to a right of first offer with respect to such shares; *provided* that the requesting party (including its group and related entities) holds at least 10.00% of the Bank's share capital. The Amended Shareholders' Agreement provides that the right of

first offer will cease to apply if the selling shareholder (prior to the time of its sale) owns 50.00% or more of the Bank's share capital. The parties are required to comply with the provisions regarding the right of first offer even when the parties intend to sell their shares through a public offering or a private placement.

Tag Along Right. The parties agreed in the Amended Shareholders' Agreement that if any of the Doğuş Shareholders or BBVA sells all or a portion of its shares in the Bank to a third party, then the other party will be entitled (but not obligated) to require the selling party to ensure that the purchaser purchases its shares on the same terms and conditions on which the selling party's shares will be sold.

Adherence to the Amended Shareholders' Agreement. The Amended Shareholders' Agreement provides that if (upon the expiry of the Lock-up Period) any of the Doğuş Shareholders or BBVA intends to sell all or a portion of its shares to a third party, then the selling party will be obliged to ensure that the purchaser will adhere to and become bound by the provisions of the Amended Shareholders' Agreement in proportion to the shares purchased by such third-party; *provided* that certain limited exceptions will not apply to the purchaser.

Shareholdings

As of 31 December 2015, the Bank's issued shares were held as follows:

Shareholder	Shares held	% of issued share capital	% of voting rights
Doğuş shareholders[(1)]	42,000,715,584	10.0002%	10.0002%
BBVA[(1)]	167,580,000,000	39.9000%	39.9000%
Other shareholders	210,419,284,416	50.0998%	50.0998%
Total	**420,000,000,000**	**100.0000%**	**100.0000%**

(1) Pursuant to the Amended Shareholders' Agreement to which they are party, the Doğuş Shareholders and BBVA have agreed that BBVA (whether as shareholder of the Bank or, for board meetings, through its appointed directors) is required to vote against certain reserved matters unless the Doğuş Shareholders consent. See "*Ownership – The Amended Shareholders' Agreement - Reserved Matters*".

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.

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 2015, the BBVA Group had a presence in over 35 countries and over 137,968 employees. As of 31 December 2015, the BBVA Group's consolidated total assets were €750 million and its net attributable profit for 2015 was €2,642 million (€2,618 million for 2014).

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management 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)

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 29,227 billion in assets as of 30 June 2015. 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 Servis ve Ticaret A.Ş. (with its subsidiaries and other investees, the "Automotive Group") is the leading automotive importer and one of the biggest automotive distributors in Turkey. The company represents 13 leading international brands in the following sectors: passenger cars, light commercial vehicles, heavy commercial vehicles, industrial and marine engines, and cooling systems. The Automotive Group is able to offer its individual and corporate customers with a portfolio of the following brands: Volkswagen passenger cars, Audi, SEAT, Skoda, Bentley, Bugatti, Lamborghini, Porsche, Volkswagen commercial vehicles, Scania 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, vehicle inspection and insurance. As a result of the close cooperation developed with the VW Group, the Group has opened D Auto Suisse SA, a Porsche dealer and service station in Lausanne, and founded D -Auto LLC in Iraq to import and distribute Volkswagen passenger cars and Audi brand vehicles, starting with one location in Erbil in northern Iraq.

- *Construction*: The Doğuş Construction Group is one of the leading engineering and construction companies in Turkey, performing diversified construction activities in infrastructure projects and superstructure projects, including the construction of roads, motorways, tunnels, bridges, viaducts, over and under passages in subways, ports, airports, buildings, dams and hydroelectric power plants.

- *Media*: The Doğuş Media Group is one of the leading companies in the Turkish media industry. Since 1999, the Doğuş Group has created/acquired many brands and now cooperates with global brands and organisations such as: Condé Nast and National Geographic. The Group operates seven television channels, four radio stations, six periodicals, 10 internet portals and NTV Publications, reaching over 50 million people. Star, NTV and NTV Spor are the Group's flagship television channels.

- *Tourism and Marinas*: The Doğuş Tourism Group's operations consist primarily of hotels in Turkey, Italy and Croatia and marinas in Turkey, Greece, Croatia, Spain and Montenegro, and it also operates a travel agency and provides other travel-related services. The group undertakes joint ventures with Hyatt International LLC, Soho House, Hublot S.A., Arnold&Son, Bell&Ross, HYT, Döttling, Quadran, Messika, Vacheron Constantin S.A and KIKO International S.r.l, and has exclusive distribution and/or franchise agreements with Under Armour Europe B.V., Giorgio Armani S.p.A., Guccio Gucci S.p.A., Loro Piana S.p.A., Porsche Co. KG., Acropolis S.p.A. (Capritouch) and Valentino Fashion Group S.p.A. (M Missoni). The Doğuş Group owns 16 hotels, nine of which are luxury hotels, four of which are five-star hotels and three of which are international chain management hotels.

  Through the D-Marin Marinas Group, the Group owns the largest international chain of marinas in the eastern Mediterranean basin and Adriatic Sea. The D-Marin Marinas Group currently owns (solely or in partnership with others) 11 premium marina destinations and a refit centre in the Eastern Mediterranean, making it the largest international chain of marinas in the region with approximately 8,500 berths throughout Turkey, Croatia, Greece, Spain and Montenegro. The D-Marin Marinas Group is actively seeking to grow its marina network through strategic acquisitions and management partnerships. The D-Marin Marinas Group's operations include D-Marin Turgutreis, Didim and Göcek in Turkey, Mandalina Marina, Marina Dalmacija and Marina Borik in Croatia and Zea Marina, Gouvia Marina, Lefkas Marina and Flisvos Marina in Greece, Marina Barcelona 92 in Spain and Dukley Marina Budva in Montenegro.

- *Real Estate*: The Doğuş Group is also active in the Turkish real estate sector, managing a large estate portfolio owned by the group and working on potential developments in relation to proposed

residential, commercial, hospitality and logistics projects. The 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 the Artvin Hydroelectric Power Plant (332 MW), in which D Energy holds a 100% share, the Boyabat Hydroelectric Power Plant (513 MW), in which it holds a 33.65% share, and the Aslancık Hydroelectric Power Plant (120 MW), in which it holds a 33.33% share. In June 2012, the group established electricity trading company Doğuş Enerji Toptan Elektrik Ticaret A.Ş., in which it holds 100% stake.

