BASE PROSPECTUS

TÜRKİYE GARANTİ BANKASI A.Ş.

€5,000,000,000

Global Covered Bond Programme

Under this Global Covered Bond Programme (the "*Programme*"), Türkiye Garanti Bankası A.Ş., a Turkish banking institution organised as a joint stock company registered with the İstanbul Trade Registry under number 159422 (the "*Bank*" or the "*Issuer*"), may from time to time issue covered bonds (the "*Covered Bonds*") denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below) or investor(s).

Covered Bonds may be issued in either bearer or registered form (respectively, "*Bearer Covered Bonds*" and "*Registered Covered Bonds*"); *provided* that the Covered Bonds may be offered and sold in the United States only in registered form. As of the time of each issuance of Covered Bonds, the maximum aggregate nominal amount of all Covered Bonds outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

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

This base prospectus (this "*Base Prospectus*") has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended or superseded, the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (the "*EU*") law pursuant to the Prospectus Directive. Such approval relates only to Covered Bonds that are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended, "*MiFID II*") and/or that are to be offered to the public in any member state (a "*Member State*") of the European Economic Area (the "*EEA*"). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*") for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the "*Official List*") and to trading on its regulated market (the "*Regulated Market*"). The Regulated Market is a regulated market for the purposes of MiFID II.

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

The Covered Bonds to be issued under the Programme are mortgage covered bonds (in Turkish, *ipotek teminatlı menkul kıymet*) within the meaning of the Communiqué on Covered Bonds III-59.1 of the Capital Markets Board (the "*CMB*") of the Republic of Turkey ("*Turkey*"). Application has been made to the CMB, in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for its approval of the issuance and sale of Covered Bonds by the Bank outside of Turkey. No Covered Bonds may be sold before the necessary approvals are obtained from the CMB. The CMB approval relating to the issuance of Covered Bonds based upon which any offering of the Covered Bonds may be conducted was obtained on 25 April 2019 and, to the extent (and in the form) required by Applicable Law (as defined herein), a written approval of the CMB in relation to each Tranche (as defined herein) of Covered Bonds will be required to be obtained on or before the issue date (the "*Issue Date*") of such Tranche of Covered Bonds. The maximum mortgage covered bond amount that the Bank can issue under such approval is €2,000,000,000 (or its equivalent in other currencies) in aggregate. It should be noted that, regardless of the outstanding Covered Bond amount or the amount permitted to be issued under the Programme, unless the Bank obtains the necessary new approval from the CMB, the aggregate mortgage covered bond amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed such approved amount.

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

Notice of the aggregate principal amount of a Tranche of Covered Bonds, interest (if any) payable in respect of such Covered Bonds, the issue price of such Covered Bonds and certain other information that is applicable to such Covered Bonds will be set out in a final terms document (for a Tranche, its "*Final Terms*"). With respect to Covered Bonds to be listed on Euronext Dublin or any other EEA regulated market, the applicable Final Terms will be filed with the Central Bank of Ireland and Euronext Dublin or such other market. Copies of such Final Terms will also be published on the Issuer's website at http://www.garantiinvestorrelations.com/en/debt-information/Covered-Bond/Covered-Bond/806/0/0.

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

Series of Covered Bonds may either be rated (by any Relevant Rating Agency (as defined herein)) or unrated. Where a Tranche of Covered Bonds is rated (other than unsolicited ratings), the initial rating(s) will be disclosed in Part B of the Final Terms for such Tranche and will not necessarily be the same as the rating assigned to the Covered Bonds of other Series. The Bank has been rated by Moody's Investors Service Ltd. ("*Moody's*"), S&P Global Ratings Europe Limited ("*S&P*"), Fitch Ratings Limited ("*Fitch*" and, together with Moody's and S&P, the "*Rating Agencies*") and JCR Eurasia Rating ("*JCR Eurasia*") as set out on pages 254 and 255 of this Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the "*CRA Regulation*"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority ("*ESMA*") on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. 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 ESMA on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Arrangers

Barclays Bank PLC **NATIXIS**

Dealers

Banco Bilbao Vizcaya Argentaria, S.A. **Barclays Bank PLC** **BNP PARIBAS**

Landesbank Baden-Württemberg **NATIXIS** **Société Générale Corporate & Investment Banking**

The date of this Base Prospectus is 26 April 2019.

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

RESPONSIBILITY STATEMENT

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

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

To the fullest extent permitted by Applicable Law, none of the Dealers, the Arrangers, the Agents, the Security Agent, the Calculation Agent, the Cover Monitor or the Offshore Account Bank accept any responsibility for the information contained in (including incorporated by reference into) this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any statement consistent with this Base Prospectus made, or purported to be made, by a Dealer or an Arranger or on its behalf in connection with the Programme and none of the Arrangers, the Dealers or the Agents accepts any responsibility for any acts or omissions of the Issuer or any other person in connection with the issue and offering of the Covered Bonds. Each Dealer and Arranger accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Arrangers and Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor or potential investor in the Covered Bonds of any information coming to their attention.

No person (which, for purposes of this Base Prospectus, shall be deemed to refer to both a natural person and a legal entity where appropriate) is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied by (or with the consent of) the Issuer in connection with the Programme or any Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers or Dealers.

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

Neither this Base Prospectus nor, except to the extent explicitly stated therein, any other information supplied by (or on behalf of) the Issuer or any of the Arrangers or Dealers in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer or any of the Arrangers or Dealers to any person to subscribe for or purchase any Covered Bonds (or beneficial interests therein).

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

information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

GENERAL INFORMATION

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

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

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

The Covered Bonds might not be a suitable investment for all investors. Each potential investor contemplating making an investment in the Covered Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of that investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that are relevant to it in connection with such investment. In particular, each potential investor in the Covered Bonds should consider, either on its own or with the help of its financial and other professional advisers, whether it:

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

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

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

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

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

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

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

The Issuer has obtained the CMB approval letter (dated 25 April 2019 No. 24/558 and including the final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*)) (together, the "*CMB Approval*") required for the issuance of Covered Bonds under the Programme. The maximum mortgage covered bond amount that the Bank can issue under the CMB Approval is €2,000,000,000 (or its equivalent in other currencies) in aggregate. It should be noted that, regardless of the outstanding Covered Bond amount or the amount permitted to be issued under the Programme, unless the Bank obtains new approvals from the CMB, the aggregate mortgage covered bond amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed such approved amount. In addition to the CMB Approval, but only to the extent (and in the form) required by Applicable Law, an approval of the CMB in respect of each Tranche of Covered Bonds is required to be obtained by the Issuer on or prior to the Issue Date of such Tranche, which date will be specified in the applicable Final Terms.

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

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

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

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

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

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

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

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

INFORMATION RELATING TO THE BENCHMARKS REGULATION

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

Benchmark Reference Rates	**Benchmark Administrator**
LIBOR	Intercontinental Exchange Benchmark Administration Limited
SONIA	The Bank of England
EURIBOR	European Money Markets Institute (EMMI)
TRLIBOR	Banks Association of Turkey

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus might be considered to be forward-looking statements. Forward-looking statements include (without limitation) statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base

Prospectus, the words "anticipates," "estimates," "expects," "believes," "intends," "plans," "aims," "seeks," "may," "might," "will," "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements appear in a number of places throughout this Base Prospectus, including (without limitation) in the sections titled "*Risk Factors*" and "*The Group and its Business*," and include, but are not limited to, statements regarding:

- strategy and objectives,
- trends affecting the Group's results of operations and financial condition,
- asset portfolios,
- loan loss reserves,
- capital spending,
- legal proceedings, and
- the Group's potential exposure to market risk and other risk factors.

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

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

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

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

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

U.S. INFORMATION

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

Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons except in certain transactions permitted by U.S. tax

regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), and the regulations promulgated thereunder.

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

Purchasers of IAI Covered Bonds (or beneficial interests therein) will be required to execute and deliver an IAI Investment Letter. Each investor in an IAI Covered Bond, a Rule 144A Global Covered Bond or any Covered Bonds issued in registered form in exchange or substitution therefor (together "*Legended Covered Bonds*") will be deemed, by its acceptance or purchase of any such Legended Covered Bonds (or beneficial interests therein), to have made certain representations and agreements as set out in "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 Covered Bonds."

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds (or beneficial interests therein) that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in a deed poll dated 26 April 2019 (such deed poll as amended, restated or supplemented from time to time, the "*Deed Poll*") to furnish, upon the request of a holder of such Covered Bonds (or any beneficial interest therein), to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds (or beneficial interests therein) to be transferred remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), of the United States, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Covered Bonds includes a legend titled "Prohibition of Sales to EEA Retail Investors," then such Covered Bonds (or beneficial interests therein) are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any EEA Retail Investor. For these purposes: (a) "*EEA Retail Investor*" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in the Prospectus Directive, and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe such Covered Bonds (or beneficial interests therein). See "Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – Public Offer Selling Restriction under the Prospectus Directive and, where applicable, Prohibition of Sales to EEA Retail Investors"

below. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling such Covered Bonds (or beneficial interests therein) or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling such Covered Bonds (or beneficial interests therein) or otherwise making them available to any EEA Retail Investor might be unlawful under the PRIIPs Regulation.

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

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

STABILISATION

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Bank maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the BRSA Accounting and Reporting Legislation. Financial statements, including any notes thereto and the independent auditors reports thereon, prepared in accordance with the BRSA Accounting and Reporting Legislation are referred to herein as "*BRSA Financial Statements*." The Bank's BRSA Financial Statements are filed with the Borsa İstanbul A.Ş. ("*Borsa İstanbul*") and are used for determinations of the Bank's and the Group's compliance with Turkish regulatory requirements established by the BRSA, including for the calculation of capital adequacy ratios.

In this Base Prospectus, "*BRSA Accounting and Reporting Legislation*" means the Applicable Laws relating to the accounting and financial reporting of banks in Turkey (including the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, other regulations on the accounting records of banks published by the Banking Regulation and Supervision Board (the "*BRSB*"), which is the board of the BRSA, and circulars and interpretations published by the BRSA) and the requirements of the Turkish Accounting Standards for the matters that are not regulated by such Applicable Laws. "*Turkish Accounting Standards*" means "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Public Oversight, Accounting and Auditing Standards Authority (*Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) (the "*POA*").

Before the adoption of Turkish Financial Reporting Standards 9 (Financial Instruments), which are the IFRS 9-compliant financial reporting standards of Turkey ("*TFRS 9*"), as of 1 January 2018, the Bank's BRSA Financial Statements as of and for the years ended 31 December 2016 and 2017 were prepared in line with the then-current Turkish banking regulations (see "Turkish Regulatory Environment"). The Group's BRSA Financial Statements as of and for the year ended 31 December 2018 were prepared in line with TFRS 9 and TFRS 15 standards. While information for 2016 and 2017 is not comparable to the information presented for 2018 due to the implementation of TFRS 9 as of 1 January 2018, the accounting policy changes as a result of implementing TFRS 15 or any other TFRS/TAS standards (except for TFRS 9 standards) effective as of 1 January 2018 did not have a significant impact on the accounting policies, financial position and performance of the Bank and its consolidated financial subsidiaries. As of the date of this Base Prospectus, the process regarding the implementation of TFRS 16 (*Leases*), which is effective as of 1 January 2019, is ongoing. See "Transition to TFRS 9" below.

The BRSA Financial Statements are prepared on a historical cost basis except for: (a)(i) prior to the adoption of TFRS 9, financial assets at fair value through profit or loss (including financial assets held for trading), and (ii) following the adoption of TFRS 9, financial assets measured at fair value through profit or loss, (b)(i) prior to the adoption of TFRS 9, financial assets available-for-sale, and (ii) following the adoption of TFRS 9, financial assets measured at fair value through other comprehensive income, (c) derivative financial instruments and (d) real estate, each of which are presented on a fair value basis. It is important to note that the Group's BRSA Financial Statements reflect a full consolidation only of financial subsidiaries whereas other equity participations are recorded on a historical cost basis less impairment (certain information with respect to such investments in subsidiaries and other associates can be found in Notes 5.1.9.1 and 5.1.10.1 of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018).

The Group's consolidated and the Bank's unconsolidated annual BRSA Financial Statements incorporated by reference herein: (a) as of and for the year ended 31 December 2016 was audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Deloitte Touche Tohmatsu Ltd) ("*Deloitte*") and (b) as of and for the years ended 31 December 2017 and 31 December 2018 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International Cooperative) ("*KPMG*"), in each case in accordance with the Regulation on Independent Auditing of Banks published by the BRSA in the Official Gazette No. 29314 dated 2 April 2015 (the "*Turkish Auditor Regulation*") and the Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the POA. The audit reports for each of these BRSA Financial Statements were qualified with respect to general reserves that were allocated by the Group. These additional provisions were taken in accordance with the

conservatism principle applied by the Group in considering the circumstances that might arise from any changes in the economy or market conditions. See "Risk Factors - Risks Relating to the Group's Business - Audit Qualification" and the audit report included within such BRSA Financial Statements. Although these provisions did not impact the Group's level of tax, if the Group had not established these provisions, then its net profit/(loss) and/or capitalisation ratios might have been lower in 2016 or higher in 2017 and 2018. Deloitte and KPMG have qualified their respective audit reports in respect of each such year because general reserves are not permitted under the BRSA Accounting and Reporting Legislation.

Unless otherwise indicated, the financial information presented herein is based upon the BRSA Financial Statements incorporated by reference herein and has been extracted from such BRSA Financial Statements without material adjustment. The BRSA Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Bank confirms are direct and accurate). The English language BRSA Financial Statements incorporated by reference herein were not prepared for the purpose of their incorporation by reference into this Base Prospectus.

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

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

The Group's BRSA Financial Statements incorporated herein for the year ended 31 December 2016 include the same material consolidated entities as are included in the Group's BRSA Financial Statements for the years ended 31 December 2017 and 31 December 2018 except that, on 5 December 2016, the Bank sold its shares (representing 99.94% of the share capital) of Garanti Bank Moscow AO, which (with respect to income for the period before its sale) was included in the Group's BRSA Financial Statements for the year ended 31 December 2016.

Alternative Performance Measures

To supplement the Bank's consolidated and unconsolidated financial statements presented (except for the general reserves recognised by the Bank as described above) in accordance with the BRSA Accounting and Reporting Legislation, the Bank uses certain ratios and measures included (including through incorporation by reference) in this Base Prospectus that might be considered to be "alternative performance measures" (each an "*APM*") as described in the ESMA Guidelines on Alternative Performance Measures (the "*ESMA Guidelines*") published by ESMA on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

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

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

allowance for probable loan losses to NPLs / expected credit losses to NPLs: As of a particular date, this is: (a)(i) after the implementation of TFRS 9 as of 1 January 2018, expected credit losses for loans (including cash loans and lease and factoring receivables) net of collections, and (ii) prior to the implementation of TFRS 9 as of 1 January 2018, the sum of the specific provisions and general provisions as of such date, *as a percentage of* (b) NPLs as of such date.

cost-to-income ratio: For a particular period, this is: (a) other operating expenses (plus, after the implementation of TFRS 9 as of 1 January 2018, personnel expenses) for such period *divided by* (b) the result of: (i) the sum of net interest income, net fees and commissions income/expenses, net trading income/losses, other income and dividend income for such period *minus* (ii) the sum of expected credit losses (prior to the implementation of TFRS 9 as of 1 January 2018, provisions for loans, provisions for marketable securities) and general reserves for such period.

loan loss provisions to gross loans / expected credit losses to gross loans: As of a particular date, this is: (a)(i) after the implementation of TFRS 9 as of 1 January 2018, expected credit losses for loans (including cash loans and lease and factoring receivables) net of collections, and (ii) prior to the implementation of TFRS 9 as of 1 January 2018, the sum of the specific provisions and general provisions net of collections as of such date, *as a percentage of* (b)(i) after the implementation of TFRS 9 as of 1 January 2018, the average total loans (including cash loans and lease and factoring receivables), and (ii) prior to the implementation of TFRS 9 as of 1 January 2018, the average total cash loans as of such date.

loan-to-deposit ratio: As of a particular date, this is: (a)(i) after the implementation of TFRS 9 as of 1 January 2018, the total loans (including cash loans and lease and factoring receivables), and (ii) prior to the implementation of TFRS 9, the total cash loans as of such date, *divided by* (b) the total deposits as of such date.

net fees and commissions income/expenses to total operating profit: For a particular period, this is: (a) net fees and commissions income/expenses for such period *as a percentage of* (b)(i) after a change to the presentation of the financial statements as per new rules introduced by the BRSA effective from 1 January 2018, total operating profit (excluding personnel expenses), and (ii) prior to 1 January 2018, total operating profit for such period.

net interest margin: For a particular period, this is: (a) net interest income for such period *as a percentage of* (b) average interest-earning assets during such period. When the period is shorter than 12

months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

NPL ratio: As of a particular date, this is: (a) the total NPLs (gross) as of such date *as a percentage of* (b)(i) after the implementation of TFRS 9 as of 1 January 2018, the sum of total loans (including cash loans and lease and factoring receivables) and NPLs (gross), and (ii) prior to the implementation of TFRS 9 as of 1 January 2018, the sum of total cash loans and NPLs (gross) as of such date. Where the NPL ratio is referenced solely with respect to a category of loans (*e.g.*, the NPL ratio of SME loans), then this ratio is calculated solely with respect to such category of loans.

operating expenses to average total assets: For a particular period, this is: (a)(i) after a change to the presentation of the financial statements as per new rules introduced by the BRSA effective from 1 January 2018, the total of other operating expenses and personnel expenses, and (ii) prior to the change to the presentation of the financial statements as per new rules introduced by the BRSA effective from 1 January 2018, other operating expenses for such period, *as a percentage of* (b) average total assets for such period.

return on average shareholders' equity: For a particular period, this is: (a) the net profit/(loss) for such period *as a percentage of* (b) average shareholders' equity for such period. When the period is shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

return on average total assets: For a particular period, this is: (a) the net profit/(loss) for such period *as a percentage of* (b) average total assets for such period. When the period is shorter than 12 months, this is expressed on an annualised basis by multiplying the result by 365 *divided by* the number of days in such period.

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

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

The following are definitions of certain terms that are used in the calculations of the terms defined above (such terms being used in this Base Prospectus as defined below):

average interest-earning assets: For a particular period, this is the average of the amount of interest-earning assets as of the balance sheet date of each quarter-end during the then-current fiscal year.

average interest-bearing liabilities: For a particular period, this is the average of the amount of interest-bearing liabilities as of the balance sheet date of each quarter-end during the then-current fiscal year.

average shareholders' equity: For a particular period, this is the average of the amount of shareholders' equity as of the balance sheet date of each quarter-end during the then-current fiscal year.

average total assets: For a particular period, this is the average of the amount of total assets as of the balance sheet date of each quarter-end during the then-current fiscal year.

average total cash loans: For a particular period, this is the average of the amount of total cash loans as of the balance sheet date of each quarter-end during the then-current fiscal year.

interest-earning assets: For a particular date, this is: (a) after the implementation of TFRS 9 as of 1 January 2018, the total amount of the interest-earning portion of cash and balances with central banks, financial assets measured at fair value through profit or loss (excluding equity securities), banks, money market placements, financial assets measured at fair value through other comprehensive income (excluding equity securities), performing loans, factoring and lease receivables and financial assets measured at amortised cost, and (b) prior to the implementation of TFRS 9 as of 1 January 2018, the total amount of the interest-earning portion of cash and balances with central banks, financial assets at fair value through profit or loss (excluding equity securities and derivative financial assets held for trading), banks, interbank money markets, financial assets available-for-sale (excluding equity securities), performing loans, factoring and lease receivables and investments held-to-maturity as of such date.

interest-bearing liabilities: For a particular date, this is the total amount of the interest-bearing portion of deposits, funds borrowed, interbank money markets, securities issued and subordinated debt as of such date.

NPLs: As of a particular date, this ("*NPLs*") is: (a) after the implementation of TFRS 9 as of 1 January 2018, Stage 3 loans (including cash loans and lease and factoring receivables), and (b) prior to the implementation of TFRS 9 as of 1 January 2018, loans under follow-up as of such date.

Currency Presentation and Exchange Rates

In this Base Prospectus, all references to:

(a) "*Turkish Lira*" and "*TL*" refer to the lawful currency for the time being of Turkey,

(b) "*U.S. Dollars*," "*US$*" and "*$*" refer to United States dollars,

(c) "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and

(d) "*Sterling*" and "*£*" refer to British Pounds Sterling.

No representation is made that the Turkish Lira or U.S. Dollar amounts in this Base Prospectus could have been or could be converted into U.S. Dollars or Turkish Lira, as the case may be, at any particular rate or at all. For a discussion of the effects on the Group of fluctuating exchange rates, see "Risk Factors - Risks Relating to the Group'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 that are used but not defined in any particular section of this Base Prospectus have the meaning attributed thereto in "*Terms and Conditions of the Covered Bonds*" or any other section of this Base Prospectus.

In this Base Prospectus, "Bank" means Türkiye 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 the Bank).

In this Base Prospectus, any reference to Euroclear Bank SA/NV ("*Euroclear*"), Clearstream Banking S.A. ("*Clearstream, Luxembourg*") and/or the Depository Trust Company ("*DTC*" and, with Euroclear

and Clearstream, Luxembourg, the "*Clearing Systems*") shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

"*Applicable Law*" means: (a) as to any person, any law, executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such person and/or any of its property or to which such person and/or any of its property is subject, and (b) otherwise, any applicable law, executive order, decree, treaty, rule or regulation or determination of an arbitrator or a court or other governmental authority.

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

All of the information contained in this Base Prospectus concerning the Turkish market and the Bank's competitors has been obtained (and extracted without material adjustment) from publicly available information. Certain information under the heading "*Book-Entry Clearance Systems*" has been extracted from information provided by the Clearing Systems referred to therein. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Bank confirms that all such information has been accurately reproduced and, so far as it is aware and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Bank or any other person.

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

All data relating to the Turkish banking sector in this Base Prospectus have been obtained from the website of the BRSA at www.bddk.org.tr, the website of the Banks Association of Turkey (*Türkiye Bankalar Birliği*) (the "*Banks Association of Turkey*") at www.tbb.org.tr or the website of the Interbank Card Centre (*Bankalararası Kart Merkezi*) at www.bkm.com.tr/bkm, and all data relating to the Turkish economy, including statistical data, have been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) ("*TurkStat*") at www.turkstat.gov.tr, the website of the Central Bank of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "*Central Bank*") at www.tcmb.gov.tr, the website of the Ministry of Treasury and Finance of Turkey (the " *Turkish Treasury*;" where applicable, references to the Turkish Treasury shall be deemed to refer to the Undersecretariat of the Treasury, which was restructured to become part of the new Ministry of Treasury and Finance pursuant to Presidential Decree No. 1 dated 10 July 2018 published in the Official Gazette) at www.hazine.gov.tr or the website of the European Banking Federation at www.ebf.fbe.eu. Such data have been extracted from such websites without material adjustment, but might not appear in the exact same form on such websites or elsewhere. Such websites do not, and should not be deemed to, constitute a part of or be incorporated into this Base Prospectus.

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

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

TRANSITION TO TFRS 9

As of 1 January 2018, the Group started to apply TFRS 9, which replaced TAS 39 (Financial Instruments: Recognition and Measurement) ("*TAS 39*"), in its financial statements. The Group has not restated comparative information for financial instruments for 2017 within the scope of TFRS 9 and, as such, certain information in the Bank's and the Group's BRSA Financial Statements as of and for the year ended 31 December 2018 is not comparable to the relevant information in the Bank's and the Group's (as applicable) BRSA Financial Statements for previous periods. The total difference arising from the adoption of TFRS 9 has, as of 1 January 2018, been recognised directly in the prior periods' profit or loss as of 1 January 2018 in the statement of changes in shareholders' equity. See Note 3.29 of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018 for details of the impact of the first time adoption of TFRS 9 as of 1 January 2018 on the Group's BRSA Financial Statements. For further details regarding the implementation of TFRS 9 principles, Section Three of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018.

Implementation of TFRS 9

Changes regarding classification and measurement of financial instruments

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

As of 1 January 2018, TAS 39 measurement categories of financial assets measured at fair value through profit or loss, available for sale and held-to-maturity were replaced by: (a) financial assets measured at fair value through profit or loss, (b) debt instruments measured at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition, (c) equity instruments measured at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (the financial assets referred to in clauses (b) and (c) collectively being "financial assets measured at fair value through other comprehensive income"), and (d) financial assets measured at amortised cost. Further information on these categories is set out below:

Financial assets measured at fair value through profit/loss: These are financial assets other than those that are managed within a business model that aims to collect contractual cash flows or a business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the financial assets; and, if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at a certain date, that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming for short-term profits. These financial assets are initially recognised at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. Interest income earned on these financial assets, and the difference between their acquisition costs and amortised costs, are recorded as interest income in the statement of profit or loss. The differences between the amortised costs and the fair values of such financial assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such financial assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial assets measured at fair value through other comprehensive income: These are financial assets that are managed within a business model that aims to collect contractual cash flows or a business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the financial assets. These financial assets are recognised by adding their transaction cost to their acquisition cost. After their initial recognition, these financial assets are measured at fair value; *provided* that equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost *minus* a provision for impairment. Interest income on these financial assets (calculated using an effective interest rate method) and dividend income on these financial assets are recorded to the statement of profit or loss. "Unrealised gains and losses" arising from

the difference between the amortised cost and the fair value of these financial assets are not reflected in the statement of profit or loss until the sale or other disposal of the financial asset and impairment of the financial asset but are accounted under the "other comprehensive income/expense items to be recycled to profit/loss" under shareholders' equity.

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

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

Under TFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based upon the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and non-financial host contracts has not changed.

Impairment

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

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

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

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

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

Following the adoption of TFRS 9 as of 1 January 2018, there is no difference between BRSA Accounting and Reporting Legislation and IFRS regarding impairment principles.

Hedge Accounting

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

Transition to TFRS 9

Reclassifications and remeasurements made for the first time application of TFRS 9 as of 1 January 2018 are set forth in the tables below and the relevant notes are explained in detail below:

Assets	***Notes***	***31 December 2017***	***TFRS9 Reclassification Effect***	***TFRS9 Measurement Effect***	***1 January 2018***
FINANCIAL ASSETS (Net)		**107,218,398**	**(160,346)**	**586,217**	**107,644,269**
Cash and Cash Equivalents		53,077,337	—	—	53,077,337
Cash and Balances with Central Bank		*33,603,641*	—	—	*33,603,641*
Banks		*19,470,343*	—	—	*19,470,343*
Money Market Placements		*3,353*	—	—	*3,353*
Financial Assets Measured at Fair Value through Profit/Loss (FVPL)	(1), (2)	2,877,813	(1,788,474)	(5,665)	1,083,674
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(2)	—	28,806,639	589,805	29,396,444
Financial Assets Measured at Amortised Cost	(3)	—	21,627,374	(130,037)	21,497,337
Derivative Financial Assets	(1)	—	2,617,709	-	2,617,709
Non Performing Financial Assets		—	—	-	-
Expected Credit Losses (-)	(7)	—	160,346	(132,114)	28,232
Financial Assets Available for Sale (Net)	(2)	26,277,988	(26,277,988)	—	—
Investments Held to Maturity (Net)	(2), (3)	24,314,540	(24,314,540)	—	—
Derivative Financial Assets Held for Hedging Purpose	(1)	670,720	(670,720)	—	—
LOANS (Net)	(4)	**238,521,489**	**(3,065,811)**	**(735,170)**	**234,720,508**
Loans	(4)	227,992,612	(7,015)	-	227,985,597
Performing Loans	(4)	210,937,017	(19,247,411)	—	191,689,606
Loans under Follow-up[(1)]	(4)	*17,055,595*	*19,240,396*	—	*36,295,991*
Lease Receivables		5,788,436	(350,014)	—	5,438,422
Factoring Receivables		3,379,768	(19,782)	—	3,359,986
Non Performing Receivables		6,176,985	711,471	—	6,888,456
Expected Credit Losses (-)	(7)	4,816,312	3,400,471	735,170	8,951,953
12-Month ECL (Stage 1)	(7)	—	*1,654,925*	*(746,715)*	*908,210*
Significant Increase in Credit Risk (Stage 2)[(1)]	(7)	—	*1,404,367*	*2,127,021*	*3,531,388*
Impaired Credits (Stage 3)[(1)]	(1), (7)	*4,816,312*	*341,179*	*(645,136)*	*4,512,355*
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		**835,552**	—	—	**835,552**
EQUITY INVESTMENTS (Net)		**152,432**	—	—	**152,432**
Associates (Net)		35,751	—	—	35,751
Subsidiaries (Net)	(7)	116,681	—	—	116,681
Joint Ventures (Net)		—	—	—	—
TANGIBLE ASSETS (Net)		**4,096,651**	—	—	**4,096,651**
INTANGIBLE ASSETS (Net)		**379,308**	—	—	**379,308**
INVESTMENT PROPERTIES (Net)		**559,388**	—	—	**559,388**
CURRENT TAX ASSET	(8)	**25,766**	—	**33,674**	**59,440**
DEFERRED TAX ASSET	(8)	**441,932**	—	**956,373**	**1,398,305**
OTHER ASSETS	(7)	**4,100,751**	**(12,660)**	**8,701**	**4,096,792**
TOTAL ASSETS		**356,331,667**	**(3,238,817)**	**849,795**	**353,942,645**

(1) Loans under follow-up for lease and factoring receivables and the corresponding expected credit losses (ECLs) are presented in the corresponding balance sheet line items.

	Notes	31 December 2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	1 January 2018
			(TL thousands)		
Liabilities					
DEPOSITS		**200,773,560**	—	—	**200,773,560**
FUNDS BORROWED	(5)	**47,104,719**	**(9,332,392)**	—	**37,772,327**
INTERBANK MONEY MARKET FUNDS		**18,637,856**	**-**	—	**18,637,856**
SECURITIES ISSUED (NET)	(5)	**20,794,452**	**(34,983)**	—	**20,759,469**
FUNDS		—	—	—	—
FINANCIAL LIABILITIES MEASURED AT FVTPL	(5)	—	**9,367,375**	—	**9,367,375**
DERIVATIVE FINANCIAL LIABILITIES	(6)	—	**3,097,648**	—	**3,097,648**
Derivative Financial Liabilities Measured at FVTPL		—	*3,095,569*	—	*3,095,569*
Derivative Financial Liabilities Measured at FVOCI		—	*2,079*	—	*2,079*
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	**(2,898,822)**	**(2,898,822)**	—	—
DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	(6)	**198,826**	**(198,826)**	—	—
FACTORING PAYABLES		—	—	—	—
LEASE PAYABLES (Net)		—	—	—	—
PROVISIONS		**6,848,102**	**(3,238,817)**	**(122,885)**	**3,486,400**
General Provisions	*(7)*	*3,673,669*	*(3,673,669)*	—	—
Restructuring Reserves		—	—	—	—
Reserve for Employee Benefits		*909,788*	—	—	*909,788*
Insurance Technical Provisions (Net)		*389,886*	—	—	*389,886*
Other Provisions	*(7)*	*1,874,759*	*434,852*	*(122,885)*	*2,186,726*
CURRENT TAX LIABILITY	(8)	**1,148,797**	—	**150,566**	**1,299,363**
DEFERRED TAX LIABILITY		**14,365**	—	—	**14,365**
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		—	—	—	—
SUBORDINATED DEBTS		**2,849,471**	—	—	**2,849,471**
OTHER LIABILITIES	(9)	—	**13,456,696**	—	**13,456,696**
MISCELLANEOUS PAYABLES	(9)	**10,376,346**	**(10,376,346)**	—	—
OTHER EXTERNAL FUNDINGS PAYABLE	(9)	**3,080,350**	**(3,080,350)**	—	—
SHAREHOLDERS' EQUITY	(8)	**41,606,001**	—	**822,114**	**42,428,115**
Paid-in Capital		4,200,000	—	—	4,200,000
Capital Reserves		1,526,847	(742,413)	—	784,434
Share Premium		*11,880*	—	—	*11,880*
Share Cancellation Profits		—	—	—	—
Other Capital Reserves		*628,285*	*144,269*	—	*772,554*
Securities Value Increase Fund		*(317,814)*	*317,814*	—	—
Revaluation Surplus on Tangible Assets		*1,747,869*	*(1,747,869)*	—	—
Bonus Shares of Associates, Subsidiaries and Joint-ventures		*912*	*(912)*	—	—
Hedging Reserves (effective portion)		*(544,285)*	*544,285*	—	—
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		—	—	—	—
Other Comprehensive Income/Expense Items not to be Recycled to Profit and Loss		—	1,436,464	—	1,436,464
Other Comprehensive Income/Expense Items to be Recycled to Profit and Loss		—	661,748	396,257	1,058,005
Profit Reserves		29,224,949	(1,355,799)	—	27,869,150
Legal Reserves		*1,392,259*	—	—	*1,392,259*
Status Reserves		—	—	—	—
Extraordinary Reserves		*25,901,360*	—	—	*25,901,360*
Other Profit Reserves		*1,931,330*	*(1,355,799)*	—	*575,531*
Profit/Loss		6,332,056	—	433,666	6,765,722
Prior Periods Profit/Loss		—	—	*433,666*	*433,666*
Current Period's Net Profit/Loss		*6,332,056*	—	—	*6,332,056*
Minority Interests		322,149	—	(7,809)	314,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**356,331,667**	**(3,238,817)**	**849,795**	**353,942,645**

Explanations regarding the Notes:

(1) As of 1 January 2018, "derivative financial assets held for trading" and "derivative financial assets held for hedging purpose" amounting to TL 1,946,989 thousand and TL 670,720 thousand, respectively, in the BRSA Financial Statements as of and for the year ended 31 December 2017 were classified as "derivative financial assets." Additionally, investment funds of TL 110,860 thousand that were classified as "available for sale financial assets" in the BRSA Financial Statements as of and for the year ended 31 December 2017 and the corresponding allowance allocated for such investment funds amounting to TL 5,665 thousand were classified as "financial assets measured at fair value through profit or loss" as of 1 January 2018.