- *Entertainment, Food and Beverage*: After its establishment in April 2012, the Doğuş Group's restaurant group grew to operate 146 restaurants within its first year through acquisitions. As of 31 December 2015, the Doğuş Group promoted 52 brands in 12 countries in the food and beverage and entertainment industries and seeks to expand operations into areas such as production and distribution.

As of 31 December 2015, the Doğuş Group had over 50,000 employees.

(*Source: Doğuş Group*)

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 Board 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 corporate governance rules, the Bank formed a written dividend policy, which was submitted for the approval of its shareholders at the general assembly meeting held in 2013. Subsequently, the Bank has published such policy in its annual reports and on its web-site.

RELATED PARTY TRANSACTIONS

During the period from 1 January 2013 to the date of this Base Prospectus, the Group had three types of exposure to related parties: (a) its ownership in certain Doğuş Group companies, (b) loans extended to the Doğuş Group and the BBVA Group and (c) 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 and the BBVA Group are (or have been, as applicable) 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 and the BBVA Group (for dates as of which they were related parties of the Group) as of the dates indicated:

Doğuş Group	**As of 31 December**		
	2013	**2014**	**2015**
	(TL thousands, except percentages)		
Equity interests in Doğuş Group companies (other than the Bank's own subsidiaries)	656	-	-
As a % of assets	0.0%	0.0%	0.0%
As a % of shareholders' equity	0.0%	0.0%	0.0%
Cash loans	583,670	1,639,634	2,193,308
As a % of assets	0.3%	0.7%	0.8%
As a % of shareholders' equity	2.5%	6.0%	6.9%
Contingent obligations	468,638	727,778	516,427
As a % of contingent obligations	1.4%	1.9%	1.1%
As a % of shareholders' equity	2.0%	2.7%	1.6%
Total Doğuş Group Exposure	**1,052,964**	**2,367,412**	**2,709,735**

	As of 31 December		
	2013	**2014**	**2015**
BBVA Group	*(TL thousands, except percentages)*		
Cash loans	64	301	852
As a % of assets	0.0%	0.0%	0.0%
As a % of shareholders' equity	0.0%	0.0%	0.0%
Contingent obligations	305,288	292,553	751,115
As a % of contingent obligations	0.9%	0.8%	1.5%
As a % of shareholders' equity	1.3%	1.1%	2.3%
Total BBVA Group Exposure	**305,352**	**292,854**	**751,967**

The Group's exposure to the Doğuş Group and the BBVA Group is principally denominated in foreign currencies. 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 or the BBVA Group.

The contingent exposure to the Doğuş Group and the BBVA Group primarily consists (or, as applicable, consisted) of bid bonds and performance bonds provided in connection with construction contracting work awarded mainly to the Doğuş Group.

The Group also had derivative transactions with the Doğuş Group and the BBVA Group as of the indicated dates as follows:

	As of 31 December		
	2013	**2014**	**2015**
	(*TL thousands*)		
Doğuş Group	-	5,770	-
BBVA Group	9,092,999	10,825,180	16,416,097

The Group had deposits from members of the Doğuş Group and the BBVA Group as of the indicated dates as follows:

	As of 31 December		
	2013	**2014**	**2015**
	(*TL thousands*)		
Doğuş Group	607,720	399,232	451,543
BBVA Group	53,697	612,029	450,533

Please refer to the IFRS Financial Statements incorporated by reference into this Base Prospectus for additional information on related party transactions.

TURKISH BANKING SYSTEM

The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that the Bank's management believes to be reliable but the Bank has not independently verified such information.

Structural Changes in the Turkish Banking Sector

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation 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 stabilised 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 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 privatisation of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking sector, the government reduced the rate of the Resource Utilisation 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. In addition, effective from 2 January 2013, RUSF rates for cross-border foreign exchange borrowings extended by financial institutions outside of Turkey with an average maturity of between one to two years increased from 0% to 1% and those with an average maturity of between two to three years increased from 0% to 0.5%, while those with an average maturity of three years or more remained at 0%. 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 set the RUSF charged on consumer credits to be utilised by real persons (for non-commercial utilisation) 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 Türk Ekonomi Bankası A.Ş. Since 2012, Odea Bank A.Ş., Bank of Tokyo-Mitsubishi UFJ Ltd., Intesa Sanpaolo S.p.A. and Rabobank A.Ş. started their operations in Turkey. In October 2012, Standard Chartered Bank purchased Credit Agricole Yatırım Bankası Türk Anonim Şirketi. On 2 April 2015,

the BRSA announced that Commercial Bank of China acquired 75.50% of the shares of Tekstil Bank A.Ş. from GSD Holding A.Ş. In December 2015, National Bank of Greece ("**NBG**") entered into an agreement with Qatar National Bank regarding the sale of its entire stake in Finansbank, which is subject to the approval of regulatory authorities as of the date of this Base Prospectus. In February 2016, the BRSA granted permission to Vakıf Katılım Bankası A.Ş. ("**Vakıf Katılım**") to start operations as a participation bank.

A number of banks were transferred to the SDIF and eventually removed from the banking system through mergers or liquidations. The table below shows the evolution of the number of banks in the Turkish banking sector as of the end of each indicated year.

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Number of banks	46	46	45	45	45	44	45	45	47	47

Source: Banks Association of Turkey (www.tbb.org.tr)
Note: Total number of banks includes deposit-taking banks, investment banks and development banks, but excludes participation banks (Islamic banks).

As of 31 December 2015, 47 banks (including domestic and foreign banks but excluding the Central Bank) were operating in Turkey. Thirty four of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks (five participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF. On 3 February 2015, the SDIF took over management of Asya Katılım Bankası A.Ş. ("**Bank Asya**"), a private participation bank. The BRSA announced that this action was taken due to Bank Asya's violation of a provision of the Banking Law that requires banks to have a transparent and open shareholding and organisational structure that does not obstruct the efficient auditing of the bank by the BRSA. On 29 May 2015, the BRSA announced that shareholding rights (except dividends), management and audit of Bank Asya were to be transferred to the SDIF for partial or full transfer, sale or merger of the bank pursuant to Article 71 of the Banking Law; *provided* that any loss shall be deducted from the shares of the existing shareholders. As indicated above, upon the BRSA's permission granted to Vakıf Katılım in February 2016 to operate as a participation bank, the number of participation banks operating in Turkey increased to six.

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 2006 to 31 December 2015, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 23.4% and 16.5%, respectively, during such period, in each case according to the BRSA. Despite strong growth of loans and customer deposits since 2006, 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 70.7% and 63.1%, respectively, as of 30 September 2015 according to BRSA data, whereas the eurozone's banking sector had loan and deposit penetration ratios of 104.2% and 111.2%, 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 period ended on) the indicated dates.

	As of (or for the year ended) 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	(*TL millions, except percentages*)				
Balance sheet					
Loans	621,379	716,307	939,772	1,118,887	1,339,149
Total assets	1,119,911	1,247,653	1,566,190	1,805,427	2,130,602
Customer deposits	656,276	724,296	884,457	987,463	1,171,251
Shareholders' equity	123,007	157,553	165,954	201,117	228,140
Income statement					
Net interest income	36,056	47,837	52,353	59,705	70,409
Net fees and commission income	13,345	14,704	17,444	19,351	21,037
Total income	57,735	70,986	80,396	86,500	97,784
Net Profit	18,177	21,539	22,473	22,936	23,885
Key ratios					
Loans/deposits	94.7%	98.9%	106.3%	113.3%	114.3%
Net interest margin	4.0%	4.7%	4.4%	4.2%	4.2%
Return on average equity	15.4%	15.5%	14.0%	12.5%	11.3%
Capital adequacy ratio	15.5%	17.3%	14.6%	15.7%	15.0%

Source: BRSA monthly bulletin (*www.bddk.org.tr*)

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 89.2% of total assets of deposit-taking banks as of 31 December 2015 according to the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks - Ziraat Bank, HalkBank and Vakıfbank, which were ranked first, sixth and seventh, respectively, in terms of total assets as of 31 December 2015 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 32.5% of deposit-taking Turkish banks' performing loans and 45.3% of customer deposits as of 31 December 2015. The top four privately-owned domestic banks are Türkiye İş Bankası A.Ş., the Bank, Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş., which in total accounted for 46.6% of deposit-taking Turkish banks' performing loans and 47.9% of customer deposits as of 31 December 2015 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., Denizbank A.Ş. and Türk Ekonomi Bankası, which were controlled by NBG, Sberbank and TEB Holding, respectively, as of 31 December 2015; *however*, NBG entered into an agreement with Qatar National Bank in December 2015 regarding the sale of its entire stake in Finansbank, which is subject to the approval of regulatory authorities as of the date of this Base Prospectus.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

Turkish banks and branches of foreign banks in Turkey are primarily governed by two regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act No. 4389 (which has been replaced by the Banking Law) established the BRSA. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that could jeopardise the rights of depositors and the regular and secure operation of banks and/or could lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057 ("**ICAAP Regulation**"), banks are obligated to establish, manage and develop (for themselves and all affiliates they consolidate) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, implementation of the government's fiscal and monetary policies, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

Banks Association of Turkey

The Banks Association of Turkey is an organisation that provides limited supervision of and coordination among banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests; *however*, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares but not of the right to collect dividends declared on such shares. Additionally, the acquisition or transfer of any shares of a legal entity owning 10% or more of a bank is also subject to BRSA approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. The BRSA's permission might be given on the condition that the person who acquires the shares possesses the qualifications required for a founder of a bank. In a case in which such shares of a bank are transferred without the permission of the BRSA, the voting and other shareholder rights of the legal person stemming from these shares, other than the right to receive dividends, shall be exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending a general assembly have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from, a 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 member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit. 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 extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

(a) transactions backed by cash, cash-like instruments and accounts and precious metals,

(b) transactions carried out with the Undersecretariat of Treasury, the Central Bank, the Privatisation Administration and the Housing Development Administration of Turkey, as well as transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions,

(c) transactions carried out in the Central Bank markets or other legally-organised money markets,

(d) in the event a new loan is extended to the same person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,

(e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow,

(f) transactions carried out among banks on the basis set out by the BRSA,

(g) equity participations acquired through underwriting commitments in public offerings; provided that such participations are disposed of in a manner and at a time determined by the BRSA,

(h) transactions that are taken into account as deductibles in calculation of own funds, and

(i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

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 and amended from time to time thereafter (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) *Group I: Loans of a Standard Nature and Other Receivables:* This group involves loans and other receivables:

  (i) that have been disbursed to financially creditworthy natural persons and legal entities,

  (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor,

  (iii) 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 of not less than five times the sum of 1% of the total cash loan portfolio and 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) cash and non-cash loans provided to finance: (i) transit trade, (ii) sales and deliveries that are deemed to be exports and (iii) services and activities in exchange for foreign currency-denominated consideration, for which the general loan loss reserve is calculated at five times 0%, and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated at five times 0.5% and 0.1%, respectively) is required to be set aside, and such

modifications are required to be disclosed in the financial reports (which are also made publicly available). 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 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 loan 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) *Group II: Loans and Other Receivables Under Close Monitoring*: This group involves loans and other receivables:

(i) that have been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there is no problem at present, but that need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising 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 collection of principal and interest payments have been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "*Loans and other Receivables with Limited Recovery*" set forth under Group III below, or

(iv) although the credit standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer has multiple loans and any of these loans is classified in Group II and others are classified in Group I, then all of such customer's loans are required to be classified in Group II. 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 of not less than 2.5 times the sum of 2% of the total cash loan portfolio and 0.4% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) is required to be set aside and such modifications are required to be disclosed in the financial reports (which are also made publicly available). This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than 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) *Group III: Loans and Other Receivables with Limited Recovery*: 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 in case the problems observed are not eliminated, they are likely to cause loss,

(ii) the credit standing 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) *Group IV: Loans and Other Receivables with Improbable Recovery:* 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) *Group V: 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 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 over 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 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 in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio *plus* 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for cash and non-cash loans relating to transit trade, export sales and deliveries and services and activities resulting in gains of foreign currency, for which the general loan loss reserve is calculated at 0%, and (b) cash and non-cash SME loans, for which the general loan loss reserve is calculated at 0.5% and 0.1% respectively) for standard loans defined in Group I above; and a general reserve calculated at 2% of the total cash loan portfolio *plus* 0.4% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II above.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 40% of the general reserve amount calculated according to the above mentioned ratios had to be reserved by

31 December 2012, at least 60% had to be reserved by 31 December 2013, at least 80% had to be reserved by 31 December 2014 and 100% had to be reserved by 31 December 2015.