(2) As of 1 January 2018, debt securities classified as "financial assets available for sale" and "investments held-to-maturity" in the BRSA Financial Statements as of and for the year ended 31 December 2017 amounting to TL 26,119,473 thousand and TL 2,687,166 thousand, respectively, were classified as "financial assets measured at fair value through other comprehensive income" due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, as of 1 January 2018, financial assets amounting to TL 47,655 thousand in the BRSA Financial Statements as of and for the year ended 31 December 2017 were classified as "financial assets measured at fair value through profit/loss" instead of "financial assets available for sale" due to the fact that the contractual terms of such financial assets do not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, some equity instruments that were classified as "financial assets available for sale" in the BRSA Financial Statements as of and for the year ended 31 December 2017 were classified under "financial assets measured at fair value through other comprehensive income."

(3) As of 1 January 2018, debt securities amounting to TL 21,627,374 thousand that were classified under "investments held to maturity" in the BRSA Financial Statements as of and for the year ended 31 December 2017 were classified as "financial assets measured at amortised cost" due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(4) As of 1 January 2018, there exists no loan balance that does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans amounting to TL 19,247,411 thousand that were classified as "performing loans" in the BRSA Financial Statements as of and for the year ended 31 December 2017 were reclassified as "loans under follow-up" due to having a significant increase in credit risk. In addition, as of 1 January 2018, loans amounting to TL 7,015 thousand that were classified as "loans under follow-up" in the prior year's financial statements have been reclassified as "non-performing loans."

(5) As of 1 January 2018, "future flow" transactions amounting to TL 9,332,392 thousand that were previously classified under "funds borrowed" and "securities issued" in total amounting to TL 34,983 thousand in the BRSA Financial Statements as of and for the year ended 31 December 2017 were reclassified as "financial liabilities measured at fair value through profit or loss."

(6) As of 1 January 2018, "derivative financial liabilities held for trading" and "derivative financial liabilities held for hedging purpose" amounting to TL 2,898,822 thousand and TL 198,826 thousand, respectively, in the BRSA Financial Statements as of and for the year ended 31 December 2017 were reclassified as "derivative financial liabilities."

(7) As of 1 January 2018, expected losses calculated based upon TFRS 9 were classified into the relevant line items by reversing the entire amount of previously recorded "general provisions." While expected losses calculated for financial assets and loans are classified in the relevant expected losses line items under "assets," expected losses calculated for non-cash loans are classified as "other provisions" under "liabilities." As of

1 January 2018, non-performing lease and factoring receivables that were classified under “leasing receivables” and “factoring receivables” on a net basis in the BRSA Financial Statements as of and for the year ended 31 December 2017 were classified as “non-performing receivables” and “expected credit losses” on a gross basis. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

(8) As of 1 January 2018, due to the first time adoption of TFRS 9, total shareholders’ equity increased (after tax) by TL 822,114 thousand, which amount consisted of a positive classification impact of financial assets of TL 454,103 thousand, a negative expected credit losses calculation impact amounting to TL 471,470 thousand and a positive current and deferred tax impact amounting to TL 839,481 thousand.

(9) As of 1 January 2018, “miscellaneous payables” amounting to TL 10,376,346 thousand and “other external fundings” amounting to TL 3,080,350 thousand in the BRSA Financial Statements as of and for the year ended 31 December 2017 were reclassified as “other liabilities.”

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RISK FACTORS

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

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

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

Risks Relating to Turkey

Most of the Group's operations are conducted, and substantially all of its 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, including factors such as economic growth rates, currency fluctuations, the Central Bank's regulatory policy, inflation and fluctuations in interest rates in Turkey.

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

Elections held on 7 June 2015 resulted 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 and, as a result, early elections were held on 1 November 2015. In this election, the Justice and Development Party (*Adalet ve Kalkınma Partisi* ("*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. On 5 May 2016, the Central Executive Board of the AKP decided to hold an extraordinary convention on 22 May 2016, in which the AKP elected Mr. Binali Yıldırım as the new chairman of the AKP and the new prime minister of Turkey. The events surrounding future elections and/or the results of such elections might contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of Turkey's financial institutions, and Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Perceptions of political risk have also increased as a result of increased violence in Turkey, including relating to terrorist attacks (see "-Terrorism and Conflicts"), the AKP's intention to create an executive presidency and media reporting.

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

Following the coup attempt, the government has initiated legal proceedings against numerous institutions (including schools, universities, hospitals, associations and foundations), some of which were closed down and their assets and receivables were seized, and arrested, discharged or otherwise limited thousands of members of the military, the judiciary and the civil service, restricted media outlets and otherwise taken actions in response to the coup attempt, including expansion of these actions to members of the business community and journalism sector. As of the date of this Base Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and Applicable Laws. Further investigations and arrests might impact the ability of the Group's customers to meet their obligations to the Group. Although, through the date of this Base Prospectus, the Group's operations have not been materially affected by the attempted coup, the political and social circumstances following the attempted coup, its aftermath (including rating downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), Turkey's relationships with the EU, the United States and/or other jurisdictions, Turkey's institutions (including as a result of arrests, suspension or dismissal of a number of individuals working in the public sector) and regulatory framework, the Bank's and/or the Group's business, liquidity, results of operations and/or conditions (financial or otherwise) and/or the value and/or market price of an investment in the Covered Bonds.

In a referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including replacing the existing parliamentary system of government with an executive presidency and a presidential system. On 18 April 2018, Turkey's President Recep Tayyip Erdoğan announced that parliamentary and presidential elections were to be held early on 24 June 2018 instead of November 2019. In the presidential elections, President Erdoğan received approximately 53% of the votes and was re-elected as the President. In parliamentary elections held on the same day, the AKP, the President's party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (*MHP*), which has formed the "People's Alliance" bloc with the AKP, together received sufficient votes to hold a majority of the seats in Parliament. As of 9 July 2018, the parliamentary system was transformed into a presidential one and President Erdoğan now holds the additional powers granted to the President pursuant to the referendum held on 16 April 2017.

On 9 July 2018, President Erdoğan announced the new ministers of his cabinet, which included the appointment of the former minister of Energy and Natural Resources and his son-in-law, Berat Albayrak, as the minister of Treasury and Finance. On 10 July 2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, while this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requisite condition for deputy governors of the Central Bank to have at least ten years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years (in any case, the governer's term of office is limited to the term of the President who is on duty at the date of the appointment of such governor). As such, uncertainty in relation to the independence of the Central Bank and/or the Turkish Treasury continues. See "Risks Relating to the Group's Business - Foreign Exchange and Currency Risk." Uncertainty regarding the independence of the Central Bank and/or the Turkish Treasury or any failure of the Central Bank and/or the Turkish Treasury to implement effective policies might adversely affect the Turkish economy in general.

There has been recent political tension between Turkey and certain members of the EU and the United States. On 25 April 2017, the Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy and officials of the EU and certain of its member states have since made various references about the suspension of negotiations for Turkey's potential membership in the EU. This decision might result in (or contribute to) a deterioration of the relationship between Turkey and the EU.

On 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey responded by issuing a statement that restricted the visa application process for United States citizens. While visa services have since resumed to normal, relations between the two countries remain strained on various topics, including the conviction of an executive of state-controlled bank Türkiye Halk Bankası A.Ş. ("*Halkbank*") who in early January 2018 was found guilty and (in early May 2018) was sentenced in a United States federal court of bank fraud and conspiracy to violate U.S. sanctions laws in relation to an alleged conspiracy to assist Iran to evade U.S. sanctions. As of the date of this Base Prospectus, the final outcome in relation to the matters giving rise to the conviction, including whether any sanction, fine or penalty will be imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury ("*OFAC*") on Halkbank or any other Turkish bank or other person in connection with those matters, as well as the possible reaction of the Turkish government to any such events or speculation regarding such events, is unknown.

These events and/or other political circumstances might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or the United States and might have an adverse impact on the Turkish economy, which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Covered Bonds.

On 1 August 2018, OFAC took action targeting Turkey's Minister of Justice and Minister of Interior, indicating that these Ministers played leading roles in the organisations responsible for the arrest and detention of American pastor Andrew Brunson, and blocked any property, or interest in property, of these Ministers within the United States and generally prohibited U.S. persons from engaging in transactions with them. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he had authorised higher tariffs on steel and aluminium imports from Turkey. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. These actions contributed to a decline in the value of the Turkish Lira, which fell to a record low (exceeding TL 7.2 per U.S. dollar in the week ended 12 August 2018) before strengthening to TL 5.3 per U.S. dollar as of 31 December 2018, including due to the higher than expected interest rate hike (625 basis points) by the Central Bank on 13 September 2018, the fiscal consolidation announced in the New Economic Programme (defined below) of the government, certain measures taken by the BRSA, the promise of investments from Qatar and improving relations between Turkey and the United States following the release of Mr. Brunson on 12 October 2018 and the 2 November 2018 removal of the sanctions imposed upon Turkish ministers and the reciprocal sanctions imposed by Turkey. The events prior to the release of Mr. Brunson contributed to the deterioration of the relationship between Turkey and the United States and any future similar events might have an adverse effect on the Turkish economy and/or might impact investors' perception of the risks relating to investments in Turkish issuers, including the Bank.

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

On 5 November 2018, the United States reinstated all U.S. sanctions on Iran that had been removed in 2015 in an effort to constrain Iran's nuclear programme, including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran. Nevertheless, on 2 November 2018, the United States Secretary of State Michael Pompeo noted that a partial exemption has been granted to eight governments, including the Turkish

government, allowing these countries to import limited amounts of oil from Iran for six months (*i.e.*, until 2 May 2019); *however*, on 22 April 2019, the U.S. government announced that it does not intend to renew this exemption after the end of such six month period. The impact of these circumstances, including any additional costs that might be borne by Turkish importers of oil (and thus on the country's current account deficit) or any sanctions that might be imposed for violations of these requirements, might have a negative impact on the Turkish economy.

Municipal elections were held on 31 March 2019 and the AKP lost control of several major cities, including İstanbul and Turkey's capital city Ankara, to the opposition parties. Nonetheless, the AKP and MHP alliance received around 52% of the votes cast nationwide, which might reduce the possibility of an early general election before the scheduled date in 2023. It should be noted that the AKP has claimed election fraud in, and requested to repeat the elections in, İstanbul and, if the Supreme Election Board (the highest authority in Turkey regulating elections) accepts the AKP's request, then a new election would be held.

In addition, certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions might increase perceptions of political conflict or instability. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Covered Bonds.

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

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

In recent years, Turkey's Gross Domestic Product ("*GDP*") growth rates have been volatile. The GDP growth was 6.1% in 2015 and 3.2% in 2016 according to Turkstat; *however*, the Turkish economy recorded a robust growth of 7.4% in 2017, fuelled by a combination of government support and improving macroeconomic conditions. Although EU-defined Turkish government debt level decreased considerably since 2001 and reached its lowest level with 27.5% of GDP in 2015, it then increased to 31.1% in 2018, and (although this remains well below the Maastricht criteria), Turkey remains an emerging market and remains susceptible to a higher degree of volatility than more developed markets, and further government actions to stimulate the Turkish economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the economic stability. Additionally, as economic growth in 2017 was largely supported by government-induced measures, there can be no assurance that Turkey's future economic growth will continue at a similar pace. In fact, there was a marked slowdown in growth in the second half of 2018 due to the significant volatility in foreign exchange rates and the increases in interest rates in Turkey, particularly in the third quarter. With negative growth of 3.0% in the final quarter of 2018, the Turkish economy only grew by 2.6% in 2018. In 2019, the Bank's management expects that the growth in GDP will remain low (around 0.5%).

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

projections for 2018 to 2021. According to the New Economic Programme, GDP growth was estimated to be 3.8%, 2.3%, 3.5% and 5.0% for 2018, 2019, 2020 and 2021, respectively (the actual 2018 figure has since been announced as only 2.6%).

More recently, Treasury and Finance Minister Mr. Albayrak announced "Structural Transformation Steps" as tools under the New Economic Programme, which tools are intended to support and strengthen: (a) the financial sector, (b) the fight against inflation, (c) budget discipline and tax reform and (d) sustainable growth. On the financial sector side, the main efforts are focused on increased capitalisation and strengthening the asset quality of the banking sector. For example, the Turkish Treasury has announced that it will issue special domestic bonds (a total of TL 28 billion) to finance additional capital infusions into the public banks and private banks will be guided to increase capital if needed (including a temporary prohibition on the distribution of dividends). As for strengthening asset quality, the government has announced that it will: (i) publish a new regulation to facilitate restructurings and bankruptcies and (ii) develop a structure for the transfer of some non-performing loans to a special purpose vehicle (and thus off balance sheet), which vehicle would be owned by banks and both domestic and non-Turkish investors. A new "Energy Venture Capital Fund" and "Real Estate Fund" are intended to support the sectors (energy and construction) with the highest levels of foreign currency indebtedness. The targets for sustainable growth and an improving employment environment concentrate on certain strategically defined sectors, including energy, mining, petrochemical, pharmacy, tourism, auto and information. Turkey's sovereign wealth fund is also intended to be used to support investments in these strategic sectors.

There can be no assurance that these targets will be reached, that the Turkish government will implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the Central Bank's efforts to curtail inflation and simplify monetary policy, the current account deficit and macroeconomic and political factors, such as changes in oil prices, the 5 December 2017 amendment to tax laws increasing the corporate tax rate for all corporations (including the Issuer) to 22% from 20% for three years starting from 2018, uncertainty related with the conflicts in Iraq and Syria (see "-Terrorism and Conflicts") and uncertainty related to political developments in Turkey, including the failed coup attempt on 15 July 2016 and its aftermath and the referendum held on 16 April 2017 according to which the majority of the votes cast approved the extension of the powers of the president (see "-Political Developments"). Any of these developments might cause Turkey's economy to experience macroeconomic imbalances, which might impair the Group's business strategies and/or have a material adverse effect on the Group's business, financial condition and/or results of operations. For more details on recent developments in Turkey's economy, see "-Global Financial Crisis and Eurozone Uncertainty" below and the discussion of certain of the Central Bank's policies in "-High Current Account Deficit" below.

The Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of, among other factors, a reduction in the level of economic activity, further depreciation of the Turkish Lira, inflation or an increase in domestic interest rates, then this might increase the number of the Group's customers who might not be able to repay loans when due or meet their other obligations to the Group or who might otherwise seek to restructure their loans, which would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and reduce its net profit/(loss) and capital levels. In addition, a slowdown or downturn in the Turkish economy would likely result in a decline in the demand for the Group's services and products. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

In March 2019, the United States announced that imports from Turkey and India would no longer be eligible for tariff relief under the "Generalized System of Preferences" programme, which programme seeks to promote economic growth in countries identified as being developing countries. In Turkey's case, the United States

cited Turkey's rapid economic development since its entry into the programme and that it thus no longer qualified to benefit from these tariff preferences. While not a significant factor in Turkey's exports, including to the United States, regulatory changes such as these reflect increasing challenges faced by exporters, which might have a material adverse effect on Turkey's economy or the financial condition or one or more industries within Turkey.

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

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

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

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

On 24 August 2016, Turkey began military operations in Syria in an effort to clear ISIS from the Turkish-Syrian border. On 7 October 2017, Turkey launched an operation against extremists groups in Syria's northwestern Idlib province with Turkey-backed Syrian opposition forces. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting organisations that Turkey believes to be terrorist organisations such as the YPG (the People's Protection Units), which has been aligned with the United States in the fight against ISIS. As of the date of this Base Prospectus, the Turkish military maintains a position in northwestern Syria. These operations might lead to potential retaliation attacks by terrorist groups and additional security risks in Turkey. On 19 December 2018, the United States announced its intention to withdraw its 2,000 troops currently stationed in Syria, though (as of the date of this Base Prospectus) no concrete timeline for the withdrawal has been issued. The United States more recently announced its intention to maintain approximately

400 troops in Syria, approximately 200 of whom would be located in a safe zone near the Turkish border. On the other hand, Turkish officials declared that if there is to be a safe zone, then it should be under Turkey's control.

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

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

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

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

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

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

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

confidence, which might impair its business strategies and have a material adverse effect on its business, financial condition and/or results of operations.

Concerns about a sovereign debt crisis in certain European countries, including Cyprus, Greece, Ireland, Italy, Portugal and Spain, 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 ECB in June 2014, an increasing number of central banks in Europe have taken their policy rates below zero. In January 2016, the Bank of Japan also adopted negative interest rates. There is uncertainty in the markets as to the possible impact of these policies.

In the United States, the U.S. Federal Reserve's stated intent of continuing to gradually reduce its quantitative easing policy is expected to lead to a reduction in global liquidity and a decrease in fund flows to emerging markets, as well as other macroeconomic conditions. In addition, the current U.S. administration has implemented and is expected to continue to implement new policies in a number of areas, including economy, finance, taxation, international trade and international diplomatic relations. Although the latest developments suggest that the U.S. Federal Reserve will increase policy rates at a slower pace in the upcoming period, which will be a positive driver for Turkey and other emerging markets, it is difficult to predict the economic and political impact of the implementation of such new policies. A number of such policies might negatively impact fund flows to emerging markets, increase volatility in financial and commodity markets and/or negatively impact international trade relationships, which might have a material adverse effect on the Group's business, financial condition and/or results of operations, including indirectly as a result of negative impacts experienced by debtors to the Group.

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

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

In addition, the Group operates in countries outside of Turkey (such as the Netherlands and Romania). The Group's intention is to continue expanding its operations in such jurisdictions (particularly in Romania), and in the event there are financial crises affecting such jurisdictions or any other financial shock (such as the recent sharp decline in oil prices, which negatively affects certain Eastern European countries), this might result in the Group's foreign operations not growing or performing at the same rate or levels as planned. 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 might be materially adversely affected.

Although the global economy has begun to recover from the economic deterioration of recent years, the recovery might be weak. A relapse in the global economy or continued uncertainty around the potential for such a relapse might have an adverse effect on the Turkish economy, which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, any withdrawal by a member state from the EU and/or European Monetary Union, any uncertainty as to whether such a withdrawal or change might

occur and/or any significant changes to the structure of the EU and/or the European Monetary Union might have an adverse effect on the Turkish economy, which might have a material adverse effect on the Group's business, financial condition and/or results of operations, including its ability to access the capital and financial markets and to refinance its debt in order to meet its funding requirements as a result of volatility in European economies and/or the euro and/or the potential deterioration of European institutions.

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

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

A decline in the current account deficit experienced in 2012 came to an end in early 2013, with the current account deficit increasing to US$63.6 billion in 2013 (the sources for the data in this risk factor are Turkstat and the Central Bank) due principally to a recovery in domestic demand; *however*, to combat this increase, a package of macro-prudential measures issued by the BRSA to limit domestic demand, the Central Bank's tight monetary policy and increases in taxes, combined with the depreciation of the Turkish Lira and reduced oil prices, contributed to a decrease in the current account deficit to US$43.6 billion and US$32.1 billion in 2014 and 2015, respectively. In 2016, Turkey's current account deficit remained almost flat at US$32.6 billion due to a decline in the cost of energy imports, which offset the deterioration in tourism revenues. In 2017, Turkey's current account deficit increased to US$47.3 billion (5.5% of GDP) due to the rise in both energy and gold imports and strong domestic demand. In 2018, Turkey's current account deficit decreased to US$27.6 billion (3.5% of GDP) due to an increase in exports, a slowdown in domestic demand and an increase in tourism revenues. Various events, including a possible adverse impact on Turkey's foreign trade and tourism revenues, geopolitical risks (see "-Terrorism and Conflicts"), political risks (see "-Political Developments") and an increase in the price of oil, might result in an increase in the current account deficit, including due to the possible adverse impact on Turkey's foreign trade and tourism revenues. See "-Emerging Market Risks."

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

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

exchange that was used for reserve purposes previously might be applied by Turkish banks to the purchase of Turkish Lira).

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

The BRSA also has taken a series of temporary measures to support the liquidity management of banks in Turkey. For instance, the BRSA's temporary resolution dated August 2018 changed the foreign exchange rate references that could be used when calculating-risk weighted assets, which serve as the denominator in capital adequacy ratio calculations. This change resulted in the reporting of higher capital adequacy ratios. According to this resolution, banks were allowed to use the higher of the following two foreign exchange rates: (a) the rate as of the end of the second quarter of 2018 (*i.e.*, US$1/TL 4.5756) or (b) the arithmetic average of foreign exchange rates for the last 252 İstanbul business days prior to the relevant calculation date. Additionally, in accordance with another temporary resolution of the BRSA, "financial assets measured at fair value through other comprehensive income" were allowed to be not included in the regulatory capital for capital adequacy ratio calculation purposes. These two temporary regulatory easing measures with respect to the calculation of capital adequacy ratios expired on 27 December 2018 and thus are not reflected in the Bank's Financial Statements as of and for the year ended 31 December 2018. On 13 September 2018, the Central Bank increased its benchmark lending rate by 6.25%, which increased the one-week repo rate from 17.75% to 24.00%. In 2019, through the date of this Base Prospectus, the Central Bank has continued to implement a tight stance by changing forward guidance via more hawkish statements in its statements (*e.g.*, after the volatility seen in March 2019, the Central Bank paused one week repo auctions and provided funding through overnight lending, which had a cost of 150 basis points higher than the policy rate, until 8 April 2019). See "–Risks Relating to the Group's Business - Foreign Exchange and Currency Risk."

Although Turkey's economic growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon foreign trade, in particular with Europe. See "-Turkish Economy." A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, might have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Turkey has diversified its export markets in recent years, but the EU remains Turkey's largest export market. There has been recent political tension between Turkey and certain members of the EU as described in "-Political Developments" and "-Global Financial Crisis and Eurozone Uncertainty" above. A decline in demand for imports from the EU might have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in Russia and the Middle East, and the continuing political turmoil in certain of those markets might lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

Turkey is an energy import-dependent country and recorded US$43.0 billion of net energy imports in 2018, which increased from US$32.9 billion in 2017, which itself had increased from US$24.0 billion in 2016. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Turkey's current account balance. Even though the relatively low levels of oil prices were positive from the perspective of the current account balance in 2016, more recent price increases have contributed to the worsening of Turkey's current account balance. Agreements among the members of the Organisation of the Petroleum Exporting Countries (*OPEC*) to cut output or any geopolitical development concerning energy security and prices (such as the United States' withdrawal from the Joint Comprehensive Plan of Action (*i.e.*, the Iran nuclear deal) and re-imposing oil-related sanctions on Iran or the decision of the United States to impose new sanctions on Venezuela dated 22 May 2018, which decisions are expected to reduce global supply and increase crude oil prices) might have a material impact on Turkey's current account balance.

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

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

Emerging markets such as Turkey are subject to greater risk than are more-developed markets of being perceived negatively by investors based upon external events, and financial turmoil in any emerging market (or global markets generally) might disrupt the business environment in Turkey. Moreover, financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies might dampen capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Covered Bonds (and thus their market price) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group.

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

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation ("*CPI*") rates as high as 73.2% in the early 2000s. CPI was 7.4%, 8.2%, 8.8% and 8.5% in 2013, 2014, 2015 and 2016, respectively, with producer price inflation of 7.0%, 6.4%, 5.7% and 9.9%, respectively, in such years. In 2017, annual CPI was 11.9% due to an increase in the price of food and energy, the lagged impact of the depreciation of the Turkish Lira and strong domestic demand, while annual producer price inflation was 15.5% due to the increase in both intermediate and commodity prices in terms of Turkish Lira. The annual CPI was 20.3% in 2018, while annual domestic producer price inflation during the year was 33.6%, both increasing significantly due to the depreciation of the Turkish Lira. On 30 January 2019, the Central Bank published its first inflation report of 2019 and reduced its inflation forecasts, predicting a rate of 14.6% for 2019 (previously expecting a rate of 15.2% in the fourth inflation report of 2018) and 8.2% for 2020 (previously expecting a rate of 9.3% in the fourth inflation report of 2018). As of March 2019, the last 12 month CPI was 19.7% and the annual domestic producer price inflation was 29.6%. (Source of the above data in this paragraph: Turkstat).

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

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

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (*i.e.*, non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks Halkbank, Türkiye Vakıflar Bankası T.A.O. ("*Vakıfbank*") and T.C. Ziraat Bankası A.Ş. ("*Ziraat*") (which were three of the top 10 banks in the Turkish market based upon total assets as of 31 December 2018 according to the BRSA). Notwithstanding such changes, the Turkish banking sector remains subject to volatility. If the general macroeconomic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, then this might result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking sector, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Certain regulatory actions, investigations, allegations of past or current wrongdoing and similar actions (including the above-described conviction of an executive of Halkbank) might lead to related actions, rumours and/or uncertainties surrounding breaches by Turkish banks of international sanctions laws or other financial markets misconduct. Actual or perceived financial market instability in Turkey (and related actions, rumours and/or uncertainties) might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Covered Bonds.

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

The Group has significant exposure to Turkish governmental and state-controlled entities. Securities issued by Turkey represented 79.5%, 84.7% and 91.1% of the Group's securities portfolio (which consists of: (a) financial assets at fair value through profit or loss (net) or, after the adoption of TFRS 9, financial assets measured at fair value through profit or loss (each excluding derivative financial assets), (b) financial assets available-for-sale (net) or, after the adoption of TFRS 9, financial assets measured at fair value through other comprehensive income and (c) investments held-to-maturity or, after the adoption of TFRS 9, financial assets measured at amortised cost (collectively, the Group's "*securities portfolio*") as of 31 December 2016, 2017 and 2018, respectively. (12.0%, 12.2% and 11.9%, respectively, of its total assets and equal to 105.0%, 104.9% and 101.7%, respectively, of its shareholders' equity). Also, the Group has exposure to the Turkish government through the Group's participation in financing state-sponsored infrastructure projects, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or deterioration of the Turkish government's creditworthiness. In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental entities in making payments on their debt or a downgrade in Turkey's credit rating would likely have a significant negative impact on the value of the government debt held by the Group and the Turkish banking system generally and might have a material adverse effect on the Group's business, financial condition and/or results of operations. Enforcing rights against governmental entities might be subject to structural, political or practical limitations.

Turkey's sovereign debt ratings have been subject to various downgrades recently and might be further downgraded. For example, Turkey's sovereign debt rating was downgraded by S&P on 20 July 2016 followed by a

downgrade by Moody's on 23 September 2016 to below investment-grade status. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and Moody's. On 17 March 2017, Moody's revised the outlook of Turkey from stable to negative. On 7 March 2018, Moody's announced a downgrade of Turkey's sovereign debt rating and revised the outlook from negative to stable. On 1 May 2018, S&P lowered its unsolicited foreign currency long and short-term sovereign credit ratings on Turkey to "BB-/B" from "BB/B" and its unsolicited local currency long- and short-term sovereign credit ratings to "BB/B" from "BB+/B," with a stable outlook. On 1 June 2018, Moody's placed Turkey's "Ba2" long-term issuer rating and "Ba2" senior unsecured bond rating on review for downgrade. On 13 July 2018, Fitch downgraded Turkey's long-term foreign-currency issuer default rating to "BB" from "BB+" and assigned the outlook as negative. On 17 August 2018, Moody's lowered Turkey's foreign currency long-term credit rating to "Ba3" from "Ba2" and Turkey's foreign currency deposit ceiling to "B1" from "Ba3." On 24 September 2018, Moody's further lowered Turkey's foreign currency deposit ceiling to "B2" from "B1."

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

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels occurred over recent years in anticipation of a continuing growth in international tourism, whereas in fact tourism declined very significantly in 2015 and 2016 as a result of the conflicts in Syria and Iraq and Turkish political and security concerns and the tourism industry has suffered significantly (while Turkey's tourism revenues started to improve slightly starting from the second quarter of 2017, the industry remains significantly below full capacity). Any such overdevelopment might lead to a rapid decline in prices of these and other properties or the failure of some of these projects, which might then lead to a deterioration of the asset quality of Turkish banks and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for Turkish banks. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The 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 might be taken by the government (such as the imposition of taxes), might 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

The Covered Bonds will be solely obligations of the Issuer and will not be obligations of or guaranteed by the Security Agent, the Cover Monitor, the Offshore Account Bank, the Agents, the Hedging Counterparties (if any), the Arrangers, the Dealers, the Listing Agent or any other person. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Covered Bonds is accepted by any of such entities, any company in the same group of companies as such entities or any other party to the transaction documents relating to the

Programme. Though backed by the Cover Pool as permitted under the Turkish Covered Bonds Law, the Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer. As such, an investment in the Covered Bonds represents exposure to the creditworthiness of the Issuer, the quality of which might be impacted by (inter alia) the risk factors described in this Base Prospectus.

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, *concordat* proceedings, lack of liquidity, economic downturns, operational failures or other reasons, as a result of which the Group might suffer material credit losses. See "Risk Management."

The Group's financial results can be significantly affected by the amount of provisions for probable loan losses. The provision expense for losses on loans and other receivables increased from TL 3,387,096 thousand in 2016 to TL 3,681,863 thousand (a 8.7% increase) in 2017. The Group's NPL ratio decreased from 3.0% as of 31 December 2016 to 2.6% as of 31 December 2017, which decline was due to a strong collection performance supported by NPL sales. As a result of the adoption of TFRS 9 as of 1 January 2018, the Group changed the provision calculation principles for loans and other receivables from the BRSA's rule-based provisioning approach to a forward-looking expected credit loss (ECL) approach. Based upon the new impairment principles of TFRS 9, the provision expense for losses on loans and other receivables in 2018 was TL 10,836,246 thousand, which was a considerable increase from previous periods; *however*, this is not comparable to the figures for the previous periods due to changes in the accounting policy and the implementation of TFRS 9. In 2018, the NPL ratio increased to 5.1%, which was primarily due to the inclusion of both lease and factoring receivables under both the loans and the non-performing receivables line items (as applicable) as a result of a change to the presentation of the financial statements as per new rules introduced by the BRSA, a reduction in the Group's loan growth and some transfers (generally with sufficient ECL provisions) from Stage 2 (significant increase in credit risk) to Stage 3 (credit-impaired) as a consequence of the recent contraction in the growth of the Turkish economy, particularly in the fourth quarter of 2018.

In addition to the changes introduced by the transition to TFRS 9, changes in the NPL ratio can occur for various reasons, including changes in the levels of new NPLs, collection performance, NPL sales and the amount and nature of the Group's cash loans. For example, the level of NPLs and Stage 3 loans might rise due to the challenging political and economic operating environment in Turkey, including as a result of foreign exchange volatility, and the Group's focus on the growth in lending toward higher-yielding consumer and SME loans. 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.

As of 31 December 2018, 10.4% and 21.6% of the Group's performing cash loans excluding financial leases and factoring receivables were credit card and consumer loans, respectively, which historically have had among the highest rate of payment default and are uncollateralised. Additionally, the Group's exposures to certain borrowers (particularly for loans for 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. For example, and as noted in Part 5.1.5.2 of the Group's 2017 BRSA Financial Statements, the Group granted loans amounting to US$1,060 million and €8.1 million (including overdue interest) to Ojer Telekomünikasyon A.Ş. ("*OTAŞ*"), the then-majority shareholder of Türk Telekomünikasyon A.Ş. ("*Türk Telekom*"), which is a strategically important company operating in the telecommunication sector. OTAŞ defaulted in its debt service payments in September 2016, resulting in such loans being classified as watchlist loans in line with the BRSA Accounting and Reporting Legislation prior to the implementation of TFRS 9 and recorded as such in the BRSA Financial Statements as of and for the year ended 31 December 2017 (it was a performing loan for the year ended 31 December 2016). On 6 July 2018, all lenders of OTAŞ (including the Bank) reached an agreement on the restructuring of OTAŞ' debt, which is secured by 55% of Türk Telekom's issued share capital held by OTAŞ.

Pursuant to this agreement, OTAŞ' outstanding debt was restructured and the lenders obtained direct or indirect ownership in Levent Yapılandırma Yönetimi A.Ş. ("*LYY*"), which is a special purpose entity established for the restructuring of OTAŞ' debt. On 21 December 2018, as per the agreed structure, LYY took over the Türk Telekom shares held by OTAŞ (corresponding to 55% of Türk Telekom's shares). The Bank extended a loan to LYY amounting to TL 4,081,161 thousand (as of 31 December 2018) and this loan was classified as "Loans Measured at Fair Value through Profit or Loss" in the Bank's BRSA Financial Statements as of and for the year ended 31 December 2018 in accordance with TFRS 9. As of 31 December 2018, the Bank held 22.1265% of LYY's shares (in proportion with its share in OTAŞ' debt) and the relevant investment was considered within the scope of TFRS 5 (*Assets Held for Sale and Discontinued Operations*) in the Bank's BRSA Financial Statements as of and for the year ended 31 December 2018 as it meets the requirements of being an asset held for sale.

If a material volume of loans, particularly large loans, becomes non-performing or there is a slowdown in economic conditions related thereto, then this might have a material adverse effect on the asset quality of Turkish banks, including the Group. In addition to debtor-specific credit events, should any large debtor to the Turkish financial system experience financial difficulties, as has happened in the recent past, then that might have a negative impact on the Group, including indirectly through having a negative impact on the Turkish banking sector.