Banks with consumer loan ratios greater than 25% of their total loans and banks with non-performing consumer loan (classified as frozen receivables (excluding housing loans)) ratios greater than 8% of their total consumer loans (excluding 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 housing loans) under Group I, and an 8% general provision for outstanding (but not yet due) consumer loans (excluding 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 banking regulations, 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, specific provisions must be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 25% of the specific provisions set forth in the preceding sentence is required to be set aside for each check slip of customers who have loans under Groups III, IV and V, which checks were delivered by the Bank at least five years previously; *however*, if a bank sets aside specific provisions at a rate of 100% for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter has been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, 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 Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: (a) cash, deposits, profit sharing funds and gold deposit accounts that are secured by pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repo transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within the applicable bank, (b) transactions executed with the Treasury, the Central Bank, the Housing Development Administration of Turkey or the Privatisation Administration and transactions made against promissory notes, debenture bonds, lease certificates and similar securities issued directly or guaranteed by such institutions, (c) securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organisation for Economic Co-operation and Development (the "**OECD**"),

(d) guarantees and sureties given by banks operating in OECD member states, (e) securities issued directly or guaranteed by the European Central Bank, (f) sureties, letters of guarantee, avals and acceptance and endorsement of non-cash loans issued by banks operating in Turkey in compliance with their maximum lending limits and (g) bonds, debentures and covered bonds issued, or lease certificates the underlying assets of which are originated, by banks operating in Turkey.

Category II Collateral: (a) precious metals other than gold, (b) shares quoted on a stock exchange and A-type investment profit sharing funds, (c) asset-backed securities and private sector bonds except ones issued by the borrower, (d) credit derivatives providing protection against credit risk, (e) the assignment or pledge of accrued entitlements of real and legal persons from public agencies, (f) liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value, (g) mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate; *provided* that their appraised value is sufficient, (h) export documents based upon marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, (i) bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities, (j) insurance policies for trade receivables and (k) Credit Guarantee Fund (*Kredi Garanti Fonu*) guarantees not benefitting from Treasury support.

Category III Collateral: (a) commercial enterprise pledges, (b) other export documents, (c) auto pledges, (d) mortgages on aircraft or ships, (e) sureties from real or legal persons whose creditworthiness is higher than the debtor itself and (f) promissory notes of real and legal persons.

Category IV Collateral: any other security not otherwise included in Category 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.

When calculating the special reserve requirements for frozen receivables, the value of collateral received from an applicable borrower is deducted from such borrower's loans and receivables in Groups III, IV and V above in the following proportions in order to determine the amount of the required reserves:

Category	**Discount Rate**
Category I collateral	100%
Category II collateral	75%
Category III collateral.....	50%
Category IV collateral	25%

In case the value of the collateral 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 next six-month period and, within such period, provisions continue to be set aside at the special provision rates applicable to the group in which they are included. After the lapse of such six-month period, if total collections reach at least 15% of the total receivables for restructured loans, then the remaining receivables are reclassified to the "Renewed/Restructured Loans 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.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries. In February 2016, the BRSA also published a draft regulation that (if implemented without any further changes) would replace the Regulation on

Provisions and Classification of Loans and Receivables as of 1 January 2017 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and World Bank. The proposed regulation would require banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles.

Capital Adequacy

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, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 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%.

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in December 2010 and revised in June 2011 (*i.e.*, Basel III) into Turkish law, the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014. The 2013 Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier I capital), which is composed of core capital (*i.e.*, Common Equity Tier I capital) and additional principal capital (*i.e.*, additional Tier I capital) and (b) supplementary capital (*i.e.*, Tier II capital) *minus* capital deductions. Pursuant to the 2012 Capital Adequacy Regulation (as so amended): (i) both the unconsolidated and consolidated minimum Common Equity Tier I capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier I capital adequacy ratio are 6.0%.

The BRSA also published several amendments to its regulations and communiqués on various matters, such as internal capital adequacy ratios and internal systems in accordance with the Basel Committee's RCAP, which is conducted by the Bank for International Settlements with a view to ensure Turkey's compliance with Basel regulations. The amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the amendments relating to the 2013 Equity Regulation and the 2015 Capital Adequacy Regulation entering into force on 31 March 2016. The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes items including: (a) the risk weights of foreign currency required reserves in the Central Bank from 0% to Turkey's foreign currency risk weight, which is 50% as of the date of this Base Prospectus, and (b) exclusion of free provision for possible losses from capital calculations. The new amendments to the 2015 Capital Adequacy Regulation lower the risk weights of certain assets, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35% and (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the 2015 Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not re-classified as "non-performing loans". These revisions are expected to result in corresponding increases in the Bank's and the Group's capital adequacy levels.

In 2013, the BRSA published the Regulation on the Capital Maintenance and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks is 0.625% for 2016, which will be phased to 2.5% through 2019. The BRSA has published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase

to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks (which entered into force on 1 January 2014 with the exception of certain provisions that entered into effect on 1 January 2015), seeking to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach).

Furthermore, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of total consolidated and unconsolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, for a period starting from 1 January 2016 and ending on 31 December 2016, such ratios are applied as 70% and 50%, respectively. Furthermore, pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be applied in increments of ten percentage points for each year from 1 January 2017 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year. This includes non-compliances that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be noncompliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied. The Regulation on Liquidity Coverage Ratios entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 5 January 2015 pursuant to the BRSA Decision on Liquidity Ratios).

In accordance with the ICAAP Regulation (which implements Basel III rules), each bank is required to prepare an ICAAP Report representing its own assessment of its capital requirements. An ICAAP Report helps the banks to construct and operate an internal capital adequacy assessment process compatible with its risk profile, activity environment and strategic plans. An ICAAP Report is required to be submitted annually together with the stress test analysis, data, system and process verification research and internal model validation reports.

See also a discussion of the implementation of Basel III in "*Basel Committee - Basel III*" below.

Tier II Rules under Turkish Law

Previous Tier II Rules. Secondary subordinated debts were, through 31 December 2013, regulated under the Regulation on Equities of Banks published in the Official Gazette dated 1 November 2006 and numbered 26333 (the "**2006 Equity Regulation**"). The following describes the rules under the 2006 Equity Regulation that were applicable to the Bank's only secondary subordinated debt as of 31 December 2015, which was a 2009 loan from PROPARCO for €50,000,000 maturing in 2021. The Bank is planning to prepay this debt at the end of March 2016, which reduced the Bank's capital levels by an immaterial amount.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.*, the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.*, "Tier 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". Unless temporarily permitted by the BRSA in exceptional cases, 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.

New Tier II Rules. According to the 2013 Equity Regulation, which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "**New Tier II Conditions**"):

(a) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash,

(b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors,

(c) the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly,

(d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate,

(e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:

  (i) the bank should not create any market expectation that the option will be exercised by the bank,

  (ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations, or

  (iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2012 Capital Adequacy Regulation along with the procedures and principles on capital buffers that are to be set by the BRSA (or, after 31 March 2016, the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Cyclical Capital Buffer), (B) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (C) the higher capital requirement set by the BRSA (if any);

  however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank's operating license would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, the BRSA may decide to remove the debt instrument from the bank's records or to have them converted into share certificates (as of 31 March 2016, as part of the amendments to the 2013 Equity Regulation, this sub-clause being amended as follows: if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the bank's loss, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides),

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above, and

(k) as of 31 March 2016, the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (e) above.

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates, are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance and approval by the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amount of such receivables) in Tier II capital such that the portion of general provisions that exceeds 1.25% of the risk-weighted assets calculated using the standardised approach is not taken into consideration in calculating the Tier II capital.

Furthermore, in addition to the New Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier II capital are required to be accompanied with the original copy or a notarised copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five business days of the signing of such agreement). The amendments to the 2013 Equity Regulation, entering into force on 31 March 2016, provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier II capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20% each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey (*i.e.*, the "**Turkish National Discretion**") revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. According to the 2015 Capital Adequacy Regulation, which will enter into force on 31 March 2016, only Turkish Lira-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves will be increased from 0% to 50%.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 1 January 2015. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA's permission.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the 2013 Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, both of which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the 2012 Capital Adequacy Regulation: (a) introduced a minimum unconsolidated and consolidated Common Equity Tier I capital adequacy ratio of 4.5% and a minimum unconsolidated and consolidated minimum Tier I capital adequacy ratio of 6.0% (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "other assets". The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, including those published in the Official Gazettes dated 23 October 2015 No. 29511, 20 January 2016 No. 29599 and 23 February 2016 No. 29633, some of which amendments also enter into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "Capital Adequacy" above.

The BIS reviewed Turkey's compliance level with Basel regulations within the scope of the RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

On 23 February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology uses an indicator-based approach to identify and classify D-SIBs in Turkey under four different categories: size, interconnectedness, lack of substitutability and complexity. A score for each bank is to be calculated based upon their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. The BRSA has not yet made a determination as to which banks will be classified as D-SIBs. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. As of 1 January 2019, these buffers are to be applied as 3% for Group 4 banks, 2% for Group 3 banks, 1.5% for Group 2 banks and 1% for Group 1 banks. These additional capital requirements, coming into effect on 31 March 2016, are to be fully implemented by 2019 subject to a transitional period as set out below:

Groups	**2016**	**2017**	**2018**
Group 4 (empty group)	0.75%	1.50%	2.25%
Group 3	0.50%	1.00%	1.50%
Group 2	0.375%	0.75%	1.125%
Group 1	0.25%	0.50%	0.75%

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements, which entered into force on 25 December 2013 (the "**Communiqué Regarding Reserve Requirements**"), starting from 12 February 2016, the reserve requirements for foreign currency liabilities vary by category and tenor, as set forth below:

Category of Foreign Currency Liabilities	**Required Reserve Ratio**
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits	13%
up to 1-month, 3-month, 6-month and 1-year maturities	13%
With maturities of 1-year and longer	9%
2) Borrowers' deposit accounts held at development and investment banks*	13%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1-year maturity (including 1-year)	25%
Up to 2-year maturity (including 2-year)	20%
Up to 3-year maturity (including 3-year)	15%
Up to 5-year maturity (including 5-year)	7%
Longer than 5-year maturity	5%

* *Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the*

total outstanding loan amount extended by the relevant development and investment bank to such borrower.

Notwithstanding the above, the reserve requirements for foreign currency liabilities other than deposits and participation accounts that existed on 28 August 2015 vary by tenor until their maturity, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Other liabilities up to 1-year maturity (including 1-year)	20%
Other liabilities up to 2-year maturity (including 2-year)	14%
Other liabilities up to 3-year maturity (including 3-year)	8%
Other liabilities up to 5-year maturity (including 5-year)	7%
Other liabilities longer than 5-year maturity	6%

Pursuant to the Communiqué Regarding Reserve Requirements, starting from 12 February 2016, the reserve requirements regarding Turkish Lira liabilities vary by category and tenor, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits	11.5%
Up to 1-month maturity (including 1-month)	11.5%
Up to 3-month maturity (including 3-month)	11.5%
Up to 6-month maturity (including 6-month)	8.5%
Up to 1-year maturity	6.5%
With maturities of 1-year and longer	5%
2) Borrowers' deposit accounts held at development and investment banks*	11.5%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1-year maturity (including 1-year)	11.5%
Up to 3-years maturity (including 3-years)	8%
Longer than 3-year maturity	5%

* *Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.*

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities,

(b) its total non-cash loans and obligations,

(c) its revocable commitments *multiplied* by 0.1,

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Calculation of Liquidity Coverage Ratio

The Regulation on Liquidity Coverage Ratios requires banks to comply with minimum ratios to be set aside on a consolidated and an unconsolidated basis. In this context, the BRSA Decision on Liquidity Ratios provides that, for the period from 5 January 2015 to 31 December 2015, the minimum total liquidity coverage ratios and foreign currency coverage ratios for deposit banks were 60% and 40%, respectively, and (in the absence of any new arrangement) such ratios have (and shall be) increased in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's boards of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the

board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and numbered 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The ICAAP Regulation established standards as to principles of internal control, internal audit and risk management systems and an internal capital adequacy assessment process in order to bring such regulations into compliance with Basel II requirements.