In December 2016, the Turkish government announced that the Turkish Treasury would provide a guarantee for SME loans up to an aggregate amount of TL 250 billion under the Credit Guarantee Fund (*Kredi Garanti Fonu*) (the "*KGF*") programme, which aimed to boost economic growth, support high potential companies that have difficulty accessing funding due to collateralisation constraints and help Turkish banks to grow by allowing 0% risk weight to be applied to the guaranteed portion of these loans. As this facility was fully utilised by the end of 2017, the available amount was increased by TL 55 billion in February 2018. A further increase of TL 35 billion was implemented in May 2018 to replace KGF-guaranteed loans that had already been repaid. Banks are assigned certain limits to grant these loans and the amount corresponding to 85% (for non-SMEs) or 90% (for SMEs) of such limit will be guaranteed by the Turkish Treasury. The guarantee also extends to NPLs from these SME loans that constitute up to 7% of a bank's NPL levels. If the NPLs from these loans exceed 7% of a bank's NPL ratio for the loans benefiting from the KGF guarantee, then the banks will bear the risk for the amount of the NPL in excess of such 7% level. The Bank started granting loans under the KGF programme on 1 April 2017 and, as of 31 December 2018, the Bank's total loan disbursements under the KGF programme were TL 26.5 billion (of which TL 15 billion remained outstanding). As of 31 December 2018, the gross NPL ratio as calculated solely for the loans granted under the KGF programme since 2017 was 3% against the maximum threshold of 7%. If the gross NPL ratio of these loans granted under the KGF programme since 2017 exceeds 7%, then the Bank would lose the advantages of the KGF programme in terms of collections and risk weights.

As of January 2019, an additional TL 20 billion limit was allocated by the government under the KGF guarantee for the use of SMEs with 2017 annual turnover of TL 25 million or less. On 6 March 2019, an additional TL 25 billion limit was allocated by the government for the use of SMEs with a yearly turnover of TL 125 million or less without any industry-specific limitations. Pursuant to Presidential Decree No. 162 dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured up to 96 months for working capital loans and up to 156 months for investment loans. Such Presidential Decree also requires lenders to provide an opportunity to the borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

In 2016, 2017 and 2018, the Group periodically sold portions of its NPL portfolio when market conditions were attractive to do so. In 2018, NPLs amounting to TL 353,750 thousand were sold for a consideration of TL 30,734 thousand (TL 1,198,539 thousand and TL 86,303 thousand, respectively, in 2017 and TL 1,310,763 thousand and TL 129,836 thousand, respectively, in 2016). The effect of NPL sales on the NPL ratio was to reduce it by 0.61%, 0.50% and 0.12% in 2016, 2017 and 2018, respectively (*i.e.*, the NPL ratio for such periods would have been higher by such amounts had such sales not occurred).

On a Bank-only basis, SMEs (per the BRSA SME Definition) accounted for 25.3%, 28.0% and 30.0% of total NPLs as of 31 December 2016, 2017 and 2018, respectively. A negative impact on the financial condition of

the Group's SME customers might have 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 might suffer material credit losses. While the Group seeks to mitigate credit risk, including through diversification of its assets and requiring collateral or guarantees 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 any portion of 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 such 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, which 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 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 additional provisions for probable credit losses in future periods.

The Group continues to seek to increase its lending activities and the growth in any business lines, or in the Group's credit portfolio generally, might have a negative impact on the quality of the Group's assets. Failure to maintain the Group's asset quality might result in higher loan loss provisioning and higher levels of write-offs or defaults, which might 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 might 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. As of 31 December 2018, 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 (source: Banks Association of Turkey), with the top seven banking groups (including the Group), three of which were state-controlled, holding approximately 71% of the banking sector's total loan portfolio in Turkey, 70% of the total bank assets in Turkey and 75% of the total deposits in Turkey (in each case, excluding participation banks and development and investment banks) (source: BRSA).

State-controlled banks in Turkey have historically had access to very inexpensive funding in the form of significant Turkish government deposits, which has provided them 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. As the domestic Turkish capital markets are small and there is thus only a limited ability to obtain Turkish Lira funding through local bond offerings, the competition for deposits is significant.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BBVA, BNP Paribas, Sberbank, Emirates NBD, Citigroup, ING, Bank Hapoalim, Bank Audi sal, Burgan Bank, Rabobank, Bank of China, Intesa Sanpaolo, MUFG Bank, Ltd., Industrial and Commercial Bank of China and Qatar National Bank ("*QNB*") are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices; *however*, some of such institutions have (or might) put some or all of their investments in Turkish banks up for sale as a result of their own financial circumstances and priorities. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, might increase

competition in the market. Similarly, the expansion of foreign banks' presence in Turkey, in addition to direct investment, might lead to further competitive pressures.

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 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 new or 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 services 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 Applicable Laws, competition and other factors impacting the Turkish banking sector

The Group's profitability might be negatively affected in both the short- and long-term as a result of a number of factors that generally impact the Turkish banking sector, including a slowdown of economic growth in Turkey and volatility in interest rates (see "-Reduction in Earnings on Securities Portfolio" and "-Interest Rate Risk" elsewhere in this section), increased competition (particularly as it impacts net interest margins (see "-Competition in the Turkish Banking Sector" above)) and Central Bank and other governmental actions, including those that seek: (a) to limit the growth of Turkish banks and/or the Turkish economy through various conventional and unconventional policy measures, including increased reserve requirements, increased capital requirements and higher risk-weighting for general purpose loans, (b) to impose limits or prohibitions on fees and commissions charged to customers or otherwise affect payments received by the Group from its customers (see "Banking Regulatory Matters" below and "Risks Relating to Turkey – High Current Account Deficit" above) or (c) constrain the liquidity of the Turkish Lira (see "Risks Relating to Turkey – Turkish Economy"). There can be no assurance that such factors will not have a material adverse effect on the Group's profitability or otherwise on its business, financial condition and/or results of operations.

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

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

Turkish banks' capital adequacy requirements have been and will continue to be affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are being phased in through 2019. The Regulation on Equities of Banks was published in the Official Gazette No. 28756 dated 5 September 2013 (the "*Equity Regulation*") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "*2012 Capital Adequacy Regulation*"), both of which transposed Basel III requirements into Turkish Applicable Law and entered into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (which entered into effect on 31 March 2016) (the "*2015 Capital*

Adequacy Regulation"). The 2015 Capital Adequacy Regulation: (a) increased the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0% to 50%; *however*, on 24 February 2017, the BRSA published a decision that enables banks to use 0% risk weight for such reserves, (b) lowered the risk weights of residential mortgage loans from 50% to 35%, (c) lowered the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) from 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not reclassified as "non-performing loans," and (d) decreased the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%. These changes had (as of 31 December 2018) a positive impact on the Bank's capital adequacy ratio.

According to amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation that will be effective as of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

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 amounts. In this context, the BRSA further published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. 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, through which the BRSA seeks 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), which entered into effect on 1 January 2014 (with the exception of certain provisions that entered into effect on 1 January 2015).

The Regulation on Measurement of Liquidity Coverage Ratios of Banks (the "*Regulation on Liquidity Coverage Ratios*") was published in the Official Gazette dated 21 March 2014 and numbered 28948 in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. According to this regulation, the liquidity coverage ratios of banks is not permitted to fall below 100% on an aggregate basis and 80% on a foreign currency-only basis. See "Turkish Regulatory Environment - Capital Adequacy." If the Bank and/or the Group is unable to maintain its capital adequacy, leverage and liquidity ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, losses or otherwise), then it might be required to seek additional capital and/or sell assets (including subsidiaries) at commercially unreasonable prices, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. See "Turkish Regulatory Environment" below for a further discussion on the implementation of Basel III in Turkey.

The BRSA also amended certain regulations and communiqués as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016 (entering into force on 31 March 2016) in accordance with the Regulatory Consistency Assessment Programme ("*RCAP*") of the Basel Committee on Banking Supervision (the "*Basel Committee*"), which programme is conducted by the Bank for International Settlements (the "*BIS*") and reviews Turkey's compliance with Basel regulations. These amendments include revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation, and impose requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments. Accordingly, the board of directors and senior management of a bank are required to ensure that such bank has established appropriate risk management systems

and applies an internal capital adequacy assessment process adequate to have capital for the risks incurred by such bank.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("*D-SIBs*") regulation (the "*D-SIBs Regulation*"), which introduced additional capital requirements for those banks classified as D-SIBs in line with the requirements of Basel III. As of the date of this Base Prospectus, the Bank is classified as a D-SIB. See "Turkish Regulatory Environment – Capital Adequacy."

In June 2016, the BRSA published the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (as amended from time to time, the "*Classification of Loans and Provisions Regulation*") (which replaced the former "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" (the "*Regulation on Provisions and Classification of Loans and Receivables*") and became effective as of 1 January 2018) in order to ensure compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks (unless an exemption is granted by the BRSA) to adopt TFRS 9, which is the direct translation of IFRS 9 ("Financial Instruments"), related to the assessment of credit risk and to account for expected credit losses in line with such principles. See "Turkish Regulatory Environment – Loan Loss Reserves – Current Rules."

As a result of the global financial crisis, policy makers in Turkey, the EU and other jurisdictions in which the Group operates have enacted or proposed various new Applicable Laws, and there is still uncertainty as to what impact these changes might have. In addition, the Turkish government (including the BRSA or the Central Bank) has introduced (and might introduce in the future) new Applicable Laws that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards, 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 System — Competition"). Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability might be materially adversely impacted until (if ever) such changes might be incorporated into the Group's pricing (and even then such changes might affect the Group's profitability as increased pricing for customers might reduce customer demand for many of the Group's products).

Such measures might also limit or reduce growth of the Turkish economy and consequently the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements. Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework might have an adverse effect on the Group's business, financial condition and/or results of operations. Finally, non-compliance with Applicable Laws might 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 (*Rekabet Kurulu*) (the "*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 Ödeme Sistemleri A.Ş. ("*GPS*") and Garanti Konut Finansmanı Danışmanlık Hiz. A.Ş. ("*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 Applicable 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 an annulment action before the administrative courts, which action was rejected. The Bank has appealed the court's decision; *however*, the 13th Chamber of Council of State has rejected the appeal. On 1 July 2016, the Bank requested the revision of

such decision from the Council of State, Plenary Session of Administrative Law Chambers. As of the date of this Base Prospectus, the lawsuit is pending. 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 might further increase the credit risk faced by the Group. Negative developments in the Turkish economy or in Turkey's principal export markets might 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 might 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 and inflation. Sudden changes or significant volatility in interest rates might result in a decrease in the Group's net interest income and/or net interest margin; *however*, high real yields provided by CPI-linked securities serve as a hedge against changes in interest rates. Accordingly, interest rate-related pressure on the Group's net interest income and/or net interest margin might be alleviated by income on CPI-linked securities. As a result of volatile market interest rates, a globalisation of markets and increased competition, the Group's net interest margin has varied 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 might 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 and net interest margin. As of 31 December 2018, 20.0% of the Bank's Turkish Lira-denominated cash loan portfolio carried a floating rate of interest (20.1% and 17.3% as of 31 December 2016 and 2017, respectively). See "Risk Management."

Because the Group's interest-bearing liabilities (principally deposits) generally reprice faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio might increase and its interest margins might improve), but might also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, interest expenses 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 and net interest margin. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer repricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest (for example, 62.5%, 64.5% and 58.7% of the Bank's interest-earning assets were fixed-rate as of

31 December 2016, 2017 and 2018, respectively); *however*, 35.6% of the Group's securities portfolio consisted of consumer price index-linked securities as of 31 December 2018 (29.6% and 31.8% as of 31 December 2016 and 2017, respectively). The Group's yield on its securities increased significantly due mainly to higher CPI readings in 2018 as a consequence of the sharp increase in the inflation rate. The Group's net interest margin also increased in 2016, 2017 and 2018 due to an increasing interest rate environment and the significant increase in inflation, which increased from 11.9% in 2017 to 20.3% in 2018.

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 profit/(loss) and/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.

The Central Bank has alternated between increasing and tightening liquidity in recent years. For example, on 24 March 2016, the Central Bank took its first step towards normalisation and reduced the upper limit of its interest rate corridor by 25 basis points to 10.50%. From then until September 2016, the Central Bank cut its rates each month, totalling 225 basis points; *however*, following the sharp depreciation of the Turkish Lira, upside risk on inflation and market volatility, the Central Bank stopped its interest rate-cutting process in October 2016 and, on 24 November 2016, the Central Bank's Monetary Policy Committee ("*Monetary Policy Committee*") increased the upper bound of the interest rate corridor by 25 basis points to 8.50% from 8.25% and its one-week repo rate (policy rate) by 50 basis points to 8.00% from 7.50% (which increase was the first rate hike since January 2014), while leaving its late liquidity window rate unchanged at 7.25%. On 24 January 2017, the Monetary Policy Committee kept the one-week repo rate at 8.00%, while increasing the upper bound of the interest rate corridor by 75 basis points to 9.25% and the late liquidity window lending rate by 100 basis points to 11.00%. Following the meeting of the Monetary Policy Committee, the Central Bank announced that a significant increase in inflation is expected in the short-term due to delayed pass-through effects and the volatility in food prices. Accordingly, the Monetary Policy Committee decided to increase its monetary tightening in order to attempt to mitigate the inflation outlook. On 16 March 2017, the Monetary Policy Committee increased the late liquidity window lending rate by 75 basis points to 11.75%, which was then further increased by 50 basis points to 12.25% on 26 April 2017 and further increased to 12.75% on 14 December 2017. In 2018, macroeconomic conditions in Turkey (including an increasing current account deficit, elevated inflation stemming from strong domestic demand and high external debt levels), an upward revision in market expectations of the number of interest rate hikes from the U.S. Federal Reserve, increased geopolitical tensions and inconsistent macroeconomic policies led the Turkish Lira to depreciate significantly. In order to try to reduce inflation expectations and enhance financial stability, the Central Bank increased its one week repo rate by 850 basis points, 75 basis points and 625 basis points (to 16.5%, 17.75 and 24.00%) in May, June and September, respectively.

If the Group is unable for any reason to reprice 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 might 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 might 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

The Group is exposed to the effects of fluctuation in foreign currency exchange rates, principally the U.S. dollar and euro against the Turkish Lira, which can have an impact on its financial position, results of operations and/or capital. These risks are both systemic (*e.g.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and specific to the Group (*e.g.*, due to the Group's own net currency positions)

and these fluctuations might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations. For example, exchange rate movements affect the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital, which can affect capital adequacy either positively (for example, if the Turkish Lira appreciates, then assets in foreign currencies convert into fewer Turkish Lira in the calculations of capital adequacy ratios and thus increase the capital adequacy ratios) or negatively (for example, if the Turkish Lira depreciates, then assets in foreign currency convert into more Turkish Lira in the calculations of capital adequacy ratios and thus reduce the capital adequacy ratios).

As a result of the depreciation of the Turkish Lira by 38.1% in 2018, the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and capital increased significantly in 2018. The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 57.4% and 42.3%, respectively, as of 31 December 2017 to 51.6% and 38.0%, respectively, as of 31 December 2018, largely due to the depreciation of the Turkish Lira. In the first half of 2018, the Bank recorded growth of 9.0% in Turkish Lira-denominated loans; *however*, due to the high volatility and unexpected market developments in the second half of the year, new Turkish Lira-denominated originations in consumer and business loans were lower than the amount of such loans that matured during the period and, as a result, the growth for all of 2018 was only 2.2%. In addition, there was in 2018 a 17.3% increase in foreign currency-denominated loans primarily due to the depreciation of the Turkish Lira. Accordingly, the growth in total loans during 2018 was only 7.0%, with the increase resulting from the depreciation of the Turkish Lira and the corresponding increase (in Turkish Lira terms) of the remaining foreign currency-denominated loans.

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

From a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group). A number of Turkish borrowers have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk. As of 31 December 2018, foreign currency-denominated loans comprised 43.4% of the Group's loan portfolio (of which U.S. dollar-denominated obligations were the most significant), compared to 39.8% as of 31 December 2017 and 43.6% as of 31 December 2016. The share of foreign currency-denominated loans increased in the Group's loan portfolio as of 31 December 2018 compared to previous years primarily due to the depreciation of the Turkish Lira. In addition, a significant portion of the Group's off-balance sheet commitments, such as letters of credit, were foreign currency-risk-bearing. Any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (such as increased interest rates or capital controls) might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a negative effect on the Group's business, financial condition and/or results of operations.

In 2015, in nominal terms, the Turkish Lira depreciated against the U.S. dollar by 25.4%. 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 the U.S. Federal Reserve's increase of the U.S. federal funds rate and the uncertainty resulting from the general elections in Turkey and other political events described in "Risks Relating to Turkey - Political Developments." 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%. This initial step towards normalisation reduced some volatility, permitting the Turkish Lira and certain other emerging market currencies to appreciate. In the first quarter of 2016, the Turkish Lira appreciated against the U.S. dollar by 2.6%. In this context, instead of responding to the U.S. Federal Reserve's actions by changing interest rates and implementing the roadmap, the Central Bank tightened further the liquidity of the Turkish Lira. Having declined to 7.6% in March 2015, the Central Bank's average funding rate increased to 9.0% in September 2015, before declining to 8.8% as of the end of 2015. The Central Bank's average funding rate further increased to 9.1% in February 2016, but then subsequently decreased to below 9.0% in March 2016 due to the U.S. Federal Reserve's dovish stance in its March 2016 meeting. This continued until September 2017, when the U.S. Federal Reserve indicated that it would likely increase rates (and, in fact, the U.S. Federal Reserve made three rate hikes in 2017 and, in 2018, it made four rate hikes and started shrinking its balance sheet). The Central Bank's weighted average cost of funding was 24.0% on 31 December 2018, increasing from 12.75% on 31 December 2017, which itself had increased from 8.31% at the end of 2016. On 22 March 2019, the Central Bank sought to tighten monetary policy by suspending its one week repo auctions for an unspecified period following the depreciation of the Turkish Lira by 5.8% on the same date, thereby resulting in an effective interest rate hike as banks would then be required to access the more expensive options, which suspension was lifted on 8 April 2019.

The Turkish Lira depreciated against the U.S. dollar by 21.5% in 2016 and then depreciated further by 7.9% in 2017, which depreciation was in part a result of geopolitical risks (see "Risks Relating to Turkey - Terrorism and Conflicts"), the uncertainty resulting from domestic political developments (see "Risks Relating to Turkey - Political Developments") and the pressure on emerging market currencies. As a response to the depreciation of the Turkish Lira, the Central Bank has adopted certain monetary policies. For instance, in October and November 2016, the Central Bank revised certain reserve option coefficients within the context of the Reserve Options Mechanism (which provides Turkish banks the option to hold a portion of the Turkish Lira reserve requirements in foreign exchange or standard gold) in order to increase liquidity in the Turkish banking system. Additionally, the Central Bank reduced the borrowing limit for Turkish banks in the Interbank Money Market (*Bankalararası Para Piyasası*) initially to TL 22 billion and subsequently to TL 11 billion and then to zero on 10 January 2017, 13 January 2017 and 21 November 2017, respectively. The Central Bank also launched the Foreign Exchange Deposits against Turkish Lira Deposits Market in order to increase the Central Bank's flexibility and diversity in managing the Turkish Lira and foreign exchange liquidity. To improve the ability of Turkish companies to manage their currency exposures, the Central Bank introduced non-deliverable forwards, which provide hedging with forward payments settled in Turkish Lira.

From 31 December 2017 to 22 May 2018, the Turkish Lira depreciated a further 18.0% against the U.S. dollar, as a result of which the Central Bank increased the late liquidity window lending rate by 300 basis points to 16.5% on 23 May 2018. On 13 September 2018, the Central Bank increased its benchmark lending rate by 6.25%, which increased the one-week repo rate from 17.75% to 24.00%. Notwithstanding these changes, the Turkish Lira depreciated by 38.1% against the U.S. dollar in 2018. On 22 March 2019, the Central Bank sought to tighten monetary policy by suspending its one week repo auctions for an unspecified period following the depreciation of the Turkish Lira by 5.8% on the same date, which suspension was lifted on 8 April 2019. The Central Bank might implement additional monetary tightening policies in the near future for price stability, if needed; *however*, there is no assurance that any of the Central Bank's policies would be effective to achieve stability in the Turkish Lira. Any failure of the Central Bank to implement effective policies might adversely affect the Turkish economy in general, including leading to higher inflation and a higher current account deficit. See also "Risks Relating to Turkey - High Current Account Deficit" and "Risks Relating to Turkey - Inflation Risk."

The Central Bank's monetary policy is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey. As global conditions have been volatile in recent years, including as a result of, among other factors, expectations regarding slower growth in China and low commodity and oil prices, monetary policy remains subject to uncertainty. The fluctuations of foreign currency exchange rates and increased volatility of the Turkish Lira might adversely affect the Group's customers and the Turkish economy in general; thus these might have a negative effect on the value of the Group's assets and/or the Group's business, financial condition and/or results of operations.

These and other domestic and international circumstances might result in continued or increasing volatility in the value of the Turkish Lira. Any actions taken by the Central Bank or Turkish government to protect the value of the Turkish Lira (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.

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

In addition, the Group is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. Although regulatory limits prohibit the Bank and the Group from having a net currency short or long position of greater than 20% of the total capital used in the calculation of its regulatory capital adequacy ratios, if the Bank or the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange rates might have a negative effect on the value of the Group's assets and/or lead to operating losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. The Group's and the Bank's foreign currency net long open position ratios were 4.2% and 3.8%, respectively, as of 31 December 2018, 5.0% and 5.2%, respectively, as of 31 December 2017 and 3.1% and 3.4%, respectively, as of 31 December 2016.

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 deposits), changes in credit ratings or market-wide dislocation. Perceptions of counterparty risk between banks (such as during the global financial crisis) can also increase significantly, which can lead to 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 and bilateral 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 might be materially and adversely impacted by substantial customer withdrawals of deposits.

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, commercial 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 Group's customer deposits are its primary source of funding, although (when market conditions are favourable) the Group also obtains funding from international and domestic markets in order to manage duration mismatch (particularly to

fund long-term assets such as project finance loans, other foreign currency-denominated loans and mortgages) and optimise funding costs. These alternative funding sources include the issuance of securities, future flow transactions, loans (both syndicated and bilateral) and money market transactions.

The rate of growth of loans and advances (including leasing and factoring receivables) 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 112.0%, 113.6% and 104.4% as of 31 December 2016, 2017 and 2018, respectively. Accordingly, the Group has funded this growth in loans through the sale of securities and the use of borrowing facilities and future flow transactions, 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 become increasingly dependent upon other sources of financing, including long-term funding via syndicated and bilateral loans, "future flow" transactions and eurobonds. If any member of the Group were to seek to raise long-term financing but were to be unable to do so 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 (that is, a mismatch between the maturities of the Group's assets and liabilities) between the Group's deposit and other 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 might 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 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 the level that the Group believes to be their intrinsic values.

A rising interest rate environment might compound the risk of the Group not being able to access funds at favourable rates or at all. As central banks unwind the expansive liquidity that has been provided during the global financial crisis, competition among banks and other borrowers for the reduced global liquidity might result in increased costs of funding. These and other factors might lead creditors to form a negative view of the Group's liquidity, which might result in lower credit ratings, higher borrowing costs and/or less access to funds. In addition, the Group's ability to raise or access funds might be impaired by factors that are not specific to its operations, such as general market conditions, disruptions of the financial markets or negative views about the prospects of the sectors to which the Group lends. While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default, change of control or other event) might adversely affect the Group's business, financial condition and/or results of operations. For example, in case of a liquidity crisis, wholesale funding would likely become more difficult to obtain, which might adversely affect borrowing using certain capital market instruments (such as "future flow" transactions and eurobonds). See also "-Foreign Currency Borrowing and Refinancing Risk" below.

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

Securities Portfolio Risk – Members of the Group invest in securities for long- and medium-term periods, which might 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 (to a limited extent) 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 profit/(loss) 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 price 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 might have a material adverse effect on the Group's business, financial condition and/or results of operations.

While securities issued by Turkey represent substantially all of the Group's securities portfolio, and the Group thus does not have significant direct exposure to the credit risk of foreign governments, the disruptions to the capital markets caused by investors' concerns over the fiscal deficits in certain countries have had and might continue to have a material negative impact on the valuation of securities and thus on the market price of the Group's securities portfolio. See "Risks Relating to Turkey - Government Default."

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

While the 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 and bilateral loans, "future flow" transactions, bond issuances and other transactions, many of which are denominated in foreign currencies. The Group's total foreign currency-denominated funds borrowed, securities issued, subordinated debts and financial liabilities measured at fair value through profit or loss constituted 20.2% of its liabilities and equalled 36.9% of its foreign currency-denominated assets as of 31 December 2018 (19.5% and 40.5%, respectively, as of 31 December 2017 and 20.0% and 39.8%, respectively, as of 31 December 2016). To date, the Bank has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, although this might not continue in the future (including if investor confidence in Turkey decreases as a result of political, economic or other factors). Particularly in light of the historical volatility of emerging market financings, the Group: (a) might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in maturity mismatches of assets and liabilities, and (b) is susceptible to depreciation of the Turkish Lira (which would thus increase the amount of Turkish Lira that it would need to make payments on its foreign currency-denominated obligations). Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations.

A downward change in the ratings published by rating agencies of either Turkey or members of the Group might increase the costs of new indebtedness and/or the refinancing of the Group's existing indebtedness, including to the extent that such a downgrade is perceived as a deterioration of the capacity of the Group to pay its debt. The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On 27 January 2017, Fitch (whose ratings the Bank has been using to calculate its risk-weighted assets) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). According to guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank are subject to a 0% risk weight, which amendment offset the negative impact on capital adequacy that otherwise would have resulted from the Fitch downgrade.

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

These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency. Should the Group be unable to continue to borrow funds on acceptable terms, if at all, this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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 portion of its interest income from its securities portfolio, with interest income on the Group's securities portfolio in 2016, 2017 and 2018, accounting for 16.3%, 16.9% and 20.0%, respectively, of its total interest income (and 13.9%, 12.7% and 17.3%, respectively, of its total operating profit before deducting interest expense, fees and commissions expense and personnel expense when net trading gains/(losses) on securities are also considered. The Group also has obtained large realised and unrealised gains from the mark-to-market valuation and sale of securities, which gains represented 15.4% and 19.5% of the Group's other operating income in 2016 and in 2018, respectively. The Group also incurred realised and unrealised losses from mark-to-market valuation and sale of securities representing 20.0% of the Group's other operating income in 2017. The CPI-linked securities in the Bank's investment securities portfolio provided high real yields compared to other government securities in each of such years, benefiting from the high inflation environment, but their impact on the Bank's earnings might vary as inflation rates change.

The Group's securities portfolio principally contains Turkish government debt securities, with more limited holdings of other securities such as corporate and foreign government debt securities. The Group's investment securities portfolio (which: (a) excludes its trading portfolio and, following the adoption of TFRS 9, financial assets measured at fair value through profit or loss and (b) includes: (i) available-for-sale securities and, following the adoption of TFRS 9, financial assets measured at fair value through other comprehensive income and (ii) held-to-maturity securities and, following the adoption of TFRS 9, financial assets measured at amortised cost) represented 15.1%, 14.2% and 13.0%, respectively, of the Group's total assets as of 31 December 2016, 2017 and 2018. The share of the Group's investment securities portfolio in its total assets decreased slightly in 2017 and 2018 as the Group increased its cash loan lending, in part due to higher loan demand and the Group's strategy to improve its net interest margin. Until adoption of TFRS 9 as of 1 January 2018, as the Group's investment securities portfolio is comprised largely of high quality securities (principally Turkish government debt, most of which is held in the financial assets available-for-sale portfolio), the Group experienced insignificant credit losses on its investment securities portfolio and established immaterial provisions relating thereto during each of 2016 and 2017. As of 1 January 2018, the Group started to apply TFRS 9 in its BRSA financial statements, which standard replaced TAS 39 (*Financial Instruments: Recognition and Measurement*). Accordingly, as of 1 January 2018, both financial instrument classifications and impairment calculation principles have fundamentally changed. The TAS 39 measurement categories of "financial assets valued at fair value through profit or loss/financial assets held for trading," "financial assets available-for-sale" and "investments held-to-maturity" have been replaced by "financial assets measured at fair value through profit or loss," "financial assets measured at fair value through other comprehensive income" and "financial assets measured at amortised cost," respectively, as a consequence of the first time adoption of TFRS 9. TFRS 9 also changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. See Note 3.8 of the Group's

BRSA Financial Statements as of and for the year ended 31 December 2018. Therefore, the Group has started to recognise expected losses at initial recognition for all financial assets measured at fair value through other comprehensive income (excluding equity instruments) and financial assets measured at amortised cost in profit or loss effective from 1 January 2018 and, accordingly, the credit losses on the securities portfolio have increased considerably compared to previous periods. Due to accounting policy changes and reclassifications made as a consequence of the implementation of TFRS 9, the figures as of 31 December 2018 are not comparable to the figures for the previous periods. See Notes 5.1.4, 5.1.5 and 5.1.8 of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018.

While the contribution of income from the Group's securities portfolio (including interest earned, trading income and other income) 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 might have a material adverse effect on its business, financial condition and/or results of operations. In addition, as the Group's investment portfolio is heavily concentrated in Turkish government securities, see also "Risks Relating to Turkey – Government Default" above.

Trading Activities Risk – Members of the Group engage in market trading activities, including hedging, that might 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 price of those positions and exchange rates. The Group might incur significant losses from its trading activities, which might have a material adverse effect on its 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 might be greater than expected, which might 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 might 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 might 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 Licences – Group members might be unable to maintain or secure the necessary licences for carrying on their business

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

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

By Applicable Law, each of the Bank and the Group is required to maintain certain capital levels and capital 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's economy 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). As a result, the Bank's management expects 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 Applicable Law as to the manner in which capital ratios are calculated (see "Banking Regulatory Matters" and "Pressure on Profitability" above). Additionally, it is possible that the Bank's and/or the Group's capital levels might decline due to, among other things, credit losses, increased credit reserves, currency fluctuations, dividend payments or a downgrade in Turkey's credit ratings. 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 to the Group at all or at a price that the Group considers to be reasonable. If any or all of these risks materialise, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, might exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial trading losses due to a market downturn in Turkey, then its need for liquidity might rise sharply while its access to such liquidity and/or capital might be impaired. In addition, in conjunction with a market downturn, the Group's customers might incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. If this or any other combination of risks occurs, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, similar to other banking groups, the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorised transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). The Group's risk management and expanded control capabilities are also limited by the information tools and techniques available to the Group. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruptions to services to the Group's branches and/or impact customer service. In addition, given the Group's high volume of transactions, fraud or errors might be repeated or compounded before they are discovered and rectified. Furthermore, a number of banking transactions are not fully automated, which might further increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. If the Group is unable to successfully monitor and control these or any other operational risks, then this might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

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

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 Applicable Laws 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 other criminal activities, then its reputation might suffer and/or it might 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 might 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 in other countries during the global financial crisis), this might not be the case for Turkey in general or the Group in particular. Investors in the Covered Bonds should not place any reliance upon the possibility of the Group being supported by any governmental or other entity at any time, including by providing liquidity or helping to maintain the Group's operations during periods of material market volatility. See "Turkish Regulatory Environment – The Savings Deposit Insurance Fund (SDIF)" for information on the limited government-provided insurance for the Bank's deposit obligations.

Leverage Risk – The Group might become over-leveraged

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

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

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

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

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology ("*IT*") systems and its ability to increase systems capacity. The proper functioning of the Group's 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 might result in failures or interruptions in the Group's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if the Group's IT systems failed, even for a short period of time, then it might be unable to serve some or all of its customers' needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of the Group's IT systems might result in costs that are required for information retrieval and verification. In addition, the Group's failure to update and develop its existing IT systems as effectively as its competitors might result in a loss of the competitive advantages that the Group believes its IT systems provide. Such failures or interruptions might occur and/or the Group might not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Group's IT systems, delays or other problems in increasing the capacity of the Group's IT systems or increased costs associated with such systems might have a material adverse effect on the Group's business, financial condition and/or results of operations.

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

While a substantial majority of the Group's operations are in Turkey, it also (as of the date of this Base Prospectus) maintains operations in countries such as Romania and the Netherlands. The Group's operations outside of Turkey are subject to differing regulatory environments and domestic economic conditions and require the Group to engage in transactions in relevant local currencies such as the euro. Adverse changes in the regulatory environments, tax and/or other Applicable Laws, economic and political conditions, relevant exchange rates and/or other circumstances in Turkey or the other jurisdictions in which the Group operates might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Risks relating to the Group's Relationship with the Bank's Principal Shareholder BBVA – The Group intends to continue its dealings with the BBVA 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*")). With respect to the Bank, all credits with respect to, and services provided to, its related parties (including members of the BBVA 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 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 market prices 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 might result in, conflicting interests. See "Related Party Transactions."

The interests of the Bank's shareholders (including BBVA) might not be consistent with the interests of investors in the Covered Bonds and the Bank's shareholders might take (or cause the Bank to take) actions that might be harmful to investors in the Covered Bonds.

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, 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, the United Kingdom or in other similar economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU, the United States, the United Kingdom or in other similar markets and any information that is published might only be presented in Turkish.

The BRSA's rules require Turkish banks to publish their annual and quarterly financial reports on their websites. In addition, banks that are listed on the Borsa İstanbul, such as the Bank, are also required to publish their financial statements on a quarterly basis and to disclose any significant development that is likely to have an impact on investors' decisions and/or that would be likely to have a significant effect on the market price of the issuer's securities (both through the Turkish website of the government's Public Disclosure Platform (*Kamuyu Aydınlatma Platformu*) ("*Public Disclosure Platform*") and the bank's own website). Annual financial reports comprise audited

financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements, interim management reports and corporate governance compliance reports. Many Turkish banks (including the Bank) also prepare financial statements using IFRS for certain reporting periods, with their financial statements typically being available first under the BRSA Accounting and Reporting Legislation and subsequently being made available in IFRS financial statements. Most Turkish banks, including the Bank, have English versions of their financial statements available on their websites. 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.

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

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 BRSA Financial Statements for 2016, 2017 and 2018 were qualified with respect to general reserves that were allocated by the Group. In 2016, the Bank's management reversed a net TL 42,000 thousand of general reserves, resulting in a level of general reserves to TL 300,000 thousand as of the end of 2016. In 2017, the Bank's management increased the general reserves by TL 860,000 thousand to TL 1,160,000 thousand. In 2018, the Bank's management further increased the general reserves by TL 1,090,000 thousand to TL 2,250,000 thousand for the possible effects of negative circumstances that might arise in the economy or market conditions.

The Bank's auditors have qualified their respective audit reports for such periods as general reserves are not permitted under the BRSA Accounting and Reporting Legislation or IFRS. Similar qualifications have been taken with respect to the IFRS Financial Statements. Although these reserves do not impact the Group's level of tax, the Group's capital adequacy ratios and net profit/(loss) might otherwise be higher in the periods in which such reserves are established and lower in the periods in which such reserves are reversed. Future financial statements might include similar qualifications. Each auditor's statements on such qualification can be found in its report attached to each of the applicable financial statements incorporated by reference herein.

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

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and 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 U.S. or European investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group's current policy is not to engage in any impermissible business with Sanction Targets, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Bank might incur the risk of indirect contact with Sanction Targets. In addition, there can be no assurance that current counterparties of the Group will not become Sanction Targets in the future. See "The Group and its Business – Compliance with Sanctions Laws."

Risks relating to the Cover Pool

The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer, backed by the Transaction Security. As such, an investment in the Covered Bonds represents exposure to both the creditworthiness of the Issuer and assets comprising the Cover Pool. The following discusses certain risks relating to the value of the Cover Pool.

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

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

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

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

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

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

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

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

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

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

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

If an Event of Default occurs and a Notice of Default is served on the Issuer, then the Security Agent will (upon instructions from the Covered Bondholder Representative) be entitled to enforce the security interests over the Security Assignment Security granted by the Issuer in favour of the Security Agent under and pursuant to the terms of the Security Assignment and the other Non-Statutory Security, and the proceeds from the realisation of the Transaction Security will be applied towards payment of the Issuer's obligations under the Transaction Documents in the manner provided in the Transaction Documents and the Covered Bonds Communiqué; *it being understood* that the Security Agent does not have a security interest over the portion of the Transaction Security that is included in the Cover Pool, which is subject to liquidation pursuant to the provisions of the Covered Bonds Communiqué (see "Risks relating to the Covered Bonds Communiqué - No Direct Security Interest in Favour of Covered Bondholders in the Cover Pool").

The realisable value of the Mortgage Assets and their related security included in the Cover Pool might be reduced by (*inter alia*): (a) default by Borrowers, (b) changes to the lending criteria of the Issuer and (c) possible changes in Applicable Law, some of which factors are considered in more detail below. While the Statutory Tests, the Required Overcollateralisation Percentages and the Individual Asset Eligibility Criteria are intended to ensure that there will be an adequate amount of Mortgage Assets and other assets in the Cover Pool to enable the repayment of the Covered Bonds following service of a Notice of Default, there is no assurance that the Mortgage Assets or other Transaction Security could be realised for sufficient value to enable the Issuer's obligations under the Transaction Documents to be paid in full.

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

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

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

As a matter of Turkish Applicable Law, each Borrower of a Mortgage Asset is required to maintain earthquake insurance for the related real property (subject, as of the date of this Base Prospectus, to a maximum claim of TL 190,000) and they are also permitted to enter into life insurance policies that name the Issuer as the primary loss payee in order to secure their obligations under such Mortgage Asset. Any amounts received by the Issuer under such insurance might be insufficient to pay off such Mortgage Asset in full, particularly for damage caused by an earthquake on a property with respect to which the related Mortgage Asset exceeds the maximum claim. Such circumstances might result in the value of the Cover Pool being insufficient to ensure repayment of the Issuer's obligations under the Transaction Documents, particularly if such occurs as a result of an earthquake or other catastrophic event that affects a large number of such properties.

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

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

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

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

adverse effect on the realisable value of the Mortgage Assets and ultimately adversely affect whether the value of the Cover Pool is sufficient to ensure payment of the Issuer's obligations under the Transaction Documents.

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

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

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

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

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

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

The Issuer might be obligated under a Hedging Agreement to make payments to the applicable Hedging Counterparty before such Hedging Counterparty makes its corresponding payment into a Non-TL Hedge Collection Account. As such, and notwithstanding the *pro rata* and *pari passu* nature of the Total Liabilities, a Hedging Counterparty might be paid (including from the Transaction Security) before the Covered Bondholders, which (if

such Hedging Counterparty does not then make its corresponding payment into a Non-TL Hedge Collection Account) might result in the Covered Bondholders receiving less than a *pro rata* payment with respect to their share of the Total Liabilities.

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

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

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

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

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

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

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

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

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

The Covered Bonds Communiqué includes a "receivable" of a mortgage loan as eligible for Statutory Segregation; *however*, the precise scope of what constitutes a "receivable" for these purposes is unclear. While the Issuer has contractually agreed that the relevant proceeds of Ancillary Rights shall constitute part of the Cover Pool Assets, if it is subsequently judicially determined that all or part of the Ancillary Rights do not constitute "receivables" of Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué, then the obligation of the Issuer to apply the relevant proceeds of such Ancillary Rights in satisfaction of any obligations

owed by the Issuer under the Transaction Documents to the Secured Creditors will be an unsecured contractual obligation only and such Ancillary Rights will not be Cover Pool Assets and thus not benefit from Statutory Segregation.

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

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

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

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

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

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

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

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

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

The Mortgage Assets were (and will be) originated (or purchased) by the Issuer pursuant to certain established origination guidelines and, in certain cases, based upon exceptions to those guidelines. It is expected that the Issuer's lending criteria will generally consider, *inter alia*, the type of property, term of loan, age of applicant,

loan-to-value ratio, status of applicant and credit history. The Issuer retains the right to revise its lending criteria from time to time. Although these guidelines have been designed to identify and appropriately assess the repayment risks associated with the origination of mortgage loans, it cannot be ensured that the interest and principal payments due on any Mortgage Asset will be paid when due, or at all, or whether the value of the property securing such Mortgage Asset will be sufficient to otherwise provide for recovery of such amounts.

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

Any increased risk that principal and interest amounts might not be received or recovered in respect of the Mortgage Assets might have a material adverse effect on the Issuer's financial condition, results of operations and/or ability to perform its obligations under the Covered Bonds and/or on whether the value of the Cover Pool is sufficient to ensure payment of all of the Issuer's obligations under the Transaction Documents.

Risks relating to the Covered Bonds Communiqué

Set out below is a description of material risks relating to the Covered Bonds Communiqué:

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

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

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

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

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

See also "Risks relating to Covered Bonds generally - Enforcement of Judgments."

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

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

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

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

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

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

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

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

Under the Covered Bonds Communiqué, the Administrator may raise liquidity through the sale of Mortgage Assets and other assets in the Cover Pool to fulfil some or all of the Total Liabilities. In addition, to fulfil some or all of the Total Liabilities on their due dates, the Administrator may utilise loans or conduct repo transactions. Although the Covered Bonds Communiqué does not include any provision specifically in relation to the ranking of the counterparties of such transactions, the claims of the counterparties of those transactions might rank pari passu with or senior to the claims of the Covered Bondholders and any existing Hedging Counterparties with respect to the Cover Pool Assets, which might have an adverse effect on the ability of the Covered Bondholders to receive payments due to them under the Transaction Documents.

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

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

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

Risks relating to the Transaction Documents

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

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

As permitted by Condition 16 (*Further Issues*), the Bank may from time to time without the consent of the Covered Bondholders of a Series create and issue further Covered Bonds of that Series; *provided* that (among other conditions): (a) such further Covered Bonds will be fungible with the existing Covered Bonds of such Series for U.S. federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation §1.1275-2(k) unless the original Covered Bonds were, and such further Covered Bonds are, offered and sold by (or on behalf of) the Bank solely in reliance upon Regulation S in offshore transactions to persons other than

U.S. persons and (b) unless such Series is denominated and payable in Turkish Lira, a Rating Agency Confirmation from the Relevant Rating Agency(ies) of all outstanding Series is obtained. To the extent that the Bank issues further Covered Bonds of a Series, the interest of an existing Covered Bondholder of such Series (*e.g.*, in respect of any meeting of holders of the Covered Bonds of that Series (see "-Consent for Modifications" below)) will be diluted.

Additional Series – The Bank may from time to time issue additional Series of Covered Bonds, which might dilute the interests of existing Covered Bondholders in the Cover Pool and would dilute their share of Programme-wide voting rights

The Bank may from time to time without the consent of the Covered Bondholders or any other Secured Creditors create and issue additional Series of Covered Bonds; *provided* that (among other conditions), unless such Series is denominated and payable in Turkish Lira, a Rating Agency Confirmation from the Relevant Rating Agency(ies) of all outstanding Series is obtained. To the extent that the Bank issues further Series, the Programme-wide voting rights of the existing Covered Bondholders will be diluted (see "-Programme-level Decisions" below). While the Issuer would continue to be required to comply with the Statutory Tests and the Required Overcollateralisation Percentage for each Series, any such additional issuance might reduce the ability of the Cover Pool to cover repayment of the Issuer's obligations under the Transaction Documents. See Condition 16 (*Further Issues*).

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

The terms and conditions of the Covered Bonds (the "*Conditions*") include a very limited list of Events of Default, the occurrence of which would permit the Covered Bonds to be accelerated. The ability of Covered Bondholders to accelerate the Covered Bonds will thus be very limited. See "General Description of the Programme – Events of Default."

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

The Agency Agreement provides that the Issuer may (without the consent of the other parties thereto and, subject to the provisions of the other applicable Transaction Documents, the other parties thereto and any other Secured Creditors) make amendments to the Conditions or any of the other Transaction Documents under certain circumstances, as more particularly set out in "*Description of the Transaction Documents – Agency Agreement – Amendments*." Such amendments might negatively affect one or more of the Covered Bondholders or other Secured Creditors.

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

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

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

Programme-level Decisions - Certain decisions of Covered Bondholders may be taken at the Programme level, which decisions might negatively affect one or more Series and/or Covered Bondholders

Any Extraordinary Resolution passed by the necessary Covered Bondholders will be binding upon all the Covered Bondholders, whether or not they are present at any meeting and whether or not they vote on the resolution, and on all Couponholders and Receiptholders. Any such decision might negatively affect one or more Series and/or Covered Bondholders or other Secured Creditors.

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

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

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

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

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

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

Notwithstanding anything in the Transaction Documents to the contrary, any non-payment by the Issuer of the Final Redemption Amount on such Series on the Final Maturity Date will not constitute an Event of Default but will (if not cured by the end of the applicable cure period) constitute an Issuer Event. As a result, the extension of the maturity of the Principal Amount Outstanding of a Series of Soft Bullet Covered Bonds to its Extended Final Maturity Date will not result in the right of Covered Bondholders to accelerate payments or take action against the Issuer or the Cover Pool, and no payment will be payable to the Covered Bondholders in that event other than as set out in the Final Terms of the applicable Series of Covered Bonds. In addition, the extension of a Final Maturity Date for a Series to its Extended Final Maturity Date will not result in enforcement action being taken against any Cover Pool Assets; *however*, as described in "*General Description of the Programme - Extended Series Payment Date*," the Available Funds (as described therein) will be applied towards the payment of the deferred amounts in the manner described therein.

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

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

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

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

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

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

Pursuant to the Security Assignment, the obligations of the Issuer to the Secured Creditors, including the Issuer's obligations under the Covered Bonds, are secured by the Security Assignment Security; provided that, notwithstanding such assignment, the Issuer is entitled to exercise its rights in respect of the English Law

Transaction Documents, but subject to the provisions of the English Law Transaction Documents and certain provisions of the Security Assignment.

In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise any such security might be delayed and/or the value of the security impaired. There can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including Turkish insolvency laws) with respect to an insolvency of the Issuer, including with respect to any delays in their ability to exercise any rights against the Issuer.

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

An optional redemption feature of Covered Bonds is likely to limit their market price. During any period in which the Issuer may elect to redeem Covered Bonds, the market price of an investment in those Covered Bonds 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 Covered Bonds have an optional redemption feature, the Issuer can be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on such Covered Bonds. 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 Covered Bonds being redeemed and might only be able to do so at a significantly lower rate (or through taking on a greater credit risk). Reinvestment risk should be an important element of an investor's consideration in investing in Covered Bonds with a redemption feature. In addition, in the case of any Floating Rate Covered Bonds, redemption might take place on any day during an Interest Period. See Condition 6.3 (*Redemption at the Option of the Issuer (Issuer Call)*).

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

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree No. 2009/14593 dated 12 January 2009, which was amended by Decree No. 2010/1182 dated 20 December 2010, Decree No. 2011/1854 dated 26 April 2011 and Presidential Decree No. 842 dated 20 March 2019 (together, the "*Tax Decrees*"). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 7%, (b) with respect to bonds with a maturity of at least one year and less than three years, the withholding tax rate on interest is 3%, and (c) with respect to bonds with a maturity of three years and more, the withholding tax rate on interest is 0%. Also, in the case of early redemption, the redemption date might be considered to be the maturity date and (if so) higher withholding tax rates might apply accordingly.

Unless provided otherwise in the applicable Final Terms, the Issuer will have the right to redeem a Series of Covered Bonds at any time (including in the case of Floating Rate Covered Bonds) at the Early Redemption Amount specified in the applicable Final Terms prior to their Final Maturity Date (or, if applicable, Extended Final Maturity Date), if: (a) as a result of any change in, or amendment to, the Applicable Laws of a Relevant Jurisdiction, or any change in the application or official interpretation of the Applicable Laws of a Relevant Jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series of Covered Bonds (which shall, for the avoidance of doubt, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to: (i) pay Additional Amounts as provided or referred to in Condition 7 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 rate on such date on which agreement is reached to issue the first Tranche of the relevant Series of

Covered Bonds, and (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption, investors in such Series of Covered Bonds might not be able to reinvest the amounts received at a rate that will provide an equivalent rate of return as their investment in the redeemed Covered Bonds and, in the case of any Floating Rate Covered Bonds, redemption might take place on any day during an Interest Period.

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

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

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

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

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

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

Covered Bondholders will have no recourse to the Bank, any Agent or any other person for any reduction in value to the holder of any relevant Covered Bonds or any payment made in respect of such Covered Bonds as a result of such payment being made in the Specified Currency or in accordance with any currency election made by that holder, including as a result of any foreign exchange rate spreads, conversion fees or commissions resulting

from any exchange of such payment into any currency other than the Specified Currency. Such exchange, and any fees and commissions related thereto, or payment made in the Specified Currency might result in a Covered Bondholder receiving an amount that is less than the amount that such Covered Bondholder might have obtained had it received the payment in the Specified Currency and converted such payment in an alternative manner or if payment had been made in accordance with the relevant currency election.

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

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

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

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

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

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

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

Although the CMB has issued the CMB Approval authorising the issuance of a maximum amount of Covered Bonds pursuant to Decree 32, the Capital Markets Law, the Debt Instruments Communiqué and other related laws as debt securities to be offered outside of Turkey: (a) the Covered Bonds have not been and are not expected to be registered under the Securities Act or any state's or other jurisdiction's securities laws and (b) other than by the Central Bank of Ireland as described herein, this Base Prospectus has not been approved by any jurisdiction's regulatory authorities (including the SEC). The offering of the Covered Bonds (or beneficial interests therein) will be made pursuant to exemptions from the registration requirements of the Securities Act and in compliance with other securities laws. Accordingly, reoffers, resales, pledges and other transfers of interests in the Covered Bonds will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "Subscription and Sale and Transfer and Selling Restrictions."

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

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

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

In addition, under Turkey's International Private and Procedure Law (Law No. 5718), a judgment of a court established in a country other than Turkey might not be enforced in Turkish courts in certain circumstances. There is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments; *however*, Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts. Nevertheless, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. The same might apply for judgments obtained in other jurisdictions. For further information, see "Enforcement of Judgments and Service of Process."

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

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

payments under the Covered Bonds or the value or market price of an investment in the Covered Bonds affected by such change.

In particular, the Covered Bonds Communiqué is a relatively new regulation in Turkey and for this reason there is no available case law. It is unclear how the Covered Bonds Communiqué will be interpreted and what changes or amendments (if any) will be made to it in the future that might affect the Covered Bonds.

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

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

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

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

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

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and has applied, subject to certain transitional provisions, from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it: (a) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (b) prevents certain uses by EU-supervised entities (as defined in defined in Article 3(1)(17) of the Benchmarks Regulation) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

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

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, might increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority (the "*FCA*") confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "*FCA Announcements*"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

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

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

It is not possible to predict with certainty whether and to what extent certain benchmarks (including LIBOR, SONIA, EURIBOR and TRLIBOR) will be supported going forward. This might cause LIBOR, SONIA, EURIBOR and TRLIBOR to perform differently than they have done in the past, and might have other consequences that cannot be predicted. Such factors might have (without limitation) the following effects on certain benchmarks: (a) discouraging market participants from continuing to administer or contribute to a benchmark, (ib triggering changes in the rules or methodologies used in the benchmark and/or (c) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations might have a material adverse effect on the value of and return on any investment in Covered Bonds linked to or referencing a benchmark.

Condition 4.6 provides for certain fallback arrangements (the "*benchmark discontinuation provisions*") in the event that LIBOR, SONIA, EURIBOR, TRLIBOR or any other relevant benchmark is discontinued or no longer published or a Benchmark Event otherwise occurs, including the possibility that the rate of interest on the applicable Covered Bonds could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Covered Bondholders or Couponholders arising out of the replacement of the relevant benchmark; *however*, to the extent that any relevant benchmark is discontinued or no longer published or a Benchmark Event otherwise occurs, and no alternative, successor or replacement reference rate is identified or selected in accordance with the benchmark discontinuation provisions, then the rate of interest on the applicable Covered Bonds will be determined by the fallback provisions provided for under Condition 4.2(b), although such provisions, being dependent in part upon the provision by reference banks, might not operate as intended depending upon market circumstances and the availability of interest rate information at the relevant time and might in certain circumstances result in the effective application of a fixed rate based upon the rate that applied in the previous period when LIBOR, SONIA, EURIBOR, TRLIBOR or any other relevant benchmark was available, in effect resulting in such Covered Bonds becoming fixed rate notes. Any of these alternative methods might result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on the applicable Covered Bonds if LIBOR, SONIA, EURIBOR, TRLIBOR or any other relevant benchmark were available in their current form. Additionally, if LIBOR, SONIA, EURIBOR, TRLIBOR or any other relevant benchmark rate is discontinued or no longer published, then there can be no assurance that the applicable fallback provisions under any related swap agreements would operate so as to ensure that the benchmark rate used to determine payments under any related swap agreements is the same as that used to determine interest payments under the applicable Covered Bonds.

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

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

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

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the current uncertainty related to the discontinuation of benchmarks, the benchmark discontinuation provisions set out in Condition 4.6 and the Benchmarks Regulation in making any investment decision with respect to any Covered Bonds linked to or referencing a benchmark.

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

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

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

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in Condition 4.2(b)(iii) as applicable to Covered Bonds referencing a SONIA rate. In addition, the Issuer may in the future issue Covered Bonds referencing SONIA that differ materially in terms of interest determination

when compared with any previous SONIA-referenced Covered Bonds issued by it. The nascent development of Compounded Daily SONIA as an interest reference rate for the capital markets, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, might result in reduced liquidity or increased volatility or might otherwise affect the market price of any SONIA-referenced Covered Bonds from time to time.

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

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

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

OFAC administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran and 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 U.S. or European investors from investing in, or otherwise engaging in business with, the Bank; *however*, while the Group's current policy is not to engage in any impermissible business with Sanction Targets, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, investors in the Bank might incur the risk of indirect contact with Sanction Targets. In addition, there can be no assurance that current counterparties of the Group will not become Sanction Targets in the future. See "The Group and its Business – Compliance with Sanctions Laws."

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

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

In particular, in the ordinary course of their business activities, the Dealers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities might involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer

routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds. Any such short positions might adversely affect future trading prices of an investment in the Covered Bonds. The Dealers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in the Covered Bonds.

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

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

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

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

Risks Relating to the Market Generally

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

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

Covered bonds issued under the Covered Bonds Communiqué are new to the market, and to date there have only been a limited number of issuances of covered bonds by Turkish issuers. The Covered Bonds Communiqué thus remains largely untested and the market for covered bonds issued under the Covered Bonds Communiqué is subject to frequent change arising from the development of the market based upon the needs of the issuers and investors in Turkish covered bonds. The entities that will play key roles in the issuance of Covered Bonds, such as

the Cover Monitor or the Administrator, if any, might be carrying out their duties with respect to the issuance of Covered Bonds for the first time or have little experience in acting in their respective roles.

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

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

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

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

The market price of an investment in the Covered Bonds might be subject to significant fluctuations in response to actual or anticipated variations in 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 Covered Bonds or debt securities, as well as other factors, including the trading market for debt issued by Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, might adversely affect the market price of an investment in the Covered Bonds without regard to the Bank's financial condition or results of operations.

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

EU Covered Bond Framework – Risks might arise due to the implementation of provisions of the proposed EU framework for covered bonds

On 12 March 2018, the European Commission published a proposal to implement a set of common rules for covered bonds issued by EU issuers. While the proposal is exclusively limited to EU issuers, it is understood that the European Commission will at some point determine whether an equivalence mechanism for covered bonds issued by non-EU banks should be implemented for certain purposes related to regulated investors in the EU (*e.g.*,

whether a regulated investor in the EU would be required to hold additional capital for covered bonds that do not satisfy such equivalence requirements). The implementation of this EU framework might adversely impact the liquidity of investments in the Covered Bonds to the extent they discourage investors in the EU from investing in the Covered Bonds. Similar circumstances might arise with respect to other jurisdictions.

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

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

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

Interest Rate Risk - The market price of an investment in the Covered Bonds might be adversely affected by movements in market interest rates

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

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

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

In addition to the ratings of the Programme and/or a Series of Covered Bonds provided by a Relevant Rating Agency, and the ratings of the Bank by Moody's, Fitch, S&P and JCR Eurasia, one or more other independent credit rating agency(ies) might assign credit ratings to a Series of Covered Bonds and/or the Issuer. 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. In addition, the ratings might not reflect the potential impact of all risks

related to the structure, market, additional factors discussed above and other factors that might affect the value or market price of an investment in the Covered Bonds.

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

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

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

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

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

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

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

unsecured claims that the investors in the Covered Bonds might have against the Issuer would be adversely affected to the extent of any margin provided by the Issuer to its swap counterparties.

On 4 May 2017, the European Commission published a proposal for a regulation amending EMIR (the "*Refit Proposal*"). Following a series of negotiations and related agreements by EU bodies on the Refit Proposal, ESMA noted in a public statement dated 28 March 2019 that it is "reasonable to expect that the final [Refit Proposal] text could be adopted and published in the Official Journal as early as May 2019 and thus could enter into force (depending on which date the final [Refit Proposal] text is published in the Official Journal) as early as end of May 2019, *i.e.* 20 days after its publication."

The Refit Proposal is (as of the date of this Base Prospectus) still going through the EU legislative process but, in its current status, it is not anticipated that it would materially affect the Issuer or the Cross Currency Swaps; *however*, as the Refit Proposal has not yet been adopted, material impact cannot be fully discounted. In addition, the timing for any implementation of the Refit Proposal is (as of the date of this Base Prospectus) unclear.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

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

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

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

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

There is no treaty between Turkey and either the United States or the United Kingdom providing for reciprocal enforcement of judgments. There is no *de facto* reciprocity between Turkey and the United States or the State of New York, except that the courts of New York have rendered at least one judgment in the past confirming *de facto* reciprocity between Turkey and the State of New York. Turkish courts have also rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; *however*, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the U.S. federal or any other non-Turkish securities laws.

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

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

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

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,

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

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

(f) the judgment is not final and binding with no further recourse for appeal or similar revision process under the Applicable Laws of the country where the judgment has been rendered, or

(g) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

In any lawsuit, debt collection proceeding or action against the Bank in the Turkish courts, a foreign plaintiff might be required to deposit security for court costs (*cautio judicatum solvi*); *provided* that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be: (a) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Turkey by Law No. 1574), except for legal entities incorporated under the laws of such contracting states, or (b) a national of a state that has signed a bilateral treaty with Turkey that is duly ratified and contains (*inter alia*) a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis. In addition, if Turkish nationals do not deposit such a security in the country of the foreign plaintiff, then the relevant Turkish court may waive such requirement for security relying upon the *de facto* reciprocity. If the foreign plaintiff deposits such security and the proceeding ends in favour of such plaintiff, then such security will be returned to such plaintiff.

Furthermore, any claim against the Bank that is denominated in a foreign currency would, in the event of bankruptcy of the Bank, only be payable in Turkish Lira. The relevant exchange rate for determining the Turkish Lira-equivalent amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency that is effective on the date the relevant court decides on bankruptcy of the Bank in accordance with Turkish Applicable Law.

In connection with the Programme, service of process may be made upon the Bank at Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX, England, 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 Euronext Dublin, shall be incorporated into, and form part of, this Base Prospectus:

(a) the audited unconsolidated BRSA financial statements of the Bank as of and for the years ended 31 December 2016 (but excluding the 2015 information therein), 2017 and 2018, including, in each case, any applicable notes thereto and the independent auditors' report thereon,

(b) the audited consolidated BRSA financial statements of the Group as of and for the years ended 31 December 2016 (but excluding the 2015 information therein), 2017 and 2018, including, in each case, any applicable notes thereto and the independent auditors' report thereon),

(c) the Terms and Conditions of the Covered Bonds contained in the previous base prospectus dated 25 April 2018 (on pages 132 to 168 (inclusive)) prepared by the Issuer in connection with the Programme.

Following the publication of this Base Prospectus, a supplement to this Base Prospectus might be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with the Prospectus Directive. Statements contained in any such supplement (or contained in any document (or portions thereof) incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document (or portions thereof) incorporated by reference into this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

Copies of documents incorporated (or portions of which have been incorporated) by reference into this Base Prospectus are available on the Bank's website at: https://www.garantiinvestorrelations.com/en/financial-information/brsa-unconsolidated-financials-pdf/PDF/1281/0/0 (with respect to the Bank's BRSA Financial Statements) and https://www.garantiinvestorrelations.com/en/images/pdf/Base_Prospectus_Dated_April_2018.pdf with respect to the Terms and Conditions of the Covered Bonds contained in the previous base prospectus dated 25 April 2018.

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

Any statement contained in a document (or a portion thereof) that is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein or in any other document incorporated by reference herein, or in any supplement hereto, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Where there is any inconsistency between the information contained in this Base Prospectus and the information contained in (or incorporated by reference into) the information incorporated by reference herein, the information set out in this Base Prospectus shall prevail.

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

Prospectus to the extent set out on any such website) referenced in this Base Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Base Prospectus.

OVERVIEW OF THE GROUP AND THE PROGRAMME

The Group

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Base Prospectus, including in the BRSA 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 2018) the second largest private banking group in Turkey in terms of total assets. The Group's customers are comprised mainly of commercial enterprises, small and medium enterprises ("*SMEs*"), foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group served more than 16 million customers as of 31 December 2018 (per the Bank's internal definition: 15.9 million retail customers, 435,000 SME customers, more than 40,000 commercial customers and 2,500 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 2018, the Bank's services in Turkey were provided through a nationwide network of 926 domestic branches as well as sophisticated digital channels ("*DCs*"), such as automated teller machines ("*ATMs*"), call centres, internet banking and mobile banking. As of the same date, the Bank had eight foreign branches (one in Malta 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 two representative offices (one each in Düsseldorf and Shanghai), together with bank subsidiaries in the Netherlands (Garanti Bank International NV ("*GBI*")) and Romania (Garanti Bank SA ("*Garanti Romania*")).

The Group had total assets of TL 399,153,601 thousand, performing loans (which excludes lease, factoring, non-performing receivables and expected credit losses) (as used herein, "*cash loans*") of TL 247,542,010 thousand and shareholders' equity of TL 46,886,842 thousand as of 31 December 2018. The Group's return on average shareholders' equity was 14.8% during 2018. As of 31 December 2018, the Group's total capital adequacy ratio was 16.52% (14.20% when calculated using Tier 1 capital only or common equity Tier 1 capital only) calculated in accordance with applicable Basel III rules.

The Group's net profit/(loss) was TL 6,706,605 thousand in 2018, TL 6,387,974 thousand in 2017 and TL 5,147,759 thousand in 2016.

The Bank's shares have been listed on the Borsa İstanbul (or its predecessor the İstanbul Stock Exchange) since 1990 and, in 1993, it became the first Turkish company to list its shares internationally, listing global depositary receipts on the London Stock Exchange. In 2012, the Bank joined the top tier of the U.S. over-the-counter (OTC) market, OTCQX International Premier, for which companies must meet high financial standards and have an effective disclosure process. Trading on this market with 62 leading companies from around the world, the Bank ranked 30th by market capitalisation as of 31 December 2018, 61st by dollar volume of trading during 2018 and 42nd by volume of shares traded in 2018. The Bank has been included in the Borsa İstanbul's Sustainability Index and Corporate Governance Index since 2014 and, in 2018, was the only bank from Turkey listed in the Dow Jones Sustainability™ Emerging Markets Index (DJSI), for which it qualified in 2015.

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 other operations (the most significant of which is global markets). 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 Shareholder

As of the date of this Base Prospectus, BBVA holds a 49.85% interest in the Bank. On 22 March 2017, BBVA acquired 9.95% of the common shares of the Bank from members of the Doğuş Group of companies (the "*Doğuş Group*"), resulting in the termination of a shareholders' agreement between members of the Doğuş Group and BBVA. See "Ownership" 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 and dynamic balance sheet management and sound capital adequacy ratios,
- strong liquidity ratios and a solid funding mix, particularly deposits,
- a high-quality and dynamic employee base with an experienced management team,
- a strong operating platform, including a sophisticated proprietary IT platform that drives efficiency and is well-integrated with the Group's businesses,
- a strong brand and reputation as a product and service innovator,
- blending customer needs and tendencies with evolving trends to offer innovative customer-oriented products and services,
- superior customer relationship management solutions that allow for greater cross-selling and customer satisfaction through the use of sophisticated 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 bank from Turkey to establish such centralised operations),
- sound asset quality due to its proactive and consistent risk management and a disciplined credit approval process,
- conservative provisions with a sophisticated and efficient collection procedure,
- broad geographic coverage through extensive branch network and omni-channel convenience with seamless experience across all of the Bank's channels, and
- commitment to corporate governance, ethics and corporate values.

Strategy

The Group's mission is to continuously and noticeably increase the value created for its customers, shareholders and employees, society and the environment by leveraging its effectiveness, agility and organisational efficiency. The Group's strategy has three pillars: customers, employees and business models. The strategic priorities of the Group are as follows:

- improving customers' experience,
- increasing digitalisation of the customer base and the share of the use of digital platforms in total sales,
- increasing employee satisfaction,
- improving efficiencies,
- optimising capital allocation to ensure sustainable growth, and
- ensuring a responsible and sustainable development.

Risk Factors

Investing in the Covered Bonds entails risks. Before investing in the Covered Bonds, 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 shareholder BBVA and the Covered Bonds 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 Covered Bonds.

GENERAL DESCRIPTION OF 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 Covered Bonds, the applicable Final Terms. This overview only relates to the Conditions of the Covered Bonds as set out in this Base Prospectus. Covered Bonds may be issued under the Programme in a form other than that contemplated in such Conditions, and where any such Covered Bonds are to be: (a) admitted to trading on the Regulated Market or another regulated market for the purposes of MiFID II or (b) offered to the public in the EEA in circumstances that require the publication of a prospectus under the Prospectus Directive, a supplement to this Base Prospectus or a new prospectus will be prepared and published by the Issuer.

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

Words and expressions defined in "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*" or elsewhere in this Base Prospectus shall have the same meanings in this overview.