On 23 October 2015 and 20 January 2016, the BRSA issued certain amendments to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entering into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among others things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are liable to ensure that a bank has established appropriate risk management systems and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

The BRSA amended the Regulation on Principles and Procedures of Audits on 23 October 2015 to expand the scope of the audit of banks in compliance with the RCAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The Savings Deposit Insurance Fund (SDIF)

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is

subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*

Pursuant to Article 63 of the Banking Law, savings deposits held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Borrowings of the SDIF*

The SDIF: (i) may incur indebtedness with authorisation 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*

Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*

Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the board of 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 Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*

In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119, and as amended from time to time, are as follows:

(i) ensuring the enforcement of the SDIF board's decisions,

(ii) establishing the human resources policies of the SDIF,

(iii) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(iv) insuring the savings deposits and participation accounts in the credit institutions,

(v) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and Treasury Undersecretaries, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(vi) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose operating permission has been revoked by the BRSA,

(vii) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,

(viii) taking management and control of the banks whose operating permission has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,

(ix) requesting from public institutions and agencies, real persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,

(x) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and

(xi) fulfilling the other duties that the Banking Law and other related legislation assign to it.

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:

(a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,

(b) the bank is not complying with liquidity requirements,

(c) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,

(d) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,

(e) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,

(f) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,

(g) such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or

(h) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

(i) to increase its equity capital,

(ii) not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

(iii) to increase its loan provisions,

(iv) to stop extension of loans to its shareholders,

(v) to dispose of its assets in order to strengthen its liquidity,

(vi) to limit or stop its new investments,

(vii) to limit its salary and other payments,

(viii) to cease its long-term investments,

(ix) to comply with the relevant banking legislation,

(x) to cease its risky transactions by re-evaluating its credit policy,

(xi) to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA, and/or

(xii) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to a favorable result, then the BRSA may require such bank to:

(a) strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,

(b) dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,

(c) decrease its operational and management costs,

(d) postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees,

(e) limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors,

(f) convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member

is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above,

(g) implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing, and/or

(h) 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, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favorable result, then the BRSA may require such bank to:

(a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period,

(b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,

(c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,

(d) make available long-term loans; *provided* that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders,

(e) limit or cease its non-performing operations and to dispose of its non-performing assets,

(f) merge with one or several banks,

(g) provide new shareholders in order to increase its equity capital,

(h) deduct any resulting losses from its own funds, and/or

(i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the license of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; *provided* that any loss is deducted from the share capital of current shareholders.

In the event that the 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. 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 Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette dated 1 November 2006 and numbered 26333, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

The BRSA published amendments (entering into force on 31 March 2016) to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which requires annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments (entering into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the 2013 Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted

assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were amended in line with the amendments to the 2013 Equity Regulation. Furthermore, the changes require publication of a credit agreement of the bank or a prospectus relating to a credit or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital and supplementary capital, on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (entering into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to its internal audit and internal control processes.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué No. II-17.1 replacing the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 dated 30 December 2011. The Corporate Governance Communiqué provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

The Bank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also required to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders and other stakeholders, (b) public disclosure and transparency and (c) boards of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute one-third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint at least three independent board members to their board of directors. The members of a bank's audit committee are qualified as independent board members, in which case the above-mentioned qualifications for independent members are not applicable; *provided* that when all independent board members are selected from the audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1st Group and 2nd Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The Bank is classified as a "1st Group" company.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to 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.

In addition to the provisions of the Corporate Governance Communiqué related to the remuneration policy of banks, the BRSA published a guideline on good pricing practices in banks on 26 October 2015 (entering into force on 31 March 2016). This guideline sets out the general principles for employee remuneration as well as standards for remuneration to be made to the board of directors and senior management of banks.

As of the date of this Base Prospectus, the Bank is in compliance with the mandatory principles under the Corporate Governance Communiqué, as well as with applicable requirements for having independent directors.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws 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.

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.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels

before each limit increase of the credit card and (d) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30%, 35% and 40% for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40% for newly-issued credit cards for one year from the date of first use. The amendments to the 2012 Capital Adequacy Regulation provide risk weights for instalment payments of credit cards from a range of 100% to 250%, depending upon their outstanding tenor; *however*, the 2015 Capital Adequacy Regulation, entering into force on 31 March 2016 and at that time replacing the 2012 Capital Adequacy Regulation, lowers the risk weight of these instalment payments to 75%, irrespective of their tenor. The Bank's management expects these amendments to risk weights to have a positive impact on its capital levels.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated: (A) among existing cardholders (based upon their credit card limits) and (B) between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or purchase of goods and services, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed nine months (four months for jewellery expenditures and 12 months for whiteware, furniture expenditures and education fees). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses and purchases of nutriment, fuels, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed nine months (12 months for whiteware, furniture expenditures and education fees).

Furthermore, the Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated 28 November 2013 imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

The amendments to the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated 8 October 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans relating to transit trade, export sales and deliveries, and services and activities resulting in gains of foreign currency and altered the requirements for calculating consumer loan provisions by: (a) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20% to 25% and (b) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8%, which ratio was not altered by these amendments, then additional consumer loans provisions are required). Credit cards are included in the definition of consumer loans by this regulation and the consumer loan provision rate for credit cards in Groups I and II increased from 1% and 2% to 4% and 8%, respectively; *however*, according to a draft regulation amending the Provisions and Classification of

Loans and Receivables, the consumer loan provision rate will return to the previous levels to 1% for Group I loans and 2% for Group II loans. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, at least 50% of the additional general reserve amount for Group I and II consumer loans (excluding housing loans), which additional amount is a consequence of amendments to the Regulation on Provisions and Classification of Loans and Receivables, were required to be reserved by 31 December 2014 and 100% of such general reserve amount were required to be reserved by 31 December 2015 and shall be reserved by 31 December 2016.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses and for financial lease transactions is 75%. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions, the loan-to-value requirement is set at 70%; *provided* that in each case the sale price of the respective auto is not higher than TL 50,000. On the other hand, if the sale price of the respective auto is above this TL 50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%. As for limitations regarding instalments, the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and student loans and any refinancing of the same) are not permitted to exceed 36 months, while auto loans and loans secured by autos may not have a maturity longer than 48 months.

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which enumerates the fees and commissions that banks may charge customers and limits their levels. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. The charge of any other fees and commissions by Turkish banks is subject to the BRSA's approval.