PRINCIPAL PARTIES

Issuer:	Türkiye Garanti Bankası A.Ş. (*i.e.*, the Issuer or the Bank).
Issuer Legal Entity Identifier (LEI):	5493002XSS7K7RHN1V37
Arrangers:	Barclays Bank PLC ("*Barclays*"), NATIXIS ("*NATIXIS*") and/or any other arrangers appointed from time to time in accordance with the Programme Agreement (together the "*Arrangers*" and, each of them, an "*Arranger*").
Dealer(s):	Barclays, BBVA, BNP Paribas, Landesbank Baden-Württemberg, NATIXIS, Société Générale and/or any other dealers appointed from time to time in accordance with the Programme Agreement. Notwithstanding the appointment of Dealers to the Programme, Covered Bonds may be placed directly with investors by the Issuer as indicated in the applicable Final Terms and all descriptions of the Programme in this Base Prospectus shall be interpreted accordingly.
Cover Monitor:	An entity (the "*Cover Monitor*") appointed from time to time pursuant to the Cover Monitor Agreement as an independent monitor to perform certain tests and recalculations in respect of the Statutory Tests when required in accordance with the requirements of the Turkish Covered Bonds Law. The initial Cover Monitor is Güney Bağımsız Denetim ve SMMM A.Ş. (Ernst & Young Türkiye).
Offshore Account Bank:	The Bank of New York Mellon, London Branch acts as the offshore account bank pursuant to the Offshore Bank Account Agreement (with its successors in such capacity, the "*Offshore Account Bank*"). The Non-TL Designated Account(s), the Hedge Collateral Account(s), the Non-TL Hedge Collection Account(s) (in each case, if applicable) and the Agency Account (together with any additional or replacement accounts opened in the name of the Issuer or the Security Agent, as applicable, and/or for the benefit of the Secured Creditors (or, with

respect to the Agency Account, the Reserve Fund Secured Creditors) under the Offshore Bank Account Agreement, the "*Offshore Bank Accounts*") have been and/or will be established and maintained with the Offshore Account Bank.

In the event that an Offshore Account Bank Event occurs, the Issuer and the Security Agent will use their respective commercially reasonable endeavours to procure that the Offshore Bank Accounts are transferred to another financial institution that has the Offshore Account Bank Required Rating pursuant to an agreement with such institution in substantially the form of the Offshore Bank Account Agreement within a period not exceeding 30 calendar days from the date on which such Offshore Account Bank Event occurs, and the Offshore Account Bank will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same. The Offshore Account Bank will notify the Issuer of its applicable ratings promptly after the end of each calendar month; *it being understood* that the Issuer is independently responsible for monitoring the Offshore Account Bank's ratings for purposes of determining whether an Offshore Account Bank Event occurs.

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

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

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

Transfer Agent: ..... The Bank of New York Mellon SA/NV, Luxembourg Branch has been appointed pursuant to the Agency Agreement as transfer agent (with

	its successors in such capacity, the "*Transfer Agent*").
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch has been appointed pursuant to the Agency Agreement as registrar (with its successors in such capacity, the "*Registrar*").
Exchange Agent:	The Bank of New York Mellon, London Branch has been appointed pursuant to the Agency Agreement as exchange agent (with its successors in such capacity, the "*Exchange Agent*").
Covered Bond Calculation Agent:	"*Covered Bond Calculation Agent*" means each person appointed in respect of a Series of Covered Bonds to act as calculation agent under a calculation agency agreement or, if applicable, any successor covered bond calculation agent appointed in accordance with such calculation agency agreement. As of the date of this Base Prospectus, no Covered Bond Calculation Agent has been appointed.
Calculation Agent:	The Bank of New York Mellon, London Branch has been appointed as calculation agent (with its successors in such capacity, the "*Calculation Agent*") pursuant to the calculation agency agreement dated the Programme Closing Date and amended and restated on 26 April 2019 and made among the Issuer, the Security Agent and the Calculation Agent (the "*Calculation Agency Agreement*").
Fiscal Agent:	The Bank of New York Mellon, London Branch has been appointed to act as fiscal agent and principal paying agent (with its successors in such capacity, the "*Fiscal Agent*") in respect of the Covered Bonds (together with any other paying agent appointed from time to time pursuant to the Agency Agreement, the "*Paying Agents*").
Security Agent:	The Bank of New York Mellon, London Branch has been appointed as security agent (with its successors in such capacity, the "*Security Agent*") to hold the benefit of all of the Non-Statutory Security for the Covered Bondholders and the other Secured Creditors under the Transaction Security Documents. Such appointment has been made pursuant to the amended and restated Security Agency Agreement dated as of 26 April 2019 and made between the Issuer and the Security Agent (the "*Security Agency Agreement*"). See "Security for the Covered Bonds" below. "*Covered Bond*" means each covered bond issued pursuant to the Programme Agreement, which covered bond may be represented by a Covered Bond in definitive form (a "*Definitive Covered Bond*;" a "*Registered Definitive Covered Bond*" if in registered form and "*Bearer Definitive Covered Bond*" if in bearer form) or a Global Covered Bond and includes any replacements for a Covered Bond issued pursuant to Condition 11 (*Replacement of Covered Bonds, Receipts, Coupons and Talons*). "*Covered Bondholders*" in relation to any Covered Bonds means (in the case of Bearer Covered Bonds) the holders of such Covered Bonds and (in the case of Registered Covered Bonds) the persons in whose name such Covered Bonds are registered and shall, in relation to any Covered Bonds represented by a Global Covered Bond, have the

meaning given to such terms in Condition 1.3 (*Title to Covered Bonds*).

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

Covered Bonds that are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so admits, be deemed to include reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

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

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

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

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

Relevant Rating Agencies: ..... "*Relevant Rating Agencies*" means, in respect of each Series of Covered Bonds that is rated, Moody's and/or such other rating agency(ies) indicated in Part B of the Final Terms in respect of such Series. "*Relevant Rating Agency*" means any one of such rating agencies. For the purpose of clarification, a Series need not be rated.

PROGRAMME DESCRIPTION

Description: ..... €5,000,000,000 Global Covered Bond Programme.

Programme Limit: ..... Up to €5,000,000,000 (or its equivalent in other currencies determined in accordance with the provisions of the Programme Agreement) outstanding at any time as described herein (the "*Programme Limit*"). The Issuer may increase or decrease the Programme Limit in accordance with the terms of the Programme Agreement.

Certain Restrictions: ..... Each issue of Covered Bonds denominated in a currency in respect of which particular Applicable Laws apply will only be issued in circumstances that comply with such Applicable Laws (see "Subscription and Sale and Transfer and Selling Restrictions"), including the following restriction applicable at the date of this Base Prospectus:

Covered Bonds having an original maturity of less than one year

Covered Bonds having an original maturity of less than one year from their Issue Date 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, as amended, 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."

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

"*Tranche*" means an issue of Covered Bonds using the same Conditions and Final Terms and that are identical in all respects (including as to listing and admission to trading); *provided* that such may have different amounts, holder(s) and (if applicable) number(s). "*Series*" means a Tranche of Covered Bonds together with any other Tranche(s) of Covered Bonds:

(a) that are expressed in the applicable Final Terms to be consolidated and form a single series with one or more previous Tranche(s), and

(b) the Conditions and Final Terms of which are identical in all respects (including as to listing and admission to trading) except for their respective Tranche number, date of consolidation with one or more other Tranche(s), amounts,

Issue Dates, Interest Commencement Dates, Issue Prices, distribution information, transfer restriction periods and/or related mechanics, such as different ISIN or other securities numbers.

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

"*Interest Commencement Date*" means, with respect to a Tranche of Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds will accrue interest, which may or may not be their Issue Date.

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

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

(a) no Potential Breach of Statutory Test, Issuer Event or Event of Default has occurred which is continuing and the proposed issue and purchase of Covered Bonds will not cause a Potential Breach of Statutory Test, Issuer Event or Event of Default to occur,

(b) to the extent required by Condition 16 (*Further Issues*), each Relevant Rating Agency has provided a Rating Agency Confirmation in respect of each Series of Covered Bonds then outstanding (excluding for this purpose Covered Bonds due to be redeemed on or before the proposed Issue Date) for which it is a Relevant Rating Agency, and (if so provided) no Relevant Rating Agency, between the date of such Rating Agency Confirmation and the applicable Issue Date, having downgraded (or given notice or made any public announcement of any intended or potential downgrading, review or surveillance with negative implications of) the rating accorded by such Relevant Rating Agency to the Covered Bonds of any Series, and

(c) the relevant final CMB approved issuance certificate (*ihraç belgesi*) and (to the extent (and in the form) required by Applicable Law) a document to be provided by the CMB before the issuance of a Tranche will be required to be obtained from the CMB by the Issuer before proceeding with any sale and issuance of each Tranche of Covered Bonds.

See Condition 16 (*Further Issues*).

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

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

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

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

Except with respect to Covered Bonds held through DTC, payment in respect of Covered Bonds denominated in Turkish Lira may be made in U.S. Dollars subject and pursuant to Condition 5.8 (*U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC*) if an irrevocable election to receive such payment in U.S. Dollars is made. See "Terms and Conditions of the Covered Bonds – Condition 5.8 (U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC)."

Denominations: ..... The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) and set out in the applicable Final Terms, save that the minimum denomination of each Covered Bond to be admitted to trading on a regulated market for the purposes of MiFID II and/or that are to be offered to the public in a Member State in circumstances that would otherwise require the publication of a prospectus pursuant to the Prospectus Directive will be at least €100,000 (or its equivalent in any other currency at the time of issuance) and provided that the minimum denomination of each Covered Bond will be such other amount as is required from time to time by the relevant central bank (or equivalent body) or any Applicable Laws in relation to the relevant Specified Currency and

Covered Bonds.

Notwithstanding the above, and unless set forth in the applicable Final Terms otherwise, the minimum denomination of each IAI Definitive Covered Bond and of Covered Bonds sold to Institutional Accredited Investors in the form of a IAI Global Covered Bond will be at least US$500,000 or its approximate equivalent in the applicable other Specified Currency at the time of issuance.

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

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

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

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

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions,

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service, or

(c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s),

as set out in the applicable Final Terms.

The margin (if any) relating to any Floating Rate Covered Bonds (the "*Margin*"), including, if applicable, any rate multiplier and any change

in margin will be agreed between the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholder(s) for each issue of Floating Rate Covered Bonds and set out in the applicable Final Terms.

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

Benchmark Discontinuation - Reference Rate Replacement: ..... On the occurrence of a Benchmark Event for a Series of Floating Rate Covered Bonds, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments in accordance with Condition 4.6.

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

"*Interest Period*" for a Series means the period from (and including) an Interest Payment Date for such Series (or, for the first Interest Period for such Series, the Interest Commencement Date for such Series) to (but excluding) the next (or first) Interest Payment Date for such Series (or the relevant payment date if the Covered Bonds of such Series becomes due and payable on a date other than an Interest Payment Date).

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

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

Unless otherwise specified in the applicable Final Terms, the Minimum Rate of Interest for the applicable Tranche shall be deemed to be zero.

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

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

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

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

(a) has not provided Additional Cover, the Other Secured Creditors will not be permitted to have recourse to the Cover Pool and (except to the extent of any applicable Non-Statutory Security available to such Other Secured Creditors pursuant to the Transaction Documents and, with respect the Reserve Fund Secured Creditors, except with respect to the Agency Account) their claims will rank *pari passu* with the other unsecured creditors of the Issuer, and

(b) has provided Additional Cover, then the Other Secured Creditors would have access to any remaining such Additional Cover after the Total Liabilities have been paid in full, with any remaining claims against the Issuer (after applying any applicable Non-Statutory Security available to such Other

Secured Creditors) ranking *pari passu* with the other unsecured creditors of the Issuer;

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

Taxation: ..... All payments of principal or interest in respect of the Covered Bonds (including with respect to the Receipts and the Coupons, if any) by (or on behalf of) the Issuer will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("*Taxes*") imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by Applicable Law. In that event, the Issuer will pay such additional amounts ("*Additional Amounts*") as shall be necessary in order that the net amounts received by the holders of the Covered Bonds, Receipts or Coupons after such withholding or deduction shall equal the respective amounts that would otherwise have been receivable in respect of such Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in relation to any payment in respect of any Covered Bond, Receipt or Coupon:

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

(b) presented for payment in Turkey, or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder of the relevant Covered Bond, Receipt or Coupon would have been entitled to Additional Amounts on presenting the same for payment on the last day of such 30 day period (assuming that day to have been a Payment Day).

Notwithstanding anything to the contrary stated herein, in no event will the Issuer, any Paying Agent or any other person be required to pay any Additional Amounts in respect of the Covered Bonds (including on Receipts and Coupons) for, or on account of, any withholding or deduction imposed on or in respect of any Covered Bond or Coupon required pursuant to FATCA (including pursuant to any agreement described in Section 1471(b) of the Code, the Applicable Laws of any jurisdiction implementing FATCA or any agreement between the Issuer and/or Turkey and the United States or any authority thereof

entered into for FATCA purposes). See Condition 7 (*Taxation*).

"*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 applicable Covered Bondholders, Receiptholders or Couponholders, as the case may be, by the Issuer in accordance with the Conditions.

"*Relevant Jurisdiction*" means: (a) Turkey or any political subdivision or any authority thereof or therein having power to tax or (b) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Covered Bonds, Receipts or Coupons.

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

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

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

Pursuant to the Security Assignment, the Secured Obligations owing to the Secured Creditors will be secured by the following (the "*Security*

Assignment Security"):

(a) a security assignment over all the Issuer's rights, title, interest and benefit, present and future in, to and under:

(i) each of the Offshore Bank Accounts,

(ii) the English Law Transaction Documents (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement), including, without limitation, any guarantee, credit support document or credit support annex entered into pursuant to the Hedging Agreements governed by the laws of England and Wales and any eligible credit support (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Deed or the 1995 English Law Credit Support Deed, each as defined by the International Swaps and Derivatives Association, Inc.) delivered or transferred to the Issuer thereunder, including, without limitation, all moneys received in respect thereof, all dividends paid or payable thereon, all property paid, distributed, accruing or offered at any time to or in respect of or in substitution thereof and the proceeds of sale, repayment and redemption thereof, and

(iii) all payments of any amounts that may become payable to the Issuer under the items described in clauses (i) and (ii), all payments received by the Issuer thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof,

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

(b) a charge, by way of first fixed equitable charge to the Security Agent, over all the Issuer's rights, title, interest and benefit,

present and future, in, to and under the Authorised Investments denominated in a currency other than Turkish Lira and that are Cover Pool Assets (and all moneys, income and proceeds to become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same), which are held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for the Secured Creditors to whom the Secured Obligations from time to time become due, owing or payable.

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

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

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

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

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

"*Insurer*" means the insurance company or other person providing an Insurance Policy (as defined below).

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

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

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

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

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

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

"*Mandatory Excess Cover*" means the overcollateralisation of the Cover Pool by the Issuer from Substitute Assets in accordance with the minimum cover requirement provided under the Covered Bonds Communiqué that has to be maintained at all times (each such asset

defined as a "*Mandatory Excess Cover Cover Pool Asset*"). Mandatory Excess Cover Cover Pool Assets are not subject to the Substitute Asset Limit and do not count towards the Substitute Asset Limit. For the avoidance of doubt, the Mandatory Excess Cover does not refer to the Additional Cover.

"*Programme Closing Date*" means 15 May 2015.

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

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

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

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

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

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

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

Final Maturity Date").

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

(a) without prejudice to its obligations in Schedule 1, Parts 1(c) and (d) of the Security Agency Agreement, promptly liquidate all Authorised Investments that are Cover Pool Assets (which, for the avoidance of doubt, do not include any investments that are Hedge Collateral) and Substitute Assets to the extent necessary to pay the Final Redemption Amount for the applicable Series of Soft Bullet Covered Bonds,

(b) deposit the proceeds of such liquidation (the "*Liquidation Proceeds*") into the relevant Designated Account(s) (such proceeds to form part of the Available Funds), and

(c) on the Final Maturity Date for such Series and on each Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date, apply all Available Funds towards the payment of any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds *plus* accrued interest thereon; *provided* that where an Interest Payment Date (including any such date that is also an Extended Series Payment Date) of any other Series of Covered Bonds (or any payment by the Issuer under a Hedging Agreement) corresponds with such Extended Series Payment Date, the Issuer shall apply all Available Funds towards payment of amounts due and payable in respect of such Series of Soft Bullet Covered Bonds, such other Series of Covered Bonds and such Hedging Agreement(s), as applicable, on a *pro rata* basis (as a result of any such payment, the amount that otherwise would be payable to a Covered Bondholder pursuant to any purchase or redemption of the applicable Series by the Issuer, including with respect to the interest that will accrue after such payment, will be reduced).

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

In the event of the extension of the maturity of Soft Bullet Covered

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

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

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

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

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

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

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

Voting Rights: ..... The entitlements of Covered Bondholders in respect of voting rights (including with respect to the exercise of remedies) under the Conditions, the Agency Agreement and the Transaction Security Documents (and the other Transaction Documents to the extent

applicable) upon the occurrence of an Issuer Event and/or an Event of Default will be determined by reference to the Principal Amount Outstanding of the relevant Covered Bond(s) held by the relevant Covered Bondholder(s). For the purposes of calculating the Principal Amount Outstanding of any Covered Bonds denominated in a currency other than Turkish Lira, the Principal Amount Outstanding of any such Covered Bonds shall be notionally converted into a Turkish Lira equivalent using the Applicable Exchange Rate for purposes of determining voting rights.

"*Applicable Exchange Rate*" means:

(a) in respect of the non-Turkish Lira currency Covered Bonds of a particular Tranche:

(i) to the extent that a Hedging Agreement that is a currency swap transaction, cross currency and interest rate swap transaction or option contract, foreign exchange, derivative or similar agreement is in the Cover Pool in connection with the issuance of such Tranche of Covered Bonds, the rate at which the relevant currency is exchangeable into Turkish Lira pursuant to such Hedging Agreement, and

(ii) to the extent that sub-paragraph (a)(i) above is not applicable, the Spot Rate,

(b) in respect of the non-Turkish Lira currency amount of a Cover Pool Asset:

(i) to the extent that a Hedging Agreement that is a currency swap transaction, cross currency and interest rate swap transaction or option contract, foreign exchange, derivative or similar agreement is in the Cover Pool in connection with such Cover Pool Asset, the rate at which the relevant currency is exchangeable into Turkish Lira pursuant to such Hedging Agreement, and

(ii) to the extent that sub-paragraph (b)(i) above is not applicable, the Spot Rate, and

(c) in respect of the expenses not denominated in U.S. Dollars that are covered by the Reserve Fund, the Spot Rate.

"*Spot Rate*" means: (a) with respect to the conversion of the relevant non-Turkish Lira currency into Turkish Lira, the relevant "mid" price spot rate of exchange obtained by the Issuer, the Fiscal Agent and/or the Security Agent, as applicable, on the relevant day using the relevant display page on the Reuter Monitor Money Rates Service (or any successor service thereof), or such other page as may replace that page on that service for the purpose of displaying a currency exchange rate for Turkish Lira and the non-Turkish Lira currency, expressed as the amount of Turkish Lira per one non-Turkish Lira currency at

approximately 11:00 a.m. (İstanbul time) on such day, and (b) with respect to the conversion of a non-U.S. Dollar currency into U.S. Dollars, the relevant "mid" price spot rate of exchange obtained by the Issuer, the Fiscal Agent and/or the Security Agent, as applicable, on the relevant day using the relevant display page on the Reuter Monitor Money Rates Service (or any successor service thereof), or such other page as may replace that page on that service for the purpose of displaying a currency exchange rate for U.S. Dollars and such non-U.S. Dollar currency, expressed as the amount of U.S. Dollars per one non-U.S. Dollar currency at approximately 11:00 a.m. (London time) on such day.

"*Principal Amount Outstanding*" means, in respect of a Covered Bond on any day of determination, the principal amount of that Covered Bond on the relevant Issue Date thereof less the sum of all amounts of principal paid by the Issuer in accordance with the provisions of the Conditions and the relevant Covered Bonds in respect thereof on or prior to that day of determination.

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

Ratings: ..... Each Series issued under the Programme may be assigned a rating by one or more rating agency(ies) (whether by Moody's and/or any other Relevant Rating Agency) as specified in Part B of the Final Terms for such Series (for the purpose of clarification, a Series need not be rated). Where a Series of Covered Bonds is rated (other than unsolicited ratings), the initial rating(s) will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Covered Bonds of other Series. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Purchases of Covered Bonds: ..... The Issuer and/or any of its Subsidiaries may at any time purchase or otherwise acquire (or have a third party do so for its benefit) Covered Bonds (or beneficial interests therein) (*provided* that, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market, whether by tender, exchange, private agreement or otherwise. If any such purchases or acquisitions of Covered Bonds are made by tender, exchange or other process, then such tender, exchange or other process does not need to be available to all Covered Bondholders of the applicable Series alike except to the extent required by Applicable Law. Such Covered Bonds (and the related Receipts, Coupons and Talons) may be held, resold or,

at the option of the Issuer or any such Subsidiary (as the case may be) for those Covered Bonds held by it, surrendered to any Paying Agent and/or the Registrar for cancellation; *provided* that any such resale or surrender of a Covered Bond shall include a sale or surrender (as applicable) of all related Receipts, Coupons and Talons. The Covered Bonds so purchased or acquired, while held by or on behalf of the Issuer or any such Subsidiary, shall (except to the extent held as broker or otherwise for one or more other Person(s)) not entitle it (as the Covered Bondholder with respect thereto) to vote at any meeting of the Covered Bondholders and shall (except to the extent held as broker or otherwise for one or more other Person(s)) not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Covered Bondholders or for the purposes of Condition 15.1 (*Meetings of Covered Bondholders*). See Condition 6.7 (*Purchases by the Issuer or its Subsidiaries*).

Listing and admission to trading: ..... Application has been made to Euronext Dublin for Covered Bonds issued under the Programme to be admitted to the Official List and to trading on the Regulated Market; *however*, no assurance can be given that such application will be accepted. Covered Bonds may be unlisted or may be listed or admitted to trading, as the case may be, on any market (including any unregulated or regulated market for the purposes of MiFID II) as may be agreed among the Issuer and the relevant Dealer(s) or (in the case of Covered Bonds purchased directly from the Issuer by one or more investor(s)) the relevant Covered Bondholders(s) in relation to each Series. The Final Terms relating to each Tranche of the Covered Bonds will state whether or not such Covered Bonds are to be listed and/or admitted to trading and, if so, on which market(s), as the case may be (for the purpose of clarification, a Series need not be listed or admitted to trading on any particular exchange or market or at all and if a Series is listed and/or admitted to trading, then such Series need not be listed on the Official List of Euronext Dublin and admitted to trading on the Regulated Market.

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

Selling Restrictions:..... There are restrictions on the offer, sale and transfer of the Covered Bonds (and beneficial interests therein) in (*inter alia*) the United States, the EEA (including the United Kingdom and Ireland) and Turkey and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds. See "Subscription and Sale and Transfer and Selling Restrictions" below.

U.S. Selling Restrictions:..... Regulation S Category 2, Rule 144A and Section 4(a)(2). Bearer Covered Bonds will be issued in compliance with rules identical to those provided in: (a) U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or substantially identical successor provisions) ("*TEFRA D*") or (b) U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (or substantially identical successor provisions) ("*TEFRA C*") such that the Bearer Covered Bonds will not constitute "registration-required obligations"

under Section 4701(b) of the Code, as specified in the applicable Final Terms. Such rules impose certain additional restrictions on transfers of Bearer Covered Bonds (or beneficial interests therein). See "Subscription and Sale and Transfer and Selling Restrictions."

ERISA: ..... Subject to certain conditions and the applicable selling and transfer restrictions, the Covered Bonds may be invested in by an "employee benefit plan" as defined in and subject to Title I of the 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."

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

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

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

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

The Cover Monitor Agreement is governed by, and construed in accordance with, Turkish law. In addition, the Statutory Segregation referred to in Condition 3 (*Status of the Covered Bonds*) is (or will be, as the case may be) governed by and construed in accordance with Turkish law.

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

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

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

Covered Bonds having a maturity of less than one year are subject to restrictions on their denomination and distribution. See "Certain Restrictions - Covered Bonds having a maturity of less than one year" above.

CREATION AND ADMINISTRATION OF THE COVER POOL

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

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

(b) Substitute Assets (subject to the Substitute Asset Limit), and

(c) its rights in, to and under Hedging Agreements (if any),

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

For the avoidance of doubt, a mortgage loan or derivative contract intended to become a Cover Pool Asset is required to meet the asset requirements set out in Article 10 (in the case of mortgage loans) and Article 11 (in the case of derivative contracts) of the Covered Bonds Communiqué at the time of inclusion in the Cover Register. In the event that a Cover Pool Asset thereafter ceases to meet the asset requirements of the Covered Bonds Communiqué (or failed to have satisfied such requirements at the time of its inclusion in the Cover Register), the Issuer is obliged under Article 13(5) of the Covered Bonds Communiqué to replace such asset with Cover Pool Assets that do satisfy the requirements of Articles 10 and 11 (as applicable) of the

Covered Bonds Communiqué unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer is not obliged to remove any such ineligible Cover Pool Asset). See "Changes to the Cover Pool" below.

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

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

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

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

(a) any prepayment fees or other fees payable by the Borrower of such Mortgage Asset,

(b) to the extent that they are assignable, the benefit of all collateral security and any guarantees or indemnities from the Borrower or a guarantor for such Mortgage Asset, and

(c) all right, title, interest and benefit in favour of the Bank (both present and future) in relation to any insurance contracts relating to such Mortgage Asset, including the right to receive the proceeds of any insurance claims in so far as they relate to such Mortgage Asset.

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

(a) during the continuance of an Issuer Event, the Bank may not make any Mortgage Asset Modification(s) other than in accordance with its then prevailing servicing and collection procedures in respect of mortgage assets that are not part of the Cover Pool, and

(b) the Bank shall service the Mortgage Assets with no less care than the Bank exercises or would exercise in connection with the servicing of mortgage assets held for its own account as if such Mortgage Assets were not part of the Cover Pool.

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

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

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

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

discloses to the public.

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

(a) *Allocation of Further Assets*: allocate to the Cover Pool additional assets at any time, including for the purposes of issuing further Series of Covered Bonds, complying with the Statutory Tests and/or the Required Overcollateralisation Percentage of any Series, maintaining the rating(s) assigned to any Series of the Covered Bonds and/or maintaining or increasing the creditworthiness of the Cover Pool; *provided* that such new assets meet the requirements of the Covered Bonds Communiqué, comply with the Individual Asset Eligibility Criteria and do not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, and

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

It is agreed that:

(a) upon the occurrence of any Potential Breach of Statutory Test or an Issuer Event that is continuing, no Cover Pool Assets can be

removed or substituted from the Cover Pool unless such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, and

(b) upon the occurrence of an Event of Default that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless:

(i) such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, or

(ii) such substitution or removal is made by the Administrator in accordance with the provisions of the Covered Bonds Communiqué or by the Security Agent in accordance with the Transaction Documents.

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

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

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

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

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

(a) it is a corporation, duly incorporated and validly existing under the laws of Turkey,

(b) the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations, subject to equitable principles and to applicable insolvency or other similar laws affecting the rights of creditors generally,

(c) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is a party and the transactions contemplated by those Transaction Documents,

(d) the Cover Pool Assets are in existence,

(e) except to the extent provided otherwise pursuant to the Transaction Documents, it is the sole absolute owner of the Cover Pool Assets with full title guarantee and all rights, title and interest therein free and clear of all Security Interests of any

nature whatsoever; *it being understood* that: (i) pursuant to the Covered Bonds Communiqué, the Cover Pool Assets are segregated under Turkish law for the benefit of the Covered Bondholders, the Couponholders, the Receiptholders, the Talonholders, the Hedging Counterparties (if any) and (with respect to the Additional Cover and in the manner described in Article 29 of the Covered Bonds Communiqué) the Other Secured Creditors, and (ii) the Borrowers and other obligors under Cover Pool Assets might have a right of set-off, and

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

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

(a) the requirements of Articles 9(2) and 10(1) of the Covered Bonds Communiqué,

(b) such mortgage loan is denominated in Turkish Lira,

(c) such mortgage loan is not a commercial loan or related receivable,

(d) the applicable Borrower is not an employee of the Bank,

(e) the principal amount outstanding of such mortgage loan at the time of its inclusion in the Cover Pool must be lower than or equal to the Turkish Lira-equivalent of €1,000,000 (using the TL/€ sell-side exchange rate most recently published by the Central Bank at such time of inclusion),

(f) such mortgage loan is secured by a first ranking mortgage,

(g) at the time of the inclusion of such mortgage loan in the Cover Pool, the applicable LTV is not greater than the maximum percentage (if any) for calculations relating to cover matching principles specified in the Covered Bonds Communiqué (as of the date of this Base Prospectus, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 80%),

(h) the applicable Borrower is a natural person,

(i) such mortgage loan is not Delinquent, and

(j) such mortgage loan constitutes a valid and enforceable claim against the applicable Borrower, subject to customary bankruptcy and similar exceptions and general principles of equity.

"*Borrower*" means, with respect to a mortgage loan, the borrower or

borrowers specified in respect of such mortgage loan.

"*Delinquent*" means, in respect of a mortgage loan, that one or more payment(s) in respect of such mortgage loan has/have become due in accordance with the terms and conditions of such mortgage loan and remain unpaid by the relevant Borrower for more than 30 days; *provided* that the aggregate amount of such payment(s) is greater than TL5.

"*LTV*" means, with respect to a mortgage loan, the percentage determined by dividing the principal amount outstanding of such mortgage loan by the Initial Appraised Value of the applicable residential property at the origination of such mortgage loan.

"*Initial Appraised Value*" means, with respect to a mortgage loan, the appraised value of the applicable residential property used by such mortgage loan's originator in connection with the origination of such mortgage loan.

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

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

(a) the Nominal Value Test,

(b) the Net Present Value Test,

(c) the Cash Flow Matching Test, and

(d) the Stress Test,

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

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

Transaction Documents—Security Agency Agreement).

The Cover Monitor shall, pursuant to the Cover Monitor Agreement, after testing the Statutory Tests as described above, send a copy of the report indicating compliance or non-compliance with the Statutory Tests to the Issuer and the Security Agent within twenty İstanbul Business Days following the end of the applicable accounting period.

"*Cover Monitor Calculation Date*" means each Issue Date (other than the First Issue Date) and each of the dates falling at the end of each semi-annual reporting period (or quarter reporting period if any Covered Bonds issued in a public offering in Turkey of Covered Bonds remain outstanding) following the First Issue Date; *provided* that: (a) the first Cover Monitor Calculation Date shall be within six months after the First Issue Date (as agreed between the Issuer and the Cover Monitor), and (b) the end of each semi-annual reporting period or quarter reporting period, as applicable, shall be calculated from the first Cover Monitor Calculation Date and not from the First Issue Date.

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

(a) *The Nominal Value Test*: The "*Nominal Value Test*" means the test set out in Article 15(1) of the Covered Bonds Communiqué.

(b) *The Cash Flow Matching Test*: The "*Cash Flow Matching Test*" means the test set out in Article 16(1) of the Covered Bonds Communiqué.

(c) *The Net Present Value Test*: The "*Net Present Value Test*" means the test set out in Article 17 of the Covered Bonds Communiqué.

(d) *The Stress Test*: The "*Stress Test*" means the test set out in Article 18 of the Covered Bonds Communiqué.

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

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

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

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

(b) the portion (if any) of a Mortgage Asset in excess of the percentage of the value of the residential property securing the corresponding loan in the manner specified in the Covered Bonds Communiqué (as of the date of this Base Prospectus, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 80%),

(c) rights in, and cash amounts standing to the credit of, the Collection Account (and investments made with such amounts),

(d) Cover Pool Assets that are Additional Cover Cover Pool Assets pursuant to Article 29 of the Covered Bonds Communiqué,

(e) Hedge Collateral (if applicable), and

(f) the Reserve Fund; *it being understood* that the Reserve Fund and the Agency Account are not included in the Cover Pool.

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

Required Overcollateralisation Percentage: .....

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

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

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

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

(b) if the current rating of such Series from such Relevant Rating Agency is below the Issue Date Rating of such Series from such Relevant Rating Agency, then the percentage shall not be so reduced to below the percentage applicable immediately prior to the most recent downgrade of such Series by such Relevant Rating Agency.

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

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

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

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

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

Rating Agency Confirmation: ..... "*Rating Agency Confirmation*" means, with respect to any Series of Covered Bonds and any specified action or determination, the Relevant Rating Agency has indicated in writing (which may be by email, a signed letter (including facsimile), a public press release, a rating report or any other publication, including a publication on such Relevant Rating Agency's website) that such action or determination would not result in the credit rating then assigned to such Series by such Relevant Rating Agency being reduced, removed, suspended or placed on negative credit watch with an indication of a potential reduction. For any Series that is not rated by a Relevant Rating Agency, no Rating Agency Confirmation will be required in respect of such unrated Series notwithstanding anything to the contrary in the Transaction Documents.

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

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

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

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

Account(s)."

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

Issuer Events: ..... The occurrence of any of the following events shall constitute an "*Issuer Event*:"

(a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof,

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

(c) the Issuer fails to perform or observe any of its obligations (other than any obligation for the payment of interest, Additional Amounts or principal due under the Covered Bonds, Receipts or Coupons of any Series) under the Agency Agreement, the Transaction Security Documents or any other Transaction Document to which the Issuer is a party, which failure could reasonably be expected to have a materially prejudicial effect on the interests of the Covered Bondholders of any Series and/or any Hedging Counterparties and the Issuer has received notice of the reasonable expectation of such a materially prejudicial effect from the Security Agent and (except where such failure is, or the effects of such failure are, incapable of remedy, in which event no such continuation and notice as is hereinafter mentioned will be required) such failure continues for at least 30 days after the Issuer's receipt of such notice requiring such failure to be remedied,

(d) if: (i) any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any originally applicable grace period, (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, in each of (i) through (iv), 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 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),

(e) if:

(i) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries,

(ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Covered Bondholders,

(iii) the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any Applicable Law or is adjudicated or found by a competent authority to be (or becomes) bankrupt or insolvent,

(iv) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness, or

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

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

(f) if the banking licence of the Issuer is temporarily or permanently revoked or management of the Issuer is taken over by the Savings Deposit Insurance Fund or other public institution (within the meaning of the Covered Bonds Communiqué) under the provisions of the Banking Law, or

(g) a Breach of Statutory Test.