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. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank's management believes to be reliable, but neither the Bank nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Further to the Communiqué on Debt Instruments, the Notes are required under Turkish law to be issued in an electronically registered form in the CRA and the interests therein recorded in the CRA; however, upon the Issuer's request, the CMB may resolve to exempt the Notes from this requirement if the Notes are to be issued outside Turkey or such requirement might cease to exist in the future. Further to the request of the Issuer, such exemption was granted by the CMB in the CMB Approval. As a result, this requirement will not be applicable to the Notes issued pursuant to such CMB Approval. Notwithstanding such exemption, the Issuer is required to notify the CRA within three İstanbul business days from the Issue Date of a Tranche of Notes of the amount, Issue Date, ISIN code (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such Notes and the country of issuance.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking 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. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and, together with Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**DTC Rules**"), DTC makes book-entry transfers of 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 DTC 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 notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the relevant Direct Participant's 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 Beneficial Owner desiring to pledge its interests in 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 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 an interest in Notes represented by a Registered Global Note to such persons might 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 interests 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 interests for Notes in definitive form. The ability of any holder of interests in Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such interests might be impaired if the proposed transferee of such interests is not eligible to hold such interests through a Participant.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional 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 accountholder 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 accountholders 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 accountholders.

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 or investor. 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 direct Euroclear and/or Clearstream, Luxembourg accountholders) and the records of direct Euroclear and/or Clearstream, Luxembourg accountholders (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg accountholders).

Payments with respect to interests in the Notes held beneficially 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 or investor. 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 Registered 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 and Indirect Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial 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 Participants in DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Tranche, transfers of Notes of such Tranche between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Tranche 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 accountholders in Clearstream, Luxembourg or Euroclear and DTC's 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 accountholders and DTC's Participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

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 accountholders 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 accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

This is a general summary of certain Turkish and other tax considerations in connection with an investment in the Notes. This summary does not address all aspects of such laws, or the laws of other jurisdictions (such as United Kingdom or U.S. tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Base Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective 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. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to persons who are not tax resident in Turkey. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the beneficial interest of a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law might not be treated as a resident of Turkey, depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain 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 a Turkish corporation 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% withholding tax for notes with an original maturity of less than one year,
- 7% withholding tax for notes with an original maturity of at least one year and less than three years,
- 3% withholding tax for notes with an original maturity of at least three years and less than five years, and
- 0% 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 corporation 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 corporation to a non-resident holder will be subject to a withholding tax at a rate between 10% and 0% in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the notes is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country in which the investor is an income tax resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

The Turkish tax authority (the "**Revenue Administration**") has issued a tax ruling (the "**VAT Ruling**") dated 10 February 2015 stating that interest/coupon payments to a non-resident investor in bonds issued outside of Turkey by a Turkish issuer are subject to value added tax ("**VAT**") unless such investor qualifies

as a bank or an insurance company in its home jurisdiction (the "**Foreign FI Exemption**"). On 11 March 2015, the Turkish Banks Association contacted the Revenue Administration with respect to the VAT Ruling and requested that the VAT Ruling be revised on the basis that the VAT Ruling is not compatible with existing Turkish VAT laws and international capital market norms. In its response to the Turkish Banks Association dated 18 March 2015, the Revenue Administration agreed to stay the VAT Ruling while it reassesses its analysis (with the effect that no VAT should be imposed pursuant to the VAT Ruling until further notice by the Revenue Administration).

While the Revenue Administration has not announced a final decision with respect to the VAT Ruling as of the date of this Base Prospectus, if the Revenue Administration decides to allow the VAT Ruling to stand in its current form, with respect to a holder of Notes that is non-resident in Turkey but for which the Foreign FI Exemption does not apply, such holder would not be liable to pay tax in Turkey for VAT purposes but rather it is the Issuer that is liable to make such VAT payments. There would be no withholding or other deduction for or on account of any such VAT payments by the Issuer in respect of any payments on the Notes, and thus there would be no additional payments made by the Issuer pursuant to Condition 9.1 with respect to any such VAT payments. Should such VAT apply to any payment, the rate of VAT as of the date of this Base Prospectus is 18%.

In practice, for interest/coupon payments on securities such as the Notes that are held in global form through clearing systems, it would not be possible for the Issuer to identify the tax residency of Noteholders other than the registered holder of the Global Notes. It is, therefore, unclear as a practical matter the extent to which the Foreign FI Exemption would apply for Global Notes or whether all such VAT payments might be required to be made by the Issuer.

FATCA

FATCA generally imposes a withholding tax of 30% 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, will be subject to 30% withholding on certain U.S. source payments unless it enters into an agreement (an "**FFI Agreement**") with the U.S. Internal Revenue Service (the "**IRS**") or is otherwise exempt from or in deemed compliance with FATCA. Such an agreement will require the provision of certain information regarding the FFI's "U.S. accountholders" (which could include holders of the Notes) to the IRS.

The FFI Agreements also require FFIs to withhold up to 30% of amounts payable to accountholders that do not provide the payors with information required to comply with FATCA ("**Recalcitrant Holders**") or to FFIs that do not enter into an FFI Agreement with the IRS under FATCA and are not otherwise exempt from or in deemed compliance with FATCA, if such amounts constitute Foreign Passthru Payments under FATCA, which term is not defined as of the date of this Base Prospectus. Such withholding is generally not required on payments made before the later of 1 January 2019 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: (a) issued after the "grandfathering date" (*i.e.*, the date that is six months after the date on which final regulations defining Foreign Passthru Payments are filed with the U.S. Federal Register) or (b) issued on or before and are materially modified after the "grandfathering date" such that they are deemed to be reissued.

The United States and a number of other jurisdictions have entered into or announced their intention to negotiate IGAs to facilitate the implementation of FATCA. 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 foreign financial institution 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 accountholders and investors to its home government or to the IRS. On 3 June 2014, the United States and Turkey agreed in substance to enter into an IGA ("**U.S. - Turkey IGA**") based largely upon the Model 1 IGA. The registration of the Bank as a "Registered Deemed Compliant FI" (which includes a Reporting FI under a Model 1 IGA) was approved by the IRS on 5 June 2014 and entered into force on 30 June 2014.

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

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

If FATCA were to require that an amount in respect of 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.

The Proposed Financial Transactions Tax

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

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

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. 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. Plans, including U.S. 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), that are not subject to the fiduciary and prohibited transaction provisions of ERISA or Section 4975 of the Code might 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 transferee (and if the purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Note (or a beneficial interest therein) will not be, acquiring or holding a Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Note (or a beneficial interest therein) will not 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, Section 4975 of the Code and Similar Laws of the acquisition, ownership or disposition of the Notes (or a beneficial interest therein).