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

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

(a) any notes, bonds, debentures, debenture stock, loan stock or other securities issued by such person,

(b) any borrowed money borrowed by such person, or

(c) any liability under or in respect of any acceptance or acceptance credit issued by or for such person.

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

(a) whose total assets (consolidated in the case of a Subsidiary that itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer relate, are equal to) not less than 15% of the consolidated total assets of the Group, all as calculated respectively by reference to the then latest audited BRSA financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated BRSA financial statements of the Issuer; *provided* that: (i) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated BRSA financial statements of the Issuer and its Subsidiaries relate or (ii) in the case of any such Subsidiary for which its then latest relevant audited accounts, at the time of such acquisition, are not prepared in accordance with BRSA Accounting and Reporting Legislation, the reference to the then latest audited consolidated BRSA financial statements of the Issuer and the relevant then latest BRSA financial statements of such Subsidiary for the purposes of the calculation above shall, until audited consolidated BRSA financial statements for the financial period in which the

acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such consolidated BRSA financial statements of the Issuer as if such Subsidiary had been shown in those financial statements by reference to such Subsidiary's then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer (including to reflect a conversion of such accounts into BRSA Accounting and Reporting Legislation if the then latest relevant audited accounts of such Subsidiary were not prepared in accordance with BRSA Accounting and Reporting Legislation),

(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) until the earlier of: (i) any transfer by it as described in this sub-paragraph (b), in which event this sub-paragraph (b) shall apply, and (ii) the date of publication of any of the Issuer's future consolidated audited BRSA 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 BRSA financial statements of the Issuer relate, are equal to) not less than 15% of the consolidated total assets of the Group 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% of the consolidated total assets of the Group taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of the Issuer's next audited BRSA consolidated financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be (or cease to 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 of the Issuer is or is not or was or was not (as applicable) at any particular time a Material Subsidiary will, in the absence of manifest or proven error, be conclusive and binding upon all parties (for the avoidance of doubt, such is not the only method of determining whether a Subsidiary of the Issuer is or is not or was or was not a Material

Subsidiary).

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

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

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

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

Authorised Investments: ..... Pursuant to the Offshore Bank Account Agreement, the Issuer is entitled to draw sums from time to time standing to the credit of the Non-TL Designated Account(s) maintained with the Offshore Account Bank for purchasing Authorised Investments. For the avoidance of doubt: (a) Hedge Collateral and/or amounts standing to the credit of the Hedge Collateral Account(s) may not be used to purchase Authorised Investments; *however*, Hedge Collateral can (to the extent agreed between the Issuer and the applicable Hedging Counterparty) be provided in investments (*e.g.*, securities) other than cash, (b) amounts standing to the credit of the Non-TL Hedge Collection Account(s) may not be used to purchase Authorised Investments and (c) amounts standing to the credit of the Agency Account may be used to purchase Authorised Investments only in the manner described in the Offshore Bank Account Agreement. Notwithstanding anything in the Transaction Documents to the contrary, no Issuer Event or Event of Default shall occur in respect of the invalidity or non-perfection of the Non-Statutory Security in respect of Authorised Investments not held in the Non-TL Designated Account and the Issuer makes no representations with respect thereto.

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

(iii) requirement that they are denominated in the same currency as the currency of the applicable Offshore Bank Account.

ACCOUNTS AND CASH FLOW STRUCTURE:

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

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

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

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

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

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

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

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

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

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

(a) the occurrence of any event that is continuing on an İstanbul Business Day that generally makes it impossible to convert Turkish Lira into the applicable Specified Currency in Turkey through customary legal channels, and/or

(b) the occurrence of any event that is continuing on an İstanbul Business Day that generally makes it impossible to deliver: (i) Turkish Lira or the applicable Specified Currency from

accounts inside Turkey to accounts outside Turkey or (ii) Turkish Lira or the applicable Specified Currency between accounts inside Turkey to a party that is a non-resident of Turkey;

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

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

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

(a) amounts in the Collection Account transferred by the Issuer from the Collection Account to the TL Designated Account or amounts deposited directly into the TL Designated Account, in each case as described above,

(b) other than funds transferred as described in clause (a), any amounts (to the extent part of the Cover Pool) received by the Issuer in respect of the Mortgage Assets (for the avoidance of doubt, such does not include Related Payments),

(c) any amounts received in respect of Authorised Investments made from funds in the applicable Designated Account(s),

(d) any amounts credited into the applicable Designated Account(s) by the Issuer from its own funds, including Authorised Investments that are Substitute Assets or for effecting payments on the Covered Bonds,

(e) any amounts received in Turkish Lira under a Hedging Agreement (other than Hedge Collateral), and

(f) any amounts transferred by the Issuer or the Administrator, as applicable, in connection with the sale of Cover Pool Assets.

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

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

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

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

Events of Default: ..... An "*Event of Default*" arises if one or both of the following events occurs and is continuing:

(a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof, or

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

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

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

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

Cover Monitor Agreement: ..... Under the terms of the cover monitor agreement (in Turkish: *Teminat Sorumlusu Sözleşmesi*) entered into on the Programme Closing Date, as amended on 25 January 2017, between the Cover Monitor and the Issuer (the "*Cover Monitor Agreement*"), the Cover Monitor has agreed to carry out any and all assessments, checks and notification duties in relation to the calculations performed by the Issuer in relation to the Statutory Tests. The Cover Monitor Agreement is executed in Turkish and English.

The Cover Monitor Agreement is governed by Turkish law.

Security Assignment: ..... The Issuer has assigned to the Security Agent its rights arising under the Hedging Agreements (if applicable and to the extent governed by the laws of England and Wales) and the other Transaction Documents governed by the laws of England and Wales (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement) pursuant to a security assignment entered into on the Programme Closing Date and amended and restated on 26 April 2019 (the "*Security Assignment*").

The Security Assignment is governed by the laws of England and Wales.

Agency Agreement: ..... Under the terms of an agency agreement dated the Programme Closing Date and amended and restated on 26 April 2019 among the Issuer, the Agents and the Security Agent (the "*Agency Agreement*"), the Agents have each agreed to provide the Issuer with certain agency services. In particular, each Paying Agent has agreed to hold available for inspection at its specified office during normal business hours copies of all documents required to be so available by the Conditions of any Covered Bonds or the rules of any relevant Stock Exchange (or any other relevant authority). For these purposes, the Issuer shall provide the Paying Agents with sufficient copies of each of the relevant documents.

The Agency Agreement is governed by the laws of England and Wales.

Deed of Covenant: ..... The Covered Bondholders are entitled to the benefit of a deed of covenant dated 26 April 2019 executed as a deed by the Issuer in favour of certain direct participants with DTC, Euroclear, Clearstream, Luxembourg and any other agreed clearing system (the "*Deed of Covenant*"). The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

The Deed of Covenant is governed by the laws of England and Wales.

Offshore Bank Account Agreement: ..... Under the terms of the Offshore Bank Account Agreement dated the Programme Closing Date and amended and restated on 26 April 2019 among the Issuer, the Offshore Account Bank and the Security Agent (the "*Offshore Bank Account Agreement*"), the Offshore Account Bank has agreed to open and maintain the Offshore Bank Accounts.

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

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

Where a Hedging Counterparty provides Hedge Collateral (other than in Turkish Lira) to the Issuer in accordance with the terms of a Hedging Agreement, such collateral will be credited to the relevant Hedge Collateral Account. Any Hedge Collateral applied in satisfying any termination payments payable by the relevant Hedging Counterparty to the Issuer in respect of the relevant Hedging Agreement: (a) if not in Turkish Lira, shall be transferred to the Non-TL Hedge Collection Account of the corresponding currency, and (b) if in Turkish Lira, shall be transferred to the Collection Account or the TL Designated Account, as applicable. Excess Hedge Collateral (including any standing to the credit of the Hedge Collateral Account(s)) shall not be available to Secured Creditors (other than to the relevant Hedging Counterparty) and (if in a Hedge Collateral Account) shall be returned by the Offshore Account Bank to the relevant Hedging Counterparty upon a request from the Issuer.

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

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

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

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

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

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

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

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

Investor Report: ..... For so long as any Covered Bonds are outstanding that are listed on any regulated market of a Member State or offered to the public in a Member State, in each case, in circumstances that require the publication of a prospectus under the Prospectus Directive (or analogous requirement in any jurisdiction outside Turkey in which the Covered Bonds are issued or listed on a relevant stock exchange), on or before the İstanbul Business Day that falls 25 days after the expiration of each Collection Period (to the extent required to be published with respect to such Collection Period pursuant to Part 3 of Schedule 1 to the Security Agency Agreement) (each an "*Investor Report Date*"), the Issuer will publish on its website an investor report (the "*Investor Report*") that will contain information regarding the Covered Bonds and the Cover Pool Assets, including statistics relating to the financial performance of the Cover Pool Assets for the immediately preceding Collection Period. Such report will be available to prospective investors in the Covered Bonds and to Covered Bondholders on Bloomberg and on the Issuer's website.

"*Collection Period*" means the period from (and including) the first calendar day of a calendar month (or, in the case of the first collection period, the Programme Closing Date) to (and including) the last calendar day of such calendar month; *provided* that, in the event that the first collection period would (but for the operation of this proviso) be for a duration of less than 15 days, the first collection period means the period from and including the Programme Closing Date to (and including) the last calendar day of the calendar month following the calendar month in which the Programme Closing Date occurs.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form (with or without interest coupons attached) or registered form (without interest coupons attached), in each case either as Global Covered Bonds or Definitive Covered Bonds. Bearer Covered Bonds may be issued only in "offshore transactions" to persons who are not U.S. persons in reliance upon Regulation S and Registered Covered Bonds may be issued both in "offshore transactions" to persons who are not U.S. persons in reliance upon Regulation S, to Dealers for re-sale to QIBs in reliance upon Rule 144A or otherwise in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will initially be issued in the form of a temporary global covered bond (a "*Temporary Bearer Global Covered Bond*") or, if so specified in the applicable Final Terms, a permanent global covered bond (a "*Permanent Bearer Global Covered Bond*" and, together with a Temporary Bearer Global Covered Bond, each a "*Bearer Global Covered Bond*"), which, in either case, will:

(a) if such Bearer Global Covered Bonds are issued in new global covered bond ("*NGCB*") form, as stated in the applicable Final Terms, be delivered on or prior to the original Issue Date of such Tranche to a common safekeeper (the "*Common Safekeeper*") for Euroclear and Clearstream, Luxembourg, and

(b) if such Bearer Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the original Issue Date of such Tranche to a common depositary (the "*Common Depositary*") for Euroclear and Clearstream, Luxembourg.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Bearer Global Covered Bonds) and on all interest coupons relating to such Covered Bonds where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections of the Code referred to above provide that United States investors, with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds or interest coupons with respect thereto and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Covered Bonds or interest coupons.

Beneficial interests in Covered Bonds that are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

NGCB Form. Where the Bearer Global Covered Bonds issued in respect of any Tranche are in NGCB form, the applicable Final Terms will indicate whether such Bearer Global Covered Bonds are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Bearer Global Covered Bonds of the Issuer issued in respect of any Tranche in NGCB form do not comply with certain of the conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Bearer Global Covered Bond is to be so held does not necessarily mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGCBs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Temporary Bearer Global Covered Bonds. Whilst any Bearer Covered Bond is represented by a Temporary Bearer Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of such Covered Bond due prior to the applicable Exchange Date (as defined below) will be made (against presentation of such Temporary Bearer Global Covered Bond if such Temporary Bearer Global Covered Bond is not issued in NGCB form) only to the extent that certification (in a form to be provided) to the effect that the owners of beneficial interests in such Temporary Bearer Global Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has/have given a like certification (based upon the certifications it has received) to the Fiscal Agent.

For any Temporary Bearer Global Covered Bond, after the date (the "*Exchange Date*") that begins immediately upon the expiration of a 40-day period after the later of the commencement of the offering of the applicable Tranche and such Tranche's Issue Date, beneficial interests in such Temporary Bearer Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for: (a) beneficial interests in a Permanent Bearer Global Covered Bond of the same Series or (b) Bearer Definitive Covered Bonds of the same Series with, where applicable, Coupons, Receipts and Talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given; *provided* that purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds. The holder of a Temporary Bearer Global Covered Bond (or a beneficial interest therein) will not be entitled to collect any payment of interest, principal or other amount due on or after the applicable Exchange Date unless, upon due certification, exchange of such Temporary Bearer Global Covered Bond for an interest in a Permanent Bearer Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused.

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

Exchange from Permanent Bearer Global Covered Bonds to Definitive Covered Bonds. The applicable Final Terms will specify that a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Bearer Definitive Covered Bonds with, where applicable, Coupons and Talons attached: (a) on 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 Covered Bond) to the Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "*Exchange Event*" means that: (i) an Event of Default (as defined in Condition 10.1) 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 at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Covered Bonds represented by such Permanent Bearer Global Covered Bond in definitive form.

The Issuer will promptly give notice to the applicable Covered Bondholders in accordance with Condition 14 (*Notices*) upon the occurrence of an Exchange Event specified in clause (i) or (ii) of the definition thereof in the preceding paragraph, in which event Euroclear and/or Clearstream, Luxembourg (or the Common Depositary or Common Safekeeper for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf), acting on the instructions of any holder of an interest in the applicable Global Covered Bond, may give notice to the Fiscal Agent requesting exchange. In the event of the occurrence of an Exchange Event as described in clause (iii) of the definition thereof in the preceding paragraph, the Issuer may give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

Bearer Covered Bonds 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 Covered Bonds

The portion of the Registered Covered Bonds (or beneficial interests therein) of each Tranche offered and sold in reliance upon Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global covered bond in registered form (each a "*Regulation S Registered Global Covered Bond*") or, if so specified in the applicable Final Terms, by a registered covered bond in definitive form (a "*Definitive Regulation S Registered Covered Bond*" and, with each Regulation S Registered Global Covered Bond and each Bearer Covered Bond, being a "*Regulation S Covered Bond*"). Prior to expiration of the distribution compliance period (as defined in Regulation S) applicable to a Tranche of Regulation S Covered Bonds, a Regulation S Covered Bond (or beneficial interests therein) of such Tranche may not be offered or sold to, or for the account or benefit of, a U.S. person and such Regulation S Covered Bond will be subject to the restrictions on transfer set forth therein and will bear the applicable restrictive legend described in "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*."

The portion of the Registered Covered Bonds (or beneficial interests therein) of each Tranche offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold by the Issuer or any other person acting on its behalf: (a) to Institutional Accredited Investors who execute and deliver to the Issuer an IAI Investment Letter in which they agree to purchase such Covered Bonds (or beneficial interests therein) for their own account and not with a view to the distribution thereof, (b) to QIBs pursuant to Rule 144A or (c) in transactions that are otherwise exempt from, or not subject to, the registration requirements of the Securities Act. The Registered Covered Bonds of each Tranche sold to Institutional Accredited Investors as described in clause (a) will be represented by one or more global covered bond(s) in registered form (each an "*IAI Global Covered Bond*") or in definitive form (each an "*IAI Definitive Covered Bond*" and, with the IAI Global Covered Bonds, the "*IAI Covered Bonds*") and the Registered Covered Bonds of each Tranche sold to QIBs as described in clause (b) will be represented by one or more global covered bond(s) in registered form (each a "*Rule 144A Global Covered Bond*" and, together with the Regulation S Registered Global Covered Bonds and the IAI Global Covered Bonds, each a "*Registered Global Covered Bond*"; each Registered Global Covered Bond and Bearer Global Covered Bond being a "*Global Covered Bond*"). Unless otherwise set forth in the applicable Final Terms, IAI Covered Bonds will be issued only in minimum denominations of US$500,000 and integral multiples of US$1,000 in excess thereof. IAI Covered Bonds will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described in "*Subscription and Sale and Transfer and Selling Restrictions – Transfer Restrictions*."

Registered Global Covered Bonds will either be: (a) deposited with a custodian for, and registered in the name of a nominee of, DTC or (b) deposited with: (i) a Common Depositary or (ii) if the Registered Global Covered Bonds are to be held under the "new safekeeping structure" for registered global securities that are intended to constitute eligible collateral for Eurosystem monetary policy operations (the "*NSS*"), a Common Safekeeper, in each case, for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee of that Common Depositary or Common Safekeeper, as specified in the applicable Final Terms.

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

Where Registered Global Covered Bonds issued in respect of any Tranche are to be held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Covered Bonds are intended to be held in a manner that would allow Eurosystem eligibility (though, as at the date of this Base Prospectus, Registered Global Covered Bonds of the Issuer issued in respect of any Tranche to be held under the NSS do not comply with certain conditions of the Eurosystem eligibility criteria so as to be recognised by the ECB as eligible collateral for Eurosystem eligibility). Any indication that a Registered Global Covered Bond is to be so held does not necessarily

mean that the Covered Bonds of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for Registered Global Covered Bonds to be held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of a Registered Covered Bond will, in the absence of provision to the contrary, be made in the manner provided in Condition 5 to the person shown on the Register as the registered holder of such Registered Covered Bond as of the relevant Record Date. None of the Issuer, 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 Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange from Global Covered Bonds to Definitive Covered Bonds. The applicable Final Terms will specify that a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds 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 with respect to the applicable Series, (b) in the case of Registered Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for such Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (c) in the case of Registered Covered Bonds registered in the name of a nominee for a Common Depositary or, as the case may be, Common Safekeeper for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of at least 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, or (d) the Issuer has or will become subject to adverse tax consequences that would not be suffered were the Covered Bonds represented by the applicable Registered Global Covered Bond in definitive form.

The Issuer will promptly give notice to the applicable Covered Bondholders in accordance with Condition 14 upon the occurrence of an Exchange Event specified in clause (a), (b) or (c) of the definition thereof in the preceding paragraph, in which event the applicable Clearing System(s) or any person acting on their/its behalf (acting on the instructions of any holder of an interest in the applicable Global Covered Bond) may give notice to the Registrar requesting exchange. In the event of the occurrence of an Exchange Event specified in clause (d) of the definition thereof in the preceding paragraph, the Issuer may give notice to the Registrar requesting exchange. Any such exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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

General

Pursuant to the Agency Agreement, the Fiscal Agent will arrange that, where a further Tranche of Covered Bonds is issued that is intended to be consolidated with, and form a single Series with, an existing Tranche of Covered Bonds on a date after the Issue Date of the further Tranche, the Covered Bonds of such further Tranche will, as applicable, be assigned an ISIN, Common Code, CUSIP, CINS, CFI and/or FISN number that are different from the ISIN, Common Code, CUSIP, CINS, CFI and/or FISN (as applicable) assigned to Covered Bonds of any other Tranche of the same Series until such time as such Tranches are consolidated and form a single Series, which shall not be prior to the expiration of any applicable distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds of such further Tranche.

Repayment of the principal of a Covered Bond may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Covered Bond is still represented by a Global Covered Bond and such Global Covered Bond (or any part thereof) has become due and repayable in accordance with the Conditions of the applicable Series and payment in full of the amount due has not been made in accordance with the provisions of such Global Covered Bond, then, from 8:00 p.m. (London time) on the day immediately following the applicable due date, holders of beneficial interests in such Global Covered Bond credited to their accounts with a Clearing System will, on the basis of statements of account provided by such Clearing System, become entitled to proceed directly against the Issuer on and subject to the terms of the Deed of Covenant.

The Issuer may agree with any Dealer or investor that Covered Bonds may be issued in a form not contemplated by the Conditions of the Covered Bonds herein, in which event (for any listed issuance) a new prospectus or a supplement to this Base Prospectus, if appropriate, will be made available that will describe the effect of the agreement reached in relation to such Covered Bonds.

FORM OF APPLICABLE FINAL TERMS

Set out below is the form of Final Terms that, subject (for any transaction not listed on Euronext Dublin) to any necessary amendment, will be completed for each Tranche of Covered Bonds. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Covered Bonds [(and beneficial interests therein)] are not intended to be offered, sold or otherwise made available to (and should not be offered, sold or otherwise made available to) any retail investor in the European Economic Area (each an "*EEA Retail Investor*"). For these purposes: (a) a retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "*MiFID II*"), (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II, or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "*Prospectus Directive*"), and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds [(or beneficial interests therein)] to be offered so as to enable an investor to decide to purchase or subscribe such Covered Bonds [(or beneficial interests therein)]. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "*PRIIPs Regulation*") for offering or selling the Covered Bonds [(or beneficial interests therein)] or otherwise making them available to EEA Retail Investors has been prepared and, therefore, offering or selling the Covered Bonds [(or beneficial interests therein)] or otherwise making them available to any EEA Retail Investor might be unlawful under the PRIIPs Regulation.][1]

[**MIFID II PRODUCT GOVERNANCE / ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY TARGET MARKET**

Solely for the purposes of [each][the] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (a) the target market for the Covered Bonds [(and beneficial interests therein)] is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "*MiFID II*")][MiFID II]), and (b) all channels for distribution of the Covered Bonds [(and beneficial interests therein)] to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds [(or beneficial interests therein)] (a "*distributor*") should take into consideration the manufacturer['s][s'] target market assessment; *however*, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds [(or beneficial interests therein)] (by either adopting or refining the manufacturer['s][s'] target market assessment) and determining appropriate distribution channels.][2]

[**NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (AS AMENDED, THE "*SFA*")**

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "*CMP Regulations 2018*"), the Issuer has determined the classification of the Covered Bonds [(and beneficial interests therein)] to be capital markets products other than: (a) prescribed capital markets products (as defined in the CMP Regulations 2018) and (b) Excluded Investment Products (as defined in the

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

2 *Delete where: (a) none of the Managers/Dealers are MiFID II investment firms that are manufacturers pursuant to MiFID II for the purposes of the offering of the relevant Tranche of Covered Bonds, or revise where the relevant manufacturers have determined that an alternative target market is appropriate for the offering of the relevant Tranche of Covered Bonds (or beneficial interests therein), or (b) this matter is already addressed in the issue-specific prospectus for the issue of Covered Bonds. If this paragraph is included but the paragraph regarding the PRIIPS Regulation is not included, then include the definition of MiFID II in this paragraph.*

Monetary Authority of Singapore (the "*MAS*") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][3]

FINAL TERMS

[Date]

TÜRKİYE GARANTİ BANKASI A.Ş.

Legal Entity Identifier (LEI): 5493002XSS7K7RHN1V37

Issue of [Aggregate Principal Amount of Tranche] [Title of Covered Bonds] (the "*Covered Bonds*")
under the €5,000,000,000
Global Covered Bond Programme (the "*Programme*")

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Covered Bonds (the "*Conditions*") set forth in the base prospectus dated 26 April 2019 [and the supplement[s] to it dated [*date*] [and [*date*]]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive [(Directive 2003/71/EC, as amended or superseded)]][4] (the "*Base Prospectus*"). This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of the Prospectus Directive][5] and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the Issuer's website ([*insert website address*]).

[*The following alternative language for the above paragraph applies if the first Tranche of Covered Bonds of a Series that is being increased was issued under a base prospectus with an earlier date.*]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Covered Bonds (the "**Conditions**") set forth in the base prospectus dated [*original date*] [and the supplement[s] to it dated [*date*] [and [*date*]]] that [is][are] incorporated by reference in the base prospectus dated [*date of previous base prospectus*]. This document constitutes the Final Terms of the Covered Bonds described herein [for the purposes of the Prospectus Directive [(Directive 2003/71/EC, as amended or superseded)]][6] and must be read in conjunction with the base prospectus dated 26 April 2019 [and the supplement[s] to it dated [*date*] [and [*date*]], which [together] constitute[s] a base prospectus [for the purposes of the Prospectus Directive][7] (the "*Base Prospectus*"), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and these Final Terms have been published on the Issuer's website ([*insert website address*]).]

[*Include whichever of the following apply or specify as "Not Applicable." Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs (in*

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3 *Legend to be included on front of the Final Terms if the Covered Bonds (and, if applicable, beneficial interests therein): (a) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018 and (b) will be offered in Singapore.*

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

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

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

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

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

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under the Prospectus Directive.]

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

1.	Issuer:		Türkiye Garanti Bankası A.Ş.
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	Date on which the Covered Bonds will be consolidated and form a single Series:	[The Covered Bonds will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Bearer Global Covered Bond for interests in the Permanent Bearer Global Covered Bond, as referred to in paragraph 21 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency:		[●]
4.	USD Payment Election:		[Applicable/Not Applicable] *(Only applicable for Turkish Lira-denominated Covered Bonds.)*
5.	Aggregate Principal Amount immediately after issuance of this Tranche:		
	(a)	Series:	[●]
	(b)	Tranche:	[●]
6.	Issue Price:		[●] *per cent*. of the Aggregate Principal Amount of the Tranche [*plus* accrued interest from [*insert date*] (*if applicable*)]
7.	(a)	Specified Denomination(s):	[●] [and integral multiples of [●] in excess thereof] (*Note — where the applicable Final Terms relates to a Tranche of Bearer Covered Bonds and multiple denominations above* [*€100,000*] *or equivalent are being used, the following sample wording should be followed:* "*[€100,000] and integral multiples of* [*€1,000*] *in excess thereof up to and including* [*€199,000*]. *No Covered Bonds in definitive form will be issued with a denomination above [€199,000]*.")

	(b)	Calculation Amount [for Covered Bonds in definitive form (in relation to the calculation of interest for Covered Bonds in global form, see the Conditions)]:	[●] (*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.*)
	(c)	Redenomination:	[Condition 5.10 is applicable] [Not Applicable] (*If applicable, insert relevant provisions for redenomination to euro of Covered Bonds issued in a Specified Currency other than euro.*)
8.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
9.	(i)	Final Redemption:	
		(a) Final Maturity Date:	[*Fixed rate – specify date/Floating rate* – Interest Payment Date [falling in][nearest to] [*specify month and year*]]
		(b) Extended Final Maturity Date:	[Applicable/Not Applicable] [The Extended Final Maturity Date will, if applicable, fall on [*Insert Date*].]
		(c) Extended Series Payment Date(s):	[Applicable/Not Applicable] *[If applicable, insert relevant dates. Must correspond with Interest Payment Dates.]*
	(ii)	Instalment Covered Bonds:	[Applicable/Not Applicable].
		(a) Instalment Amounts:	[●] [*If applicable, insert an instalment amount that reflects equal instalments through the Final Maturity Date.*]
		(b) Instalment Dates:	Each Interest Payment Date from (and including) the Interest Payment Date on [●] up to (and including) the Final Maturity Date. *[If applicable, insert the first Interest Payment Date on which an Instalment Amount is to be paid.]*
10.	Interest Basis:		[[●] *per cent. per annum* Fixed Rate] [[SONIA][●] [month] [[currency] [LIBOR/EURIBOR/TRYIBOR]] +/- [●] *per cent. per annum* Floating Rate]

			(*see further particulars in paragraph[(s)]* [*15*] *[and] [16] below*)
11.	Redemption[/Payment] Basis:		Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Final Maturity Date [(or, if the Issuer does not pay the Final Redemption Amount on the relevant Final Maturity Date, the Extended Final Maturity Date set out in paragraph 9(b) above)] at [●] *per cent.* of their nominal amount.
12.	Change of Interest Basis:		[For the period from (and including) the Interest Commencement Date up to (but excluding) [●][(the "*[Fixed/Floating] Rate Period*")], paragraph [15/16] below applies, and, for the period from (and including) [●] up to (and including) the [Final Maturity Date][Extended Final Maturity Date] [(the "*[Fixed/Floating] Rate Period*")], paragraph [15/16] below applies)]/[Not Applicable]
13.	Issuer Call:		[Applicable][Not Applicable] [(*see paragraph 18 below*)]
14.	(a)	Status of the Covered Bonds:	Senior
	(b)	Date Board approval for issuance of Covered Bonds obtained:	[●] [Not Applicable] (*N.B. Only relevant where Board* (*or similar*) *authorisation is required for the particular Tranche of Covered Bonds*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Covered Bond Provisions:		[Applicable [in respect of the Fixed Rate Period]][Not Applicable] (*If not applicable, then delete the remaining sub-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 Final Maturity Date (*Amend appropriately in the case of irregular coupons.*)
	(c)	Interest Periods:	[Adjusted/Not Adjusted]
	(d)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] (*Applicable only where Interest Periods and Interest*

			Amounts are subject to adjustment.)
	(e)	Additional Business Centre(s):	[[[●]/Not Applicable]] (*Applicable only where Interest Periods and Interest Amounts are subject to adjustment.*)
	(f)	Fixed Coupon Amount(s):	[[●] per Calculation Amount] [Not Applicable] (*Applicable only to Covered Bonds initially issued in definitive form that carry unadjusted interest.*)
	(g)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable] (*Applicable only to Covered Bonds initially issued in definitive form that carry unadjusted interest.*)
	(h)	Day Count Fraction:	[30/360 (Fixed)] [Actual/Actual (ICMA)]
	(i)	[Determination Date(s):	[[●] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*)
16.	Floating Rate Covered Bond Provisions		[Applicable [in respect of the Floating Rate Period]/Not Applicable] (*If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	The Specified Interest Payment Dates will fall on [●][, subject to adjustment in accordance with the Business Day Convention set out in sub-paragraph (b) below][, not subject to adjustment, as the Business Day Convention in sub-paragraph (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[●]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount	[●][Not Applicable]

(if not the Fiscal Agent):

(f) Screen Rate Determination: [Applicable][Not Applicable]

- Reference Rate, Specified Time and Relevant Financial Centre: Reference Rate: [SONIA][[●] month [[currency] [LIBOR/EURIBOR/TRYIBOR]]].

  Specified Time: [●]

  (*11:00 a.m. in the case of LIBOR, SONIA and EURIBOR and 11:30 a.m. in the case of TRYIBOR*)

  Relevant Financial Centre: [London] [Brussels] [İstanbul]

- Interest Determination Date(s): [●]

  (*Second London business day prior to the start of each Interest Period if LIBOR* (*other than Sterling or euro LIBOR*)*, first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, the second İstanbul business day prior to the start of each Interest Period if TRYIBOR and the fifth (or other number specified under Observation Look-Back Period below) London Banking Day prior to the end of each Interest Period if SONIA.*)

- Relevant Screen Page: [●]

  (*In the case of EURIBOR, if not Reuters EURIBOR01, then ensure it is a page that shows a composite rate or amend the fallback provisions appropriately*)

- Observation Look-Back Period: [Applicable][Not Applicable]

  (*Only relevant for SONIA Reference Rate*)

(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.*)

  (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending

upon market circumstances, might not be available at the relevant time)

(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 (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] (*See Condition 4 for alternatives*)

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 6.2:		Minimum period: [●] days Maximum period: [●] days
18.	Issuer Call:		[Applicable][Not Applicable] (*If not applicable, then delete the remaining sub-paragraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount:	[●] per Calculation Amount
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]
		(ii) Maximum Redemption Amount:	[●]
	(d)	Notice periods:	Minimum period: [●] days Maximum period: [●] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information*

through intermediaries, for example, clearing systems (*which, in the case of Euroclear and Clearstream, Luxembourg, require a minimum number of clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements that may apply, for example, as between the Issuer and the Fiscal Agent.*)

19.	Final Redemption Amount:	[●] per Calculation Amount
20.	Early Redemption Amount:	
	(a) payable on redemption for taxation reasons:	[●] per Calculation Amount
	(b) payable on redemption for event of default:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

21.	Form of Covered Bonds:	
	(a) Form:	[Bearer Covered Bonds:] [Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond] [Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date] [Permanent Bearer Global Covered Bond exchangeable for Definitive Covered Bonds [on not less than 60 days' written notice given at any time/upon the occurrence of an Exchange Event]] [Bearer Definitive Covered Bonds] [Bearer Covered Bonds shall not be physically delivered: (i) in Belgium, except to a clearing system, a 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 Covered Bonds in paragraph* 7 *includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds that is to be represented on issue by a Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds.*)

		[Registered Covered Bonds:] [Regulation S Registered Global Covered Bond 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] and exchangeable for Definitive Registered Covered Bonds [upon the occurrence of an Exchange Event]] [Rule 144A Global Covered Bond(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] and exchangeable for Definitive Registered Covered Bonds [upon the occurrence of an Exchange Event]] [Definitive Regulation S Registered Covered Bond] [IAI Definitive Covered Bonds] [IAI Global Covered Bond 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] and exchangeable for Definitive Registered Covered Bonds [upon the occurrence of an Exchange Event]] (*N.B. In the case of an issue with more than one Global Covered Bond or a combination of one or more Bearer Global Covered Bond(s) and IAI Definitive Covered Bond(s), specify the nominal amounts of each Global Covered Bond and, if applicable, the aggregate principal amount of all IAI Definitive Covered Bonds if such information is available*)
	(b) New Global Covered Bond:	[Yes][No]
	(*Relevant to Bearer Global Covered Bonds only*)	[Eurosystem eligibility: [Yes][No]]
	(c) New Safekeeping Structure:	[Yes][No]
	(*Relevant to Registered Global Covered Bonds only*)	[Eurosystem eligibility: [Yes][No]]
22.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not Interest Period end dates, to which paragraph 16(c) relates.*)
23.	Talons for future Coupons to be attached to Definitive Covered Bonds: (*Relevant to Bearer Definitive Covered*	[Yes, as the Covered Bonds have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be

	Bonds only)		made/No]
24.	Insurance Policy:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(a)	Insurer:	[●]
	(b)	Insurance Policy:	[●]
	(c)	Insurance Agreement:	[●]

RESPONSIBILITY [AND THIRD PARTY INFORMATION]

The Issuer accepts responsibility for the information contained in these Final Terms.

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

Signed on behalf of:

TÜRKİYE GARANTİ BANKASI A.Ş.

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

Duly authorised *Duly authorised*

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and admission to trading:	[Application [has been/is expected to be] made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the Official List and admitted to trading on the Regulated Market of the Irish Stock Exchange plc trading as Euronext Dublin with effect from [●]; *however*, no assurance can be given that such application will be accepted.] [Not Applicable] (*When documenting an issue of Covered Bonds that is to be consolidated and to form a single Series with a previous listed issue, it should be indicated here that the original Covered Bonds are already listed and admitted to trading.*)
(b)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

	Ratings:	[Not Applicable][The Covered Bonds [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Covered Bonds 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 Covered Bonds of the type being issued under the Programme generally or, where the Covered Bonds to be issued have been specifically rated, that rating.*) [Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is not established in the European Union but the rating it has given to the Covered Bonds is endorsed by [*insert legal name of credit rating agency*], which is established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*").] [[*Insert legal name of credit rating agency*] is not established in the European Union but is certified under

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

[[*Insert legal name of credit rating agency*] is not established in the European Union and is not certified under Regulation (EC) No. 1060/2009 (the "*CRA Regulation*") and the rating it has given to the Covered Bonds is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.]

Required Overcollateralisation Percentage: [●] *per cent.*

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

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

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

4. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield: [●] *per cent. per annum* [in respect of the Fixed Rate Period]

The yield is calculated as of the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. HISTORIC INTEREST RATES (*Floating Rate Covered Bonds only*)

Details of historic [[SONIA][currency] LIBOR/EURIBOR/TRYIBOR] rates can be obtained from [Reuters] at [ ].

6. BENCHMARKS REGULATION (*Floating Rate Covered Bonds only*)

The below is provided in connection with the EU Benchmarks Regulation (Regulation (EU) 2016/1011) of 8 June 2016 (the "*Benchmarks Regulation*").

(a)	Name of "benchmark administrator" as described in the Benchmarks Regulation:	[SONIA/LIBOR/EURIBOR/TRYIBOR] is provided by [*administrator legal name*]
(b)	Such "benchmark administrator" appears on the register of administrators maintained pursuant to Article 36 of the Benchmarks Regulation:	[As of the date hereof, [*administrator legal name*] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation. [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply such that such

		benchmark administrator is not currently required to obtain authorisation or registration (or, if located outside of the European Union, recognition, endorsement or equivalence.][As far as the Issuer is aware, The Bank of England as benchmark administrator of SONIA does not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that regulation and is not required to appear on the register of administrators maintained pursuant to Article 36 of the Benchmarks Regulation.]][Not Applicable]

7. OPERATIONAL INFORMATION

(a)	ISIN:	[●][Not Applicable]
(b)	Common Code:	[●][Not Applicable]
(c)	CUSIP:	[●][Not Applicable]
(d)	CINS:	[●][Not Applicable]
(e)	CFI:	[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]
(f)	FISN:	[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available] *(If the CFI and/or FISN is not required or requested as of the completion of the Final Terms, then it/they should be specified to be "Not Applicable," but if it/they is/are not available as of the completion of the Final Terms, then it/they should be specified to be "Not Available.")*
(g)	Any clearing system(s) other than DTC, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/give *name*(*s*) *and number*(*s*)]
(h)	Delivery:	Delivery [against/free of] payment
(i)	Name(s) and address(s) of additional Agent(s) (if any):	[●][Not Applicable]
(j)	Deemed delivery of clearing system notices for the purposes of Condition 14:	[Any notice delivered to Covered Bondholders of Covered Bonds held through a clearing system will be deemed to have been given on the [first][second] [business] day after the day on which it was given to the relevant clearing

system.][Not Applicable]

(k)	Intended to be held in a manner that would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Covered Bonds that are to be held under the NSS*] and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Covered Bonds are capable of meeting them, the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper[(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)][*include this text for Registered Covered Bonds that are to be held under the NSS*]. Note that this does not necessarily mean that the Covered Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

8. DISTRIBUTION

(a)	Method of distribution:	[Syndicated/Non-syndicated]
(b)	If syndicated, names of Managers:	[Not Applicable/*give name(s)*]
(c)	Date of [Subscription] Agreement:	[●]
(d)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name(s)*]
(e)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(f)	U.S. selling restrictions:	[Reg. S Compliance Category 2] [Rule 144A] [Section 4(a)(2)] [Rules identical to those provided in [TEFRA C][TEFRA D] applicable][TEFRA not applicable]
(g)	Prohibition of sales to EEA Retail Investors:	[Applicable][Not Applicable] (*If the Covered Bonds clearly do not constitute "packaged" products, then "Not Applicable" should be*

		specified. If the Covered Bonds might constitute "packaged" products and no key information document will be prepared, then "Applicable" should be specified.)
	(h) Prohibition of sales to Belgian Consumers:	[Applicable][Not Applicable] (*N.B. advice should be taken from Belgian counsel before disapplying this selling restriction.*)
9.	**REASONS FOR THE OFFER**	[ ] [The net proceeds from the issue of the Covered Bonds will be applied by the Issuer for its general corporate purposes.] (*See "Use of Proceeds" in the Base Prospectus. If the reason for the offer is different from general corporate purposes, then such specific reason will need to be included here.*)

TERMS AND CONDITIONS OF THE COVERED BONDS

The following is the text of the Terms and Conditions of the Covered Bonds that, unless otherwise agreed by the Issuer and the relevant Dealer(s) or investor(s) at the time of issue, will be incorporated by reference into, or be attached to, each Global Covered Bond and Definitive Covered Bond (each as defined below), in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) or investor(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to "Form of Applicable Final Terms" for a description of the content of the Final Terms, which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

Terms and Conditions of the Covered Bonds

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Türkiye Garanti Bankası A.Ş. (the "*Issuer*") pursuant to the Agency Agreement (as defined below).

References herein to the "*Covered Bonds*" shall, unless the context otherwise requires, be references to the Covered Bonds of this Series and shall mean:

(a) in relation to any Covered Bonds represented by a global covered bond (a "*Global Covered Bond*"), units of each Specified Denomination in the Specified Currency,

(b) any Global Covered Bond,

(c) any Bearer Covered Bonds (as defined in Condition 1.1) in definitive form ("*Bearer Definitive Covered Bonds*") issued in exchange for a Bearer Covered Bond in global form (a "*Bearer Global Covered Bond*"), and

(d) any Registered Covered Bonds (as defined in Condition 1.1) in definitive form ("*Registered Definitive Covered Bonds*") whether or not issued in exchange for a Global Covered Bond in registered form (a "*Registered Global Covered Bond*").

The Covered Bonds and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 26 April 2019 (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 agent (including as 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 SA/NV, Luxembourg 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 registrar (the "*Registrar*," which expression shall include any successor registrar).

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond, which complete these Terms and Conditions (these "*Conditions*"). References to the "*applicable Final Terms*" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond. The expression "*Prospectus Directive*" means Directive 2003/71/EC (as amended or superseded) and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the "*EEA*").

Bearer Definitive Covered Bonds have (unless otherwise indicated in the applicable Final Terms) interest coupons ("*Coupons*") and, in the case of Bearer Definitive Covered Bonds that have more than 27 interest payments remaining, talons for further Coupons ("*Talons*") attached on issue. Any reference herein to Coupons shall, unless

the context otherwise requires, be deemed to include a reference to Talons. Bearer Definitive Covered Bonds repayable in instalments have Receipts for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Covered Bonds and Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

Any reference to "*Covered Bondholders*" or "*holders*" in relation to any Covered Bonds shall mean (in the case of Bearer Covered Bonds) the holders of such Covered Bonds and (in the case of Registered Covered Bonds) the Persons in whose name such Covered Bonds are registered and shall, in relation to any Covered Bonds represented by a Global Covered Bond, 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.

Copies of the applicable Final Terms and (other than the Final Terms for other Series, the Subscription Agreement for this or any other Series and the Programme Agreement) the other Transaction Documents will be available for inspection by Covered Bondholders, Receiptholders and Couponholders during normal business hours at the registered office of the Issuer and at the specified office of each of the Fiscal Agent and the other Paying Agents. If the Covered Bonds are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin ("*Euronext Dublin*"), then the applicable Final Terms will be published on the Issuer's website (as of the date hereof, at: https://www.garantiinvestorrelations.com/en/debt-information/Covered-Bond/Covered-Bond/806/0/0). If this Covered Bond is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances in which a prospectus is required to be published under the Prospectus Directive, then the applicable Final Terms will only be obtainable by a Covered Bondholder, Receiptholder or Couponholder holding one or more Covered Bonds, Receipts or Coupons, as applicable, and such Covered Bondholder, Receiptholder or Couponholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Covered Bonds, Receipts or Coupons, as applicable, and identity. The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Agency Agreement, the Deed Poll, the Deed of Covenant, the Security Assignment, the Security Agency Agreement, the Calculation Agency Agreement, the applicable Final Terms, the Cover Monitor Agreement, the Hedging Agreements and the other Transaction Documents which are applicable to them. The original of the Deed of Covenant is held by the common depositary for Euroclear and Clearstream, Luxembourg. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant, the Security Assignment, the Security Agency Agreement, the Calculation Agency Agreement, the applicable Final Terms, the Hedging Agreements and (other than the Final Terms for other Series, the Subscription Agreement for this or any other Series and the Programme Agreement) the other Transaction Documents.

Each Covered Bondholder, Receiptholder and Couponholder, by reason of holding one or more Covered Bonds, Receipts or Coupons (as applicable): (a) recognises the Security Agent as its representative in relation to the Transaction Security Documents and the Security Agency Agreement, acting in its name and on its behalf, (b) agrees to be bound by the terms of the Transaction Security Documents and the Security Agency Agreement as if such Covered Bondholder, Receiptholder or Couponholder were a party thereto, and (c) acknowledges and accepts the terms of the appointment of the Security Agent as set out in the Security Agency Agreement and all of the provisions of the Security Agency Agreement relating to the exercise by the Security Agent of its powers, trusts, authorities, duties, rights and discretions contained therein.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions and construction schedule made on the Programme Closing Date, as amended and restated on 26 April 2019, and signed for the purpose of identification by Mayer Brown LLP and White and Case LLP (as amended, supplemented and/or restated from time to time, the "*Master Definitions and Construction Schedule*"), a copy of which may be obtained as described above.

In these Conditions, references to the Depository Trust Company ("*DTC*"), Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking S.A. ("*Clearstream, Luxembourg*") shall, whenever the context so

permits, in respect of Covered Bonds, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

By acquiring the Covered Bonds (or beneficial interests therein), investors will be deemed to have acknowledged and agreed that a credit rating thereof is an assessment of credit and does not address other matters that might be of relevance to such investors, including, without limitation, whether any action proposed to be taken by the Issuer, the Security Agent or any other party to a Transaction Document is either: (a) permitted by the terms of the relevant Transaction Document or (b) in the best interests of, or not prejudicial to, some or all of the Covered Bondholders.

1. Form, Denomination and Title

1.1 Form and Denomination of Covered Bonds

The Covered Bonds are in bearer form ("*Bearer Covered Bonds*") or registered form ("*Registered Covered Bonds*") as specified in the applicable Final Terms and serially numbered in the Specified Currency and Specified Denomination(s) specified in the applicable Final Terms. Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and *vice versa*.

1.2 General provisions applicable to all forms of Covered Bonds

The Covered Bonds are issued pursuant to the Capital Markets Law, the Covered Bonds Communiqué and other Turkish Covered Bonds Law, as applicable.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a combination thereof, depending upon the "Interest Basis" specified in the applicable Final Terms. In addition, a Covered Bond may be an Instalment Covered Bond if so specified in the applicable Final Terms.

Bearer Definitive Covered Bonds are issued with Coupons attached. Bearer Definitive Covered Bonds that are Instalment Covered Bonds are issued with Receipts and references to Receipts and Receiptholders in these Conditions are only applicable to such Bearer Definitive Covered Bonds.

1.3 Title to Covered Bonds

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfer in accordance with the provisions of the Agency Agreement. The Issuer and each of the Agents will (except as ordered by a court of competent jurisdiction or as required by Applicable Law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not it is 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 Covered Bond, without prejudice to the provisions set out in this Condition 1.3.

For so long as any of the Covered Bonds is represented by a Global Covered Bond deposited with and, (subject to the following paragraph) in the case of a Registered Covered Bond, registered in the name of a clearing system (or a nominee thereof or a common depositary or a common safekeeper thereof), each Person (other than a clearing system or a nominee, common depositary or common safekeeper thereof) who is for the time being shown in the records of such clearing system as the holder of a particular principal amount of such Global Covered Bond (in which regard any certificate or other document issued by such clearing system as to the principal amount of such Global Covered Bond standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest or proven error) shall, upon receipt of such certificate or other document by the Issuer or an Agent, be treated by the Issuer or such Agent (as applicable) as the holder of such principal amount of such Global Covered Bond (and the

bearer or registered holder of such Global Covered Bond shall be deemed not to be the holder) for all purposes other than with respect to the payment on such principal amount of such Global Covered Bond (including the payment of interest thereon), for which purpose the bearer of the relevant Bearer Global Covered Bond or, as applicable, the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer and the Agents as the holder of such principal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond. The expressions "*Covered Bondholder*" and "*holder of Covered Bonds*" and related expressions shall be construed accordingly.

For so long as DTC or its nominee is the registered holder of a Registered Global Covered Bond, DTC or such nominee, as the case may be, will be considered the sole owner and holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes under the Transaction Documents and the applicable Covered Bondholder, 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. The expressions "*Covered Bondholder*" and "*holder of Covered Bonds*" and related expressions shall be construed accordingly.

Covered Bonds that are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of the applicable Clearing System.

2. Transfers of Registered Covered Bonds

2.1 Transfers of Interests in Registered Global Covered Bonds

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by direct and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such beneficial interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for a Covered Bond of the same Series in definitive form or for a beneficial interest in another Registered Global Covered Bond of the same Series, in each case, only in the Specified Denomination(s) (and provided that the aggregate principal amount (disregarding any repayments of principal that have occurred in accordance with the provisions of the relevant Registered Global Covered Bond) 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 and the applicable Final Terms; *provided* that both the transferee and (if less than a transfer of its entire interest) the transferor must immediately thereafter retain beneficial interests in an amount at least equal to the minimum Specified Denomination. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Definitive Covered Bonds

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Definitive Covered Bond may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Final Terms) (and *provided that*, if transferred in part, the aggregate principal amount (disregarding any repayments of principal that have occurred in accordance with the provisions of the relevant Registered Definitive Covered Bond) of the balance of that Registered Definitive Covered Bond not so transferred is an amount of at least the Specified Denomination). In order to effect any such transfer: (a) the holder or holders must: (i) surrender such Registered Definitive Covered Bond for registration of the transfer thereof (or of the relevant part of such Registered Definitive Covered Bond) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing, and (ii) complete and deliver such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must,

after due and careful enquiry, be satisfied with the documents of title and the identity of the Person making the request. Any such transfer will be subject to such additional reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in the Agency Agreement).

Subject as provided in the preceding paragraph, the relevant Transfer Agent will promptly, and in any event within three business days (being for this purpose a day 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 Applicable Laws), authenticate (or procure the authentication of) and: (x) deliver, or procure the delivery of, at its specified office to the transferee or (y) if so requested by the specified transferee (and then at the risk of such transferee), send by uninsured mail, to such address as such transferee may request, a new Registered Definitive Covered Bond of a like aggregate principal amount (disregarding any repayments of principal that have occurred in accordance with the provisions of the relevant Registered Definitive Covered Bond) to the Registered Definitive Covered Bond (or the relevant part of the Registered Definitive Covered Bond) being transferred.

In the case of the transfer of part only of a Registered Definitive Covered Bond, a new Registered Definitive Covered Bond in respect of the balance of the Registered Definitive Covered Bond not transferred will be so authenticated and delivered or (if so requested by the transferor and at the risk of the transferor) sent by uninsured mail, to such transferor's address in the register maintained by the Registrar (the "*Register*"), to the transferor. No transfer of a Registered Definitive Covered Bond will be valid unless and until entered in the Register.

2.3 Costs of Registration

Covered Bondholders will not be charged by the Issuer or any of the Agents for any costs and expenses of effecting any registration of transfer of the Covered Bonds in the Register as provided in this Condition 2, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer and/or any Agent may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and/or transfer.

3. Status of the Covered Bonds

3.1 Status of the Covered Bonds

Subject to the provisions of Condition 3.2 (*Mortgage Covered Bonds*), the Covered Bonds and any Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will (in the case of any insolvency, bankruptcy, liquidation or similar event relating to the Issuer) rank *pari passu*: (a) without any preference or priority amongst themselves, irrespective of their Series and Issue Date (for the purpose of clarification, each Series may have different timing for the repayment of principal and the timing and amount of interest payable), and (b) with all other outstanding unsecured and unsubordinated obligations of the Issuer present and future, in each case to the extent permitted by Applicable Laws relating to creditors' rights.

3.2 Mortgage Covered Bonds

The Covered Bonds are mortgage covered bonds (in Turkish, *ipotek teminatlı menkul kıymet*) issued in accordance with the Covered Bonds Communiqué and subject to the terms thereof. The Covered Bonds (with any applicable Receipts and Coupons) are backed by assets forming the Cover Pool of the Issuer. In accordance with the Turkish Covered Bonds Law, by virtue of the Transaction Documents, registration of Cover Pool Assets in the Security Register and any Security Update Registration, the Covered Bonds and related Receipts and Coupons are secured by the Cover Pool (which includes all cashflows derived from

the Cover Pool) and benefit from Statutory Segregation. In addition to the Cover Pool, the Covered Bonds are secured by the other Transaction Security (other than the security interest over the Agency Account).

3.3 Turkish Lira Equivalent

For the purposes of determining the *pari passu* entitlement of any Covered Bondholder to payment in the Transaction Documents, any amount that is not denominated in Turkish Lira shall be notionally converted into Turkish Lira using the Applicable Exchange Rate.

4. Interest

4.1 Interest on Fixed Rate Covered Bonds

This Condition 4.1 applies to Fixed Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Covered Bonds. In particular, the applicable Final Terms specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s) (each such date, an "*Interest Payment Date*" for the purposes of such Fixed Rate Covered Bonds), the Final Maturity Date, the Extended Final Maturity Date (if any), the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) *per annum* equal to the applicable Rate(s) of Interest. Interest on Fixed Rate Covered Bonds will, subject as provided in these Conditions, be payable in arrear on the applicable Interest Payment Date(s) in each year up to (and including) the Final Maturity Date or Extended Final Maturity Date, as applicable.

In the case of Definitive Covered Bonds, the Interest Amount payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount, where a "Fixed Coupon Amount" is specified in the applicable Final Terms, to the Fixed Coupon Amount so specified; *provided* that the Interest Amount payable on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except where an applicable Fixed Coupon Amount (and, if applicable, Broken Amount) is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the then-applicable Rate of Interest to:

(a) in the case of Fixed Rate Covered Bonds that are represented by a Global Covered Bond, the Principal Amount Outstanding of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or

(b) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, 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 with the written consent of the Issuer). Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is greater than the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

4.2 Interest on Floating Rate Covered Bonds

This Condition 4.2 applies to Floating Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Covered Bonds. In particular, the applicable Final Terms specify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where "ISDA Determination" applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Specified Time, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) **Interest Payment Dates**

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest shall be payable, subject as provided in these Conditions, in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "*Interest Payment Date*" for the purpose of such Floating Rate Covered Bond) that falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest shall be payable in respect of each Interest Period.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds shall be determined in the manner specified in the applicable Final Terms.

(i) **ISDA Determination for Floating Rate Covered Bonds**

Where "ISDA Determination" is specified in the applicable Final Terms for a Tranche as the manner in which the Rate of Interest for such Tranche is to be determined, the Rate of Interest for such Tranche for each Interest Period shall be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this 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 ISDA Definitions and under which:

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

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

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

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

(ii) **Screen Rate Determination for Floating Rate Covered Bonds (other than for SONIA)**

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

(A) if there is only one quotation on the Relevant Screen Page that is a composite quotation or customarily supplied by one entity, the offered quotation; or

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

(expressed as a percentage rate *per annum*) for the Reference Rate(s) that appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service that displays the information) as of the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, then the highest (or, if there is more than one such highest quotation, then only one of such quotations) and the lowest (or, if there is more than one such lowest quotation, then only one of such quotations) shall be disregarded by the Fiscal Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or if, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, then the Fiscal Agent shall request each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate *per annum*) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks promptly so provide the Fiscal Agent with such offered quotations, then the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, then the Rate of Interest for the relevant Interest Period shall be the rate *per annum* that the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR), the eurozone interbank

market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRYIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks promptly provide the Fiscal Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more bank(s) (which bank(s) is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR), the eurozone interbank market (if the Reference Rate is EURIBOR), the Turkish Lira interbank market (if the Reference Rate is TRYIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any); *provided* that if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, then the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

(iii) **Screen Rate Determination for Floating Rate Covered Bonds that reference SONIA**

If the Reference Rate is specified in the applicable Final Terms as being SONIA, then, subject to Condition 4.6:

(A) the Rate of Interest for each Interest Accrual Period shall, subject as provided below, be Compounded Daily SONIA, as determined by the Calculation Agent, plus or minus (as indicated in the applicable Final Terms) the Margin.

(B) If, in respect of any London Banking Day in the relevant Observation Period, the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA Reference Rate in respect of such London Banking Day shall be: (1) the Bank of England's Bank Rate (the "*Bank Rate*") prevailing at the close of business on such London Banking Day *plus* (2) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there are more than one highest spread, then only one of those highest spreads) and lowest spread (or, if there are more than one lowest spread, then only one of those lowest spreads) to the Bank Rate.

(C) Notwithstanding clause (B) of this Condition 6.2(b)(iii), in the event the Bank of England publishes guidance as to: (1) how the SONIA Reference Rate is to be determined or (2) any rate that is to replace the SONIA Reference Rate, then the Calculation Agent shall, to the extent that is reasonably practicable and as set forth in a direction from the Issuer in writing, follow such guidance in order to determine SONIA for purposes of the Covered Bonds and for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

(D) If, on any Interest Determination Date, the Rate of Interest cannot be determined by reference to any of clauses (A) to (C) of this Condition 6.2(b)(iii), then the

Rate of Interest for the relevant Interest Accrual Period shall be: (1) the Rate of Interest determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (2) if there is no such preceding Interest Determination Date, the initial Rate of Interest that would have been applicable to such Covered Bonds for the first scheduled Interest Period had the Covered Bonds been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (and applying the Margin and, if applicable, any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first scheduled Interest Period).

(E) If the Covered Bonds become due and payable in accordance with Condition 10, then the final Rate of Interest shall be calculated for the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the date on which the Covered Bonds become so due and payable, and such Rate of Interest shall continue to apply to the Covered Bonds for so long as interest continues to accrue thereon.

(F) As used in this Condition 6.2(b)(iii):

"*Calculation Agent*" means the Fiscal Agent or such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s) or such other amounts as may be specified in the applicable Final Terms.

"*Compounded Daily SONIA*" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily SONIA rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage shall be rounded if necessary to the fifth decimal place (with .000005 being rounded upwards):

where:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{\mathrm{i\ -\ pLBD}}\times n_{\mathrm{i}}}{365}\right)-1\right]\times\frac{365}{d}$$

"*d*" is the number of calendar days in the relevant Interest Accrual Period,

"*do*" is the number of London Banking Days in the relevant Interest Accrual Period,

"*i*" is a series of whole numbers from one to do, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Accrual Period,

"*Interest Accrual Period*" means: (a) each Interest Period and (b) any other Relevant Period,

"*London Banking Day*" or "*LBD*" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London,

"*ni*", for any day "i", means the number of calendar days from and including such day "i" up to but excluding the following London Banking Day,

"*Observation Look-Back Period*" is as specified in the applicable Final Terms,

"*Observation Period*" means the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Accrual Period or such other date on which the relevant payment of interest falls due,

"*p*", for any Interest Accrual Period, is the number of London Banking Days included in the Observation Look-Back Period, as specified in the applicable Final Terms,

"*SONIA Reference Rate*", in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average ("*SONIA*") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors, in each case on the London Banking Day immediately following such London Banking Day, and

"*SONIAi-pLBD*" means, in respect of any London Banking Day falling in the relevant Observation Period, the SONIA Reference Rate for the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i".

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

If the applicable Final Terms for a Tranche of Floating Rate Covered Bonds specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) is less than such Minimum Rate of Interest, the Rate of Interest for such Tranche for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Tranche of Floating Rate Covered Bonds specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) is greater than such Maximum Rate of Interest, the Rate of Interest for such Tranche for such Interest Period shall be such Maximum Rate of Interest.

A Final Terms may specify both a Minimum Rate of Interest and a Maximum Rate of Interest for a Tranche. Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

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

The Fiscal Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or any other relevant period).

The Fiscal Agent will calculate the amount of interest payable in respect of the Floating Rate Covered Bonds for the relevant Interest Period (the "*Interest Amount*") or any other relevant period by applying the Rate of Interest to:

(i) in the case of Floating Rate Covered Bonds that are represented by a Global Covered Bond, the Principal Amount Outstanding of the Covered Bonds represented by such Global Covered Bond; or

(ii) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or (with the written consent of the Issuer) otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form is greater than the Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based upon the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where "ISDA Determination" is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period; *provided* that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as the Issuer, in consultation with an independent adviser acting in good faith and in a commercially reasonable manner as an expert appointed by the Issuer in its reasonable discretion, determines appropriate.

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

(f) **Notification of Rate of Interest and Interest Amounts**

In the case of Floating Rate Covered Bonds and Fixed Rate Covered Bonds in respect of which Interest Periods and Interest Amounts are specified in the applicable Final Terms as being subject to adjustment, the Fiscal Agent will cause: (a) to be notified to the Issuer and any stock exchange on which the relevant Covered Bonds are for the time being listed: (i) each Interest Amount for each Interest Period and the relevant Interest Payment Date and (ii) in the case of Floating Rate Covered Bonds, the Rate of Interest, and (b) notice thereof to be published in accordance with Condition 14 (*Notices*), in each case, as soon as possible after their determination but in no event

later than the fourth London Business Day thereafter (or, in the case of Covered Bonds where the applicable Final Terms specify the Reference Rate as being SONIA, no later than the second London Banking Day thereafter). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange (if any) on which the relevant Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 14 (*Notices*).

(g) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 and Condition 5.8 (*U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC*), whether by the Fiscal Agent or, if applicable, any other Paying Agent, shall (in the absence of manifest or proven error) be binding upon the Issuer, the Fiscal Agent, the other Agents and all Covered Bondholders, Couponholders and Receiptholders and (in the absence of negligence, wilful misconduct or wilful default) no liability to the Issuer, the Covered Bondholders, the Couponholders and the Receiptholders shall attach to the Fiscal Agent or any other Paying Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of Interest

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

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

(b) five days after the date on which the full amount of the moneys payable in respect of such Covered Bond has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Covered Bondholders in accordance with Condition 14 (*Notices*).

4.4 Business Day, Business Day Convention, Day Count Fractions and other Adjustments

(a) In these Conditions, "*Business Day*" means a day (other than a Saturday or Sunday) that is:

(i) 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 Additional Business Centre (other than the Trans-European Automatic Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) (the "*TARGET2 System*")) specified in the applicable Final Terms;

(ii) if the TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, then a day on which the TARGET2 System is open; and

(iii) either: (A) 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 as otherwise specified in the applicable Final Terms, or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) If a Business Day Convention (the "*Business Day Convention*") is specified in the applicable Final Terms and: (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) (*Interest Payment Dates*), the "Floating Rate Convention," then such Interest Payment Date: (A) in the case of sub-paragraph (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 sub-paragraph (y) above, shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event: (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (2) each subsequent Interest Payment Date shall be the last Business Day in the month that falls within the Specified Period after the preceding applicable Interest Payment Date occurred;

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

(iii) the "Modified Following Business Day Convention," then such Interest Payment Date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

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

(c) "*Day Count Fraction*" means, in respect of the calculation of an amount of interest in accordance with this Condition for any Interest Period (or other Relevant Period):

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

(A) in the case of Covered Bonds where the number of days in the Relevant Period (for the purposes of this Day Count Fraction, the "*Accrual Period*") is equal to or shorter than the Determination Period (as defined in Condition 4.4(d)) during which the Accrual Period ends, then the number of days in such Accrual Period divided by the product of: (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, then the sum of: (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(ii) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Final Terms, then the actual number of days in the Interest Period (or other Relevant Period) divided by 365 (or, if any portion of such Relevant Period falls in a leap year, then the sum of: (A) the actual number of days in that portion of such Relevant Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of such Relevant Period falling in a non-leap year divided by 365);

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

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

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

(vi) if "30/360," "360/360" or "Bond Basis" is specified in the applicable Final Terms, then the number of days in the Interest Period (or other Relevant Period) divided by 360, calculated as follows:

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

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

"Y^1" is the year, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"Y^2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"M^1" is the calendar month, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"M^2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"D^1" is the first calendar day, expressed as a number, of the Interest Period (or other Relevant Period), unless such number is 31, in which case D^1 will be 30; and

"D^2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period (or other Relevant Period), unless such number would be 31 and D^1 is greater than 29, in which case D^2 will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

"*Y^1*" is the year, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"*Y^2*" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"*M^1*" is the calendar month, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"*M^2*" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"*D^1*" is the first calendar day, expressed as a number, of the Interest Period (or other Relevant Period), unless such number would be 31, in which case D^1 will be 30; and

"*D^2*" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period (or other Relevant Period), unless such number would be 31, in which case D^2 will be 30;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y^2 - Y^1)] + [30 \times (M^2 - M^1)] + (D^2 - D^1)}{360}$$

"*Y^1*" is the year, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"*Y^2*" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"*M^1*" is the calendar month, expressed as a number, in which the first day of the Interest Period (or other Relevant Period) falls;

"*M^2*" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period (or other Relevant Period) falls;

"*D^1*" is the first calendar day, expressed as a number, of the Interest Period (or other Relevant Period), unless: (i) that day is the last day of February or (ii) such number would be 31, in which case D^1 will be 30; and

"D^2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period (or other Relevant Period), unless: (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31, in which case D^2 will be 30.

(d) "*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).

(e) "*Interest Period*" for a Series means the period from (and including) an Interest Payment Date (or, for the first Interest Period for this Covered Bond, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(f) If "adjusted" is specified in the applicable Final Terms against the Interest Period for a Series of Fixed Rate Covered Bonds, then interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) the preceding Interest Payment Date (or, if there is no preceding Interest Payment Date, the Interest Commencement Date) to (but excluding) such relevant Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the relevant Business Day Convention and a lesser or additional (as applicable) amount of interest shall be payable by the Issuer if the actual date of payment occurs earlier or later than the originally scheduled date for payment as a result of the application of the relevant Business Day Convention.

(g) If "not adjusted" is specified in the applicable Final Terms against the Interest Period for a Series of Fixed Rate Covered Bonds, then interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) the preceding Interest Payment Date (or, if there is no preceding Interest Payment Date, the Interest Commencement Date) to (but excluding) such relevant Interest Payment Date, with the Interest Payment Date (for the purpose of determining the date of payment only) adjusted in accordance with the relevant Business Day Convention but no lesser or additional (as applicable) amount of interest becoming due and payable by the Issuer if the actual date of payment occurs earlier or later that the originally scheduled date for payment as a result of the application of the relevant Business Day Convention.

If the Interest Period for a Series of Fixed Rate Covered Bonds is not indicated in the applicable Final Terms as "adjusted" or "not adjusted," then it shall be deemed to be "not adjusted."

(h) "*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.

(i) "*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.

4.5 Interest Rate and Payments from Final Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Final Maturity Date

If an Extended Final Maturity Date is specified in the applicable Final Terms as applying to a Series of Soft Bullet Covered Bonds and the Issuer does not pay any amount representing the Final Redemption Amount in respect of the relevant Series on the applicable Final Maturity Date, then the maturity of such Series of Soft Bullet Covered Bonds is automatically extended beyond such Final Maturity Date until the applicable Extended Final Maturity Date in accordance with Condition 6.9 (*Extension of Maturity up to an Extended Final Maturity Date*). In such circumstances, interest will continue to accrue and be payable on any unpaid

Principal Amount Outstanding for such Series of Soft Bullet Covered Bonds, such interest to be payable on each Extended Series Payment Date for such Series of Soft Bullet Covered Bonds up to (and including) its Extended Final Maturity Date, subject to and in accordance with Condition 4 (*Interest*), and the Issuer will make such payments on each relevant Extended Series Payment Date and on such Extended Final Maturity Date. The final Extended Series Payment Date for a Series shall fall on the Extended Final Maturity Date for such Series.

The Issuer shall confirm to the Covered Bondholders (in accordance with Condition 14 (*Notices*)), the Paying Agents, the Registrar (in the case of a Registered Covered Bond) and the Fiscal Agent as soon as reasonably practicable (and in any event at least five London Business Days) prior to the Final Maturity Date of a Series of Soft Bullet Covered Bonds as to whether: (a) payment will be made of all or any part of the Final Redemption Amount of the applicable Series of Soft Bullet Covered Bonds in full on their Final Maturity Date or (b) the obligation to pay all or part of the Final Redemption Amount of the applicable Series of Soft Bullet Covered Bonds on their Final Maturity Date is to be deferred until the applicable Extended Final Maturity Date (any such notice under this sub-paragraph (b) being an "*Extension Notice*"). For Series of Soft Bullet Covered Bonds that are Bearer Definitive Covered Bonds, the Agency Agreement provides provisions for the delivery of additional Coupons to the extent necessary.