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated programme agreement dated 24 March 2016 (as amended and/or supplemented and/or restated from time to time, the "**Programme Agreement**"), agreed (or, when acceding thereto, will agree) with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. 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 Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

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.

All or certain of the Dealers and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealers 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 might 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 effect on the future trading prices of the Notes.

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 and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) 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 such Notes have not been and will not be registered under the Securities Act or any other applicable U.S. Federal or State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Regulation S Registered Global Note and is not a U.S. person, if in the future it decides to 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 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the United States and all other jurisdictions;

(d) it will, and will require each transferee from it to, notify any transferee of the Notes 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 pursuant to Section 4(a)(2) under the Securities Act will be in the form of Definitive IAI Registered Notes or one or more IAI Global Notes and that Notes offered in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Regulation S Registered 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 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 (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (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 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 "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT) THAT IS AN INSTITUTION (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES 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 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 (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (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 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 Registered 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) other than with respect to a Bearer Global Note, 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 Registered 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 (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (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 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 (and if the purchaser or transferee is a Plan, then its fiduciary) of a Note (or a beneficial interest therein) will be deemed to represent and warrant that either: (a) it is not, and for so long as it holds a Note (or a beneficial interest therein) will not be, acquiring or holding such Note (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of such Note (or a beneficial interest therein) 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 applicable Institutional Accredited Investor has received a copy of this Base Prospectus and such other information as it deems necessary in order to make its investment decision;

(b) that such Institutional Accredited Investor understands that such Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Notes have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Notes is subject to certain restrictions and conditions set forth in this Base Prospectus and such Notes (including those set out above) and that it agrees to be bound by, and not to reoffer, resell, pledge or otherwise transfer 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 it is an Institutional Accredited Investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(e) that such Institutional Accredited Investor is acquiring such Notes purchased for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of such Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(f) that, in the event that such Institutional Accredited Investor purchases Notes (or beneficial interests therein), it will acquire Notes (or beneficial interests therein) having a minimum purchase price of at least US$500,000 (or the approximate equivalent in another Specified Currency) (or such other amount set forth in the applicable Pricing Supplement).

No sale of Legended Notes in the United States to any one purchaser will be for less than US$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act and unless set forth in the applicable Pricing Supplement, US$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least US$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its foreign currency equivalent) principal amount of Registered Notes (or such other amount as may be set forth in the applicable Pricing Supplement).

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 licensed banks or licensed intermediary institutions authorised in accordance with the Capital Markets Law and its related legislation.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA Approval from the BRSA required for the issuance of Notes under the Programme. Pursuant to the Programme Approvals, the offer, sale and issue of Notes under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law and its related legislation, the Capital Markets Law and its related legislation. In addition, Notes (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the Programme Approvals. 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, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey (a) may purchase or sell Notes (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Notes (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis both in the primary and secondary markets, provided that such purchase or sale is made through licensed banks or licensed brokerage institutions authorised pursuant to BRSA and/or CMB regulations and the purchase price is transferred through licensed banks authorised under the BRSA regulations. As such, Turkish residents should use such licensed banks or licensed brokerage institutions while purchasing Notes (or beneficial interests therein) and transfer the purchase price through licensed banks authorised under BRSA regulations.

To the extent required by applicable law or regulation, a tranche issuance certificate (*tertip ihraç belgesi*) approved by the CMB in respect of each Tranche of Notes will be obtained by the Issuer prior to the issue date of each such Tranche of Notes. The Issuer shall maintain all authorisations and approvals 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 U.S. Treasury regulations promulgated thereunder.

In connection with any Notes sold by the Issuer pursuant to Regulation S (a "**Regulation S Note**"), 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(s) 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 other than in an offshore transaction and to, or for the account or benefit of, persons who are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each 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 other than in offshore transactions 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 other than in an offshore transaction to a person that is not a U.S. person by any distributor (whether or not participating in the offering) might violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Registered Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of 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 of the applicable Series 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 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 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer, or

(c) 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 clauses (a) to (c) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision: (a) 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 Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and (b) the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) 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, as amended ("**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.

People's Republic of China

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered, sold or delivered or will offer, sell or deliver any of the Notes (or beneficial interests therein) to any person for reoffering or resale or redelivery, in any such case directly or indirectly, in the PRC (excluding the Hong Kong Special

Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) in contravention of any applicable laws.

Hong Kong

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (or beneficial interests therein) other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes (or beneficial interests therein) which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

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, 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 therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of the Issuer dated 10 December 2015 and numbered 23465.

Listing of Notes

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus and by the Irish Stock Exchange as listing particulars. 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. If a Tranche of Notes is to be listed on the Irish Stock Exchange or any other stock exchange, then the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Programme and is not itself seeking admission of 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 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 2013, 2014 and 2015;

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

(d) when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares unaudited consolidated and non-consolidated interim accounts in accordance with IFRS and the BRSA Accounting and Reporting Regulation 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, Final Terms and Pricing Supplements (save that a Final Terms or Pricing Supplement 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 herein and the financial statements listed above will be available on the Issuer's website at https://www.garantiinvestorrelations.com/en (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). Each Final Terms and Pricing Supplement relating to Notes which are admitted to trading on the Irish Stock Exchange's regulated market will also be available on the Issuer's website. Such website is not, and should not be deemed to be constitute, a part of (or be incorporated into) this Base Prospectus.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN (if any) for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms or Pricing Supplement. 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 (if applicable) for each Tranche of such Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Final Terms or Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, then the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

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

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 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(s) or investor(s) 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 2015.

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 Base Prospectus that might have or in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Interests of Natural and Legal Persons Involved in the Issue

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

Auditors

The IFRS Financial Statements prepared as of and for the years ended 31 December 2013, 2014 and 2015 have been audited in accordance with International Standards on Auditing by Deloitte located at Maslak No 1 Plaza, Eski Büyükdere Caddesi Maslak Mah. No: 1, Maslak, Sarıyer 34398 İstanbul. 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's Business – Audit Qualification*".

Dealers and Arranger 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 for, the Issuer and/or 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 might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities might involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Arranger, certain of the Dealers and their respective affiliates that have a credit relationship with the Issuer might from time to time hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the 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 might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ISSUER

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TRANSFER AGENT

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