Promptly following receipt by the Fiscal Agent of an Extension Notice with respect to a Series of Global Covered Bonds, and in any event not less than three London Business Days prior to the Final Maturity Date of such Series, the Fiscal Agent shall notify Euroclear, Clearstream, Luxembourg and/or DTC, as applicable, that: (a) payment will be made of only part or none of the Final Redemption Amount of such Series on their Final Maturity Date, and (b) the obligation to pay the remaining part of the Final Redemption Amount of such Series on its Final Maturity Date shall be deferred until the applicable Extended Final Maturity Date for such Series (with, as provided in the Transaction Documents, some or all of such amount being paid earlier from the Available Funds on each applicable Extended Series Payment Date).

A failure by the Issuer to provide an Extension Notice under this Condition 4.5 shall not affect the validity or effectiveness of any extension of the maturity of a Series of Soft Bullet Covered Bonds to the applicable Extended Final Maturity Date in accordance with Condition 6.9 (*Extension of Maturity up to an Extended Final Maturity Date*) nor give rise to any rights to any Secured Creditor.

Where the applicable Final Terms for a Series of Soft Bullet Covered Bonds provides that such Soft Bullet Covered Bonds are subject to an Extended Final Maturity Date, such failure to pay the Final Redemption Amount by the Issuer on the Final Maturity Date of such Series shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

This Condition 4.5 shall only apply to Soft Bullet Covered Bonds with respect to which an Extended Final Maturity Date is specified in the applicable Final Terms.

4.6 Benchmark Discontinuation – Reference Rate Replacement

(a) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part(s) thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.6(b)) and, in each case, an Adjustment Spread, if any (in accordance with Condition 4.6(c)) and any other required Benchmark Amendments (in accordance with Condition 4.6(d)).

An Independent Adviser appointed pursuant to this Condition 4.6 shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Covered Bondholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4.6.

(b) *Successor Rate or Alternative Rate*

Notwithstanding the provisions of Condition 4.2(b), if the Issuer, following consultation with an Independent Adviser pursuant to Condition 4.6(a) and acting in good faith and in a commercially reasonable manner, determines that a Benchmark Event has occurred and that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.6(c)) subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.6), or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.6(c)) subsequently be used in place of the Original Reference Rate to determine the Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Covered Bonds (subject to the subsequent operation of, and adjustment as provided in, this Condition 4.6).

(c) *Adjustment Spread*

If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) that has been determined in accordance with Condition 4.6(b) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as the case may be) will be used as described in Condition 4.6(b) without application of any Adjustment Spread (subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.6).

(d) *Benchmark Amendments*

If any Successor Rate, Alternative Rate and/or Adjustment Spread, as the case may be, is determined in accordance with the foregoing provisions of this Condition 4.6 and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines: (i) that additional amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "*Benchmark Amendments*") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.6(e), without any requirement for the consent or approval of Covered Bondholders or Couponholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.6(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Covered Bonds are for the time being listed or admitted to trading.

(e) *Notices, etc.*

Any Successor Rate or Alternative Rate, Adjustment Spread (if any) and the specific terms of any Benchmark Amendments, each as determined under this Condition 4.6, will be notified promptly by the Issuer to the Calculation Agent and the other Paying Agents and, in accordance with Condition 14, the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Prior to any Benchmark Amendments taking effect and no later than one London Business Day following the date of notifying the Calculation Agent of the same, the Issuer shall deliver to the Calculation Agent a certificate signed by two authorised signatories of the Issuer:

(i) confirming: (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) where applicable, any Adjustment Spread, and (D) where applicable, the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4.6, and

(ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, if applicable.

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

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding upon the Issuer, the Calculation Agent, the other Paying Agents, the Covered Bondholders and the Couponholders.

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

Without prejudice to the obligations of the Issuer under Condition 4.6(a) through Condition 4.6(e), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(b) will continue to apply unless and until a Benchmark Event has occurred in relation to the Original Reference Rate and the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), any Adjustment Spread and any Benchmark Amendments, in each case, in accordance with Condition 4.6(e).

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) is determined and notified to the Calculation Agent pursuant to this Condition 4.6, then the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 4.2(b) will (if applicable) continue to apply to such determination.

For the avoidance of doubt, the preceding paragraph shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.6.

(g) *Defined Terms*

As used in this Condition 4.6:

"*Adjustment Spread*" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in each case, that the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology that:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body,

(b) in the case of a Successor Rate where no such formal recommendation as described in clause (a) has been made or in the case of an Alternative Rate, the Issuer determines, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, is recognised or acknowledged as being in customary market usage in international debt capital market transactions that reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be), or

(c) if the Issuer determines that neither clause (a) nor clause (b) applies, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines to be appropriate;

"*Alternative Rate*" means an alternative to the Original Reference Rate that the Issuer determines in accordance with Condition 4.6(b) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Covered Bonds;

"*Benchmark Amendments*" has the meaning given to it in Condition 4.6(d);

"*Benchmark Event*" means, with respect to an Original Reference Rate:

(a) the Original Reference Rate ceasing to be published or administered or ceasing to exist,

(b) the later of: (i) the date of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances in which no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in clause (i),

(c) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued,

(d) the later of: (i) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified

date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in clause (i),

(e) the later of: (i) the date of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used (either generally or in respect of the Covered Bonds) or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in clause (i), or

(f) it has, or will prior to the next Interest Determination Date, become unlawful for the Calculation Agent, any other Paying Agent or the Issuer to calculate any payments due to be made to any Covered Bondholder or Couponholder using the Original Reference Rate;

"*Calculation Agent*" means the Fiscal Agent or, for any Series, such other entity specified in the applicable Final Terms as the Person responsible for the calculation of the Rate(s) of Interest and the Interest Amount(s);

"*Independent Adviser*" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 4.6(a);

"*Original Reference Rate*" means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part(s) thereof) in respect of any Interest Period(s) on the Covered Bonds, as specified in the applicable Final Terms;

"*Relevant Nominating Body*" means, in respect of an Original Reference Rate:

(a) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority that is responsible for supervising the administrator of such Original Reference Rate, or

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

"*Successor Rate*" means a successor to or replacement of the Original Reference Rate that is formally recommended by any Relevant Nominating Body.

5. Payments

5.1 Method of Payment

Except as provided in this Condition 5 below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank that processes payments in the Specified Currency.

Payments in respect of principal and interest on the Covered Bonds will be subject in all cases to: (a) any fiscal or other Applicable Laws applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*), and (b) any withholding or deduction required pursuant to FATCA.

In these Conditions, "*FATCA*" means: (a) an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), (b) Sections 1471 through 1474 of the Code, (c) any regulations or agreements thereunder or official interpretations thereof, (d) any intergovernmental agreement between the United States and any other governmental authority entered into in connection with the implementation of the foregoing or (e) any applicable law implementing such an intergovernmental agreement.

5.2 Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons

Notwithstanding any other provision of these Conditions to the contrary, payments of principal in respect of a Bearer Definitive Covered Bond will (subject as provided below in this Condition 5.2) be made in the manner provided in Condition 5.1 (*Method of Payment*) above only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Receipt and/or Bearer Definitive Covered Bond, and payments of interest in respect of a Bearer Definitive Covered Bond will (subject as provided below) be made as aforesaid only against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the applicable Coupon(s), in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments (if any) of principal on a Bearer Definitive Covered Bond other than the final instalment will (subject as provided below) be made in accordance with Condition 5.1 (*Method of Payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment on a Bearer Definitive Covered Bond will be made in accordance with Condition 5.1 (*Method of Payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the applicable Bearer Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, then principal will be payable in accordance with Condition 5.1 (*Method of Payment*) only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer. On the date on which any Bearer Definitive Covered Bond becomes due and payable (subject, where applicable, to any extension of a Series of Soft Bullet Covered Bonds), unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Bearer Definitive Covered Bond becoming due and repayable prior to its Final Maturity Date (or, as the case may be, Extended Final Maturity Date), all unmatured Receipts, Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Definitive Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of such Bearer Definitive Covered Bond.

A "*Long Maturity Covered Bond*" is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond that on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon; *provided* that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date (or, if applicable Extended Series Payment Date) on which the aggregate amount of interest remaining to be paid thereon after that date is less than the nominal amount of such Covered Bond.

5.3 Payments in Respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified in Condition 5.2 (*Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*) in relation to Bearer Definitive Covered Bonds or otherwise in the manner specified in the relevant Bearer Global Covered Bond, where applicable against surrender or, as the case may be, presentation and endorsement, of such Bearer Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond either by the Paying Agent to which it was presented or in the records of Euroclear or Clearstream, Luxembourg, as applicable.

5.4 Payments in Respect of Registered Covered Bonds

Payments of principal to redeem a Registered Covered Bond in full (whether or not in global form) will be made against surrender of the applicable Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Specified Account (as defined below) of the holder (or the first named of joint holders) of such Registered Covered Bond appearing in the Register at: (a) where in global form and held under the NSS, the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (b) in all other cases, the close of business at the specified office of the Registrar on the 15th day before the relevant due date (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located, then the first such day prior to such 15th day) (in each case, the "*Record Date*"). Notwithstanding the previous sentence, if: (i) a holder does not have a Specified Account or (ii) the principal amount of such Registered Covered Bond is less than US$250,000 (or its approximate equivalent in any other Specified Currency), then payment may instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "*Specified Account*" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "*Designated Bank*" means any bank that processes payments in such Specified Currency.

Except as set forth in the next and final sentences of this paragraph, payments of interest and (except upon redemption) principal in respect of a Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of such Registered Covered Bond appearing in the Register at the close of business on the relevant Record Date at the address of such holder shown in the Register on such Record Date and at such holder's risk. Upon application of such holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or any such payment of principal in respect of a Registered Covered Bond, such payment will be made by transfer on the due date in the manner provided in the preceding paragraph for the final payment of principal on such Registered Covered Bond. Any such application for transfer shall be deemed to relate to all future payments of interest (other

than interest due on redemption) and principal in respect of the Registered Covered Bonds that become payable to the holder thereof who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of a Registered Covered Bond on redemption will be made in the same manner as the final payment of the principal of such Registered Covered Bond as described in the preceding paragraph.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by any Agent in respect of any payments of principal or interest in respect of the Registered Covered Bonds, save as provided in Conditions 5.8 (*U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC*) and 5.9 (*Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars*).

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Fiscal Agent to an account of the Exchange Agent in the relevant Specified Currency on behalf of DTC or its nominee for: (x) payment in such Specified Currency or (y) conversion into U.S. Dollars for payment through DTC, in each case in accordance with the provisions of the Agency Agreement and Condition 5.9 (*Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars*).

None of the Issuer or any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.5 General Provisions Applicable to Payments

Subject as provided in the Deed of Covenant, the registered holder of a Registered Global Covered Bond (or the holder of a Bearer Covered Bond) shall be the only Person entitled to receive payments in respect of the Covered Bonds represented by such Global Covered Bond and the Issuer will be discharged by payment to, or to the order of, such holder in respect of each amount so paid. Each of the Persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, as the beneficial owner of a particular nominal amount of Covered Bonds represented by such Global Covered Bond 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 registered holder of such Registered Global Covered Bond (or the holder of a Bearer Covered Bond).

Notwithstanding the provisions of Conditions 5.2 (*Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*) and 5.3 (*Payments in Respect of Bearer Global Covered Bonds*), if any amount of principal and/or interest in respect of Bearer Covered Bonds is payable in U.S. Dollars, then such payments will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Covered Bonds in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.6 Payment Day

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day, then the holder thereof shall not be entitled to payment of the relevant amount due until the next Payment Day in the relevant place and shall not be entitled to further interest or other sum in respect of such delay.

For these purposes:

"*Payment Day*" means any day (other than, except as set forth in the applicable Final Terms, a Saturday or Sunday) that is:

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

(i) London (unless otherwise specified in the applicable Final Terms);

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

(iii) any Additional Financial Centre (other than the TARGET2 System) specified in the applicable Final Terms;

(b) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;

(c) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency, or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open (in each of clauses (i) and (ii), including where a Registered Global Covered Bond registered in the name of DTC or its nominee is denominated in euro or another Specified Currency other than U.S. Dollars, whether or not a participant in DTC with an interest in such Registered Global Covered Bond has elected in accordance with Condition 5.9 (*Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars*) to receive any part of such payment in that Specified Currency); and

(d) in the case of any payment in respect of a Global Covered Bond, a day on which the Relevant Clearing System (or, if there is more than one Relevant Clearing System, each of them) settle(s) payments in the applicable Specified Currency (or, with respect to DTC, U.S. Dollars).

"*Relevant Clearing System*" means: (a) Clearstream, Luxembourg, (b) Euroclear, (c) DTC and/or (d) any other clearing system(s) in which the relevant Covered Bonds are held from time to time.

5.7 Interpretation of Principal and Interest

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

(a) any Additional Amounts that may be payable with respect to such principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of such Covered Bond;

(c) the Early Redemption Amount of such Covered Bond;

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

(e) any premium and any other amounts (other than interest) that may be payable by the Issuer under or in respect of such Covered Bond; and

(f) in relation to Instalment Covered Bonds, the Instalment Amounts.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any Additional Amounts that may be payable with respect to such interest under Condition 7 (*Taxation*).

5.8 U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC

(a) If "USD Payment Election" is specified as being applicable in the applicable Final Terms, the Specified Currency is Turkish Lira and interests in the Covered Bonds are not represented by a Registered Global Covered Bond registered in the name of DTC or its nominee, then a Covered Bondholder as of the applicable Record Date may, not more than 10 and not less than five London Business Days before the due date (the "*Relevant Payment Date*") for the next payment of interest and/or principal on such Covered Bond (*i.e.*, a USD Election Period), give an irrevocable election to the Fiscal Agent to receive such payment in U.S. Dollars instead of Turkish Lira (*i.e.*, a USD Payment Election). The Fiscal Agent shall calculate the related aggregate Turkish Lira amount (the "*Lira Amount*") on the London Business Day following each USD Election Period of the USD Payment Elections made to it by Covered Bondholders during such USD Election Period and notify the Exchange Agent of the Lira Amount to be paid by the Issuer in respect of the Covered Bonds the subject of such USD Payment Elections and that is to be converted into U.S. Dollars and paid to the holders of such Covered Bonds on the Relevant Payment Date in accordance with the provisions of this Condition 5.8 and Clause 5 of the Agency Agreement.

Each USD Payment Election of a Covered Bondholder will be made only in respect of the immediately following payment of interest and/or principal on the Covered Bonds the subject of such USD Payment Election and, unless a USD Payment Election is given in respect of each subsequent payment of interest and principal on those Covered Bonds, such payments will be made in Turkish Lira.

(b) Upon receipt of the Lira Amount from the Issuer and by no later than 11:00 a.m. (London time) on the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall (on or prior to the Relevant Payment Date) purchase U.S. Dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees,

commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the "*Relevant Exchange Rate*"). In no event shall any Agent be liable to any Covered Bondholder, the Issuer or any third party for the conversion rate so used.

If the Fiscal Agent receives cleared funds from the Issuer in respect of Turkish Lira-denominated Covered Bonds held other than through DTC after the time noted in the previous paragraph on the Relevant Payment Date, then the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent for conversion into U.S. Dollars as soon as reasonably practicable at the Relevant Exchange Rate and, following such conversion, the Exchange Agent shall transfer such U.S. Dollar amounts to the Fiscal Agent and the Fiscal Agent shall use reasonable efforts to pay any U.S. Dollar amounts that Covered Bondholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter.

The Issuer's obligation to make payments on Covered Bonds the Specified Currency of which is Turkish Lira is limited to the specified Turkish Lira amount of such payments and, in the event that it fails to make any payment on such Covered Bonds in full on its due date, its obligation shall remain the payment of the relevant outstanding Turkish Lira amount and it shall have no obligation to pay any greater or other amount as a result of any change in the Relevant Exchange Rate between the due date and the date on which such payment is made in full.

(c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 5.8 and the Agency Agreement, the Exchange Agent shall: (i) promptly transfer such U.S. Dollar amount to the Fiscal Agent and (ii) notify the Fiscal Agent of: (A) the total amount of U.S. Dollars purchased with the relevant Lira Amount and (B) the Relevant 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 applicable Covered Bondholders of such U.S. Dollar amount and Relevant Exchange Rate in accordance with Condition 14 (*Notices*) as so notified to it by the Exchange Agent.

(d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. Dollars with the Lira Amount, then the Exchange Agent will promptly so notify the Fiscal Agent, which shall, as soon as practicable after receipt of such notification from the Exchange Agent, notify the applicable Covered Bondholders of such event in accordance with Condition 14 (*Notices*) and all payments on the applicable Covered Bonds on the Relevant Payment Date will be made in Turkish Lira irrespective of any USD Payment Election made.

If it is not practicable for the Fiscal Agent, either itself or through the relevant Paying Agent, to make payment of the relevant amount of U.S. Dollars on the Relevant Payment Date, then such relevant amount shall be paid as soon as practicable following such Relevant Payment Date. No additional interest shall be payable in respect of such deferral of payment and such deferred payment shall not constitute an Issuer Event or an Event of Default.

(e) To give a USD Payment Election:

(i) in the case of Definitive Covered Bonds, a Covered Bondholder must deliver at the specified office of the Fiscal Agent, on any London 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 the Fiscal Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 5.8 accompanied by the relevant Covered Bonds or evidence satisfactory to the Fiscal Agent that such Covered Bonds will, following the delivery of the USD Payment Election, be held to the Fiscal Agent's order or under its control until the applicable U.S. Dollar payment is made; and

(ii) in the case of Global Covered Bonds, a Covered Bondholder must, on any London 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 or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for either of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as applicable, from time to time.

Neither the Issuer nor any of the Agents will be liable for any delay or ultimate failure to pay the Covered Bondholders caused by any delay or failure of Euroclear, Clearstream, Luxembourg or any depositary for either of them to provide payment instructions with respect to the relevant USD Payment Election.

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

(g) Notwithstanding any provisions of these Conditions or the applicable Final Terms, in respect of any Covered Bonds that are the subject of a USD Payment Election in respect of any payment, the definition of Payment Day shall, for the purposes of such payment on the Relevant Payment Date, be deemed to include a day (other than Saturday or Sunday) on which commercial banks are not authorised or required by Applicable Law to be closed in New York City.

5.9 Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars

In the case of any Covered Bonds represented by a Registered Global Covered Bond 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 Covered Bonds will be made in U.S. Dollars unless the participant in DTC with an interest in such Covered Bonds 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. In connection with all such payments, the Issuer shall deliver to the Fiscal Agent the related payments in the applicable Specified Currency, which amounts the Fiscal Agent shall pay to the Exchange Agent for conversion into U.S. Dollars (to the extent required) and: (a) for payments so elected to be delivered in the applicable Specified Currency, payment by the Exchange Agent directly to the applicable participant in DTC in accordance with the payment instructions received from DTC or its nominee, and (b) for payments in U.S. Dollars, payment by the Exchange Agent to DTC (or its nominee) for distribution to DTC's participants.

Neither the Issuer nor any of the Agents will be liable for any delay or ultimate failure to pay the Covered Bondholders caused by any delay or failure of DTC to provide payment instructions with respect to the relevant Specified Currency.

5.10 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior written notice to the Agents and any applicable Clearing System and at least 30 days' prior notice to the applicable Covered Bondholders in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date specified in such notice, the applicable Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds for which the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency that is equivalent to at least €100,000 and that are admitted to trading on a regulated market in the European Economic Area (the "*Relevant Covered Bonds*"), it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg must have credited to its securities account with the relevant Clearing System a minimum original nominal amount of Covered Bonds of at least €100,000 (or such larger amount as might be required by Applicable Law).

Any such redenomination election will have effect as follows:

(a) the applicable Covered Bonds and any related Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a principal amount for each Covered Bond and Receipt equal to the principal amount of that Covered Bond or Receipt in the Specified Currency, converted into euro at the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the treaty establishing the European Community, as amended; *provided* that if the Issuer determines, in consultation with the Fiscal Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, then such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the applicable Covered Bondholders, the Paying Agents and the competent listing authority, stock exchange and/or market (if any) on or by which such Covered Bonds are listed and/or admitted to trading of such deemed amendments;

(b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the applicable Covered Bonds will be calculated by reference to the aggregate Principal Amount Outstanding of Covered Bonds held for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(c) if Definitive Covered Bonds for the applicable Series are required to be issued after the Redenomination Date, then they shall be issued at the expense of the Issuer: (i) in the case of Relevant Covered Bonds, in the denominations of €100,000 and/or such higher amounts as the Fiscal Agent may determine and notify to the applicable Covered Bondholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the applicable Covered Bondholders (for their individual accounts without sharing) in euro in accordance with Condition 6 (*Redemption and Purchase*), and (ii) in the case of Covered Bonds that are not Relevant Covered Bonds, in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Fiscal Agent may approve) €0.01 and such other denominations as the Fiscal Agent may determine and notify to the applicable Covered Bondholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons of the applicable Series denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the "*Exchange Notice*") that replacement euro-denominated Covered Bonds, Receipts and Coupons are available for exchange (*provided* that such are so available) and no payments will be made in respect of the then-existing Covered Bonds, Receipts and Coupons of such Series. The payment obligations

contained in any Covered Bonds, Receipts and Coupons of such Series so issued prior to the Redenomination Date will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for the applicable Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the applicable Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the applicable Covered Bonds;

(e) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts and the Coupons of the applicable Series will be made solely in euro as though references in such Covered Bonds, Receipts and Coupons to the Specified Currency were to euro. Payments thereon will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

(f) if the applicable Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, then it will be calculated:

(i) in the case of Global Covered Bonds, by applying the Rate of Interest to the aggregate Principal Amount Outstanding of Covered Bonds represented by such Global Covered Bonds, and

(ii) in the case of Definitive Covered Bonds, by applying the Rate of Interest to the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is greater than the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

(g) if the applicable Covered Bonds are Floating Rate Covered Bonds, then the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition (and the Final Terms and other Transaction Documents) as the Issuer may decide, after consultation with the Fiscal Agent, and as may be specified in the Exchange Notice, to conform it to conventions then applicable to instruments denominated in euro.

5.11 Definitions

In these Conditions, the following expressions have the following meanings:

"*Final Redemption Amount*" means, in respect of a Tranche of Covered Bonds, the amount specified in the applicable Final Terms.

"*Optional Redemption Amount*" has, in respect of a Tranche of Covered Bonds, the meaning (if any) given in the applicable Final Terms.

"*Rate of Interest*" has, with respect to any Tranche, the meaning given to that term in the applicable Final Terms as further elaborated by Condition 4 (*Interest*).

"*Reference Banks*" means: (a, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market, (b) in the case of a determination of EURIBOR, the principal eurozone office of four major banks in the eurozone interbank market, and (c) in the case of a determination of TRYIBOR, the principal İstanbul office of four major banks in the Turkish Lira interbank market, in each case selected by the Fiscal Agent or as specified in the applicable Final Terms.

"*Reference Rate*" means, unless otherwise specified in the applicable Final Terms: (a) the London interbank offered rate ("*LIBOR*"), (b) the Euro-zone interbank offered rate ("*EURIBOR*") or (c) the Turkish Lira interbank offered rate ("*TRYIBOR*"), in each case as specified in the applicable Final Terms.

"*Relevant Screen Page*," in respect of Floating Rate Covered Bonds to which Screen Rate Determination applies, has the meaning given to that term in the applicable Final Terms.

"*Screen Rate Determination*" means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(ii) (*Screen Rate Determination for Floating Rate Covered Bonds*).

6. Redemption and Purchase

6.1 Redemption at Maturity

Subject to Condition 6.9 (*Extension of Maturity up to an Extended Final Maturity Date*), and unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in (except as provided in Conditions 5.8 (*U.S. Dollar Exchange and Payments on Turkish Lira-Denominated Covered Bonds held other than through DTC*) and 5.9 (*Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars*)) the relevant Specified Currency on the Final Maturity Date specified in the applicable Final Terms. Unless previously: (a) purchased and cancelled or (b) redeemed as provided in these Conditions, the Covered Bonds will be redeemed on such Final Maturity Date at their Principal Amount Outstanding.

The Final Maturity Date (and, if applicable, Extended Final Maturity Date) for any Series may only be scheduled to occur on an Interest Payment Date (or, if applicable, Extended Series Payment Date) for such Series as set out in the applicable Final Terms.

6.2 Redemption for Taxation Reasons

Unless provided otherwise in the applicable Final Terms, if:

(a) as a result of any change in, or amendment to, the Applicable Laws of a Relevant Jurisdiction, or any change in the application or official interpretation of the Applicable Laws of a Relevant Jurisdiction, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Covered Bonds of this Series (which shall, for the avoidance of doubt and for the purposes of this Condition 6.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:

(i) pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*); 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

rate on such date on which agreement is reached to issue the first Tranche of Covered Bonds of this Series; and

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

then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the applicable Covered Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Covered Bonds of this Series at any time at their Early Redemption Amount together (if applicable) with all unpaid interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two authorised signatories of the Issuer stating that the requirements referred to in sub-paragraphs (a) and (b) 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.

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

This Condition 6.3 applies to Covered Bonds that are subject to redemption prior to the Final Maturity Date (or, as applicable, Extended Final Maturity Date) at the option of the Issuer (other than for taxation reasons pursuant to Condition 6.2 (*Redemption for Taxation Reasons*)), such option being referred to as an "*Issuer Call*." The applicable Final Terms contain provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.3 for full information on any Issuer Call. In particular, the applicable Final Terms identify any Optional Redemption Date(s), any Optional Redemption Amount, any minimum or maximum amount of Covered Bonds that can be redeemed and the applicable notice periods.

If an Issuer Call is specified as being applicable in the applicable Final Terms, then the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together (if applicable) with all unpaid interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a principal amount not less than the Minimum Redemption Amount (if any) and not more than the Maximum Redemption Amount (if any), in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Covered Bonds under this Condition 6.3, the Covered Bonds to be redeemed ("*Redeemed Covered Bonds*") will: (a) in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, be selected individually by lot not more than 30 days prior to the date fixed for redemption, and (b) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion) and/or DTC. In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption.

"*Optional Redemption Date*" has the meaning (if any) given in the applicable Final Terms.

6.4 Early Redemption Amounts

For the purpose of Conditions 6.2 (*Redemption for Taxation Reasons*), 6.5 (*Instalments*), 6.11 (*Mandatory Redemption by the Administrator*) and 10 (*Events of Default*), each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows (the "*Early Redemption Amount*"):

(a) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price of the first Tranche of Covered Bonds of this Series and payable in the Specified Currency of such Covered Bond, at the Final Redemption Amount thereof; or

(b) in the case of a Covered Bond (including an Instalment Covered Bond) with a Final Redemption Amount that is or may be less or greater than the Issue Price of the first Tranche of Covered Bonds of this Series or that is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding.

6.5 Instalments

Instalment Covered Bonds will be redeemed in the instalment amount as specified in the applicable Final Terms (the "*Instalment Amount*") and on the Instalment Date(s) specified in such Final Terms. In the case of early redemption of Instalment Covered Bonds, the applicable Early Redemption Amount will be determined pursuant to Condition 6.4 (*Early Redemption Amounts*). Instalment Dates for a Series may only be scheduled to occur on Interest Payment Dates for such Series.

6.6 General

Prior to the publication of any notice of redemption pursuant to Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the Option of the Issuer (Issuer Call)*), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories (at the relevant time) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions set out in Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the Option of the Issuer (Issuer Call)*) for such right of the Issuer to arise have been satisfied and that the Issuer will have the funds in the relevant Specified Currency outside of the Republic of Turkey ("*Turkey*"), not subject to the interest of any other Persons (other than any ordinary course banker's lien or similar encumbrance of the applicable account bank), required to fulfil its obligations hereunder in respect of the Covered Bonds to be redeemed and any amounts required under the Transaction Documents and/or the Turkish Covered Bonds Law to be paid at the same time *pari passu* with, or in priority to, such Covered Bonds (including any early termination amount or settlement amount payable to a Hedging Counterparty under a Hedging Agreement in connection with such redemption) and the Fiscal Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions set out above, in which event it shall be conclusive and binding upon all Covered Bondholders, Receiptholders and Couponholders of the applicable Series.

6.7 Purchases by the Issuer and/or its Subsidiaries

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

Person(s)) not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Covered Bondholders or for the purposes of Condition 15.1 (*Meetings of Covered Bondholders*).

Each of the Agents, the Security Agent, the Calculation Agent and any other Secured Creditor is expressly authorised to take part in an exchange offer by the Issuer or a third party, including an exchange offer to less than all of the Covered Bondholders for all or any portion of a Series of Covered Bonds (or beneficial interests therein), and shall be held harmless for doing so. By its acquisition of a Covered Bond (or a beneficial interest therein), each investor therein agrees (or shall be deemed to agree) to the above, including that any such tender or exchange offer (or other process) need not be extended to all investors in the Covered Bonds (for example, if investors in Italy, the United States and/or some other jurisdictions were to be excluded from participating in such a tender or exchange offer or other process) (for the purpose of clarification, nothing in this paragraph alters the Issuer's or any other Person's obligation to comply with Applicable Law in connection with any such tender or exchange offer or other process and no investor in the Covered Bonds has any obligation to participate in any such tender or exchange offer or other process).

6.8 Cancellation

All Covered Bonds that are redeemed, all Global Covered Bonds that are exchanged in full, all Registered Covered Bonds that have been transferred, all Receipts or Coupons that are paid and all Talons that are exchanged shall be cancelled by the Paying Agent by which they are redeemed, exchanged, transferred or paid. In addition, the Issuer or any of its Subsidiaries may, as described in Condition 6.7 (*Purchases by the Issuer or its Subsidiaries*), surrender to any Paying Agent or the Registrar any Covered Bonds, together (in the case of Bearer Definitive Covered Bonds) with all unmatured Receipts, Coupons or Talons (if any) relating to them or surrendered with them, and such Covered Bonds, Receipts, Coupons or Talons shall, to the extent that the Issuer indicates in writing the same to the relevant Paying Agent, be cancelled by the Paying Agent to which they are surrendered. Each of the Paying Agents shall deliver all cancelled Covered Bonds, Receipts, Coupons and Talons to the Fiscal Agent or as the Fiscal Agent may specify.

6.9 Extension of Maturity up to an Extended Final Maturity Date

If so specified in the applicable Final Terms relating to a Series of Soft Bullet Covered Bonds, the Issuer's obligations under the relevant Covered Bonds to pay their Principal Amount Outstanding on the relevant Final Maturity Date may be deferred to the applicable Extended Final Maturity Date. Such deferral will occur automatically if the Issuer does not pay the Final Redemption Amount on the relevant Final Maturity Date for such Soft Bullet Covered Bonds. Upon such automatic deferral, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds may be paid by the Issuer on any Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date (or, pursuant to Condition 6.3 (*Redemption at the Option of the Issuer (Issuer Call)*, the Issuer may elect to redeem such Series earlier than the Extended Final Maturity Date if and to the extent permitted under the provisions of any applicable Issuer Call option). Interest will continue to accrue and be payable on any unpaid amounts on each Extended Series Payment Date for such Series up to the relevant Extended Final Maturity Date in accordance with Condition 4 (*Interest*) and as specified in the applicable Final Terms. As provided in Condition 4.5 (*Interest Rate and Payments from Final Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Final Maturity Date*), the Issuer shall give to the applicable Covered Bondholders, the Fiscal Agent and the Paying Agents notice of its intention to redeem all or any of the Principal Amount Outstanding of such Soft Bullet Covered Bonds.

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

(a) without prejudice to its obligations in Schedule 1, Parts 1(c) and (d) of the Security Agency Agreement, promptly liquidate all Authorised Investments that are Cover Pool Assets (which, for the avoidance of doubt, do not include any investments that are Hedge Collateral) and Substitute

Assets to the extent necessary to pay the Final Redemption Amount for such Series of Soft Bullet Covered Bonds;

(b) deposit the proceeds of such liquidation (the "*Liquidation Proceeds*") into the relevant Designated Account(s) (such proceeds to form part of the Available Funds); and

(c) on the Final Maturity Date for such Series and on each Extended Series Payment Date for such Series thereafter up to (and including) the relevant Extended Final Maturity Date, apply all Available Funds towards the payment of any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date of such Series of Soft Bullet Covered Bonds plus accrued interest thereon; *provided* that where an Interest Payment Date (including any such date that is also an Extended Series Payment Date) of any other Series of Covered Bonds (or any payment by the Issuer under a Hedging Agreement) corresponds with such Extended Series Payment Date, the Issuer shall apply all Available Funds towards payment of amounts due and payable in respect of such Series of Soft Bullet Covered Bonds, such other Series of Covered Bonds and such Hedging Agreement(s), as applicable, on a *pro rata* basis (as a result of any such payment, the amount that otherwise would be payable to a Covered Bondholder pursuant to any purchase or redemption of the applicable Series by the Issuer, including with respect to the interest that will accrue after such payment, will be reduced).

Any extension of the maturity of Soft Bullet Covered Bonds under this Condition 6.9 shall be irrevocable. Where this Condition 6.9 applies, any non-payment of the Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds under this Condition 6.9 shall not constitute an Event of Default for any purpose or give any Covered Bondholder, Receiptholder or Couponholder any right to receive any payment of interest, principal or otherwise on the relevant Soft Bullet Covered Bonds other than as expressly set out in these Conditions. Where this Condition 6.9 applies, any non-payment of the Soft Bullet Covered Bonds on their Final Maturity Date and the resulting extension of the maturity of such Soft Bullet Covered Bonds to their Extended Final Maturity Date under this Condition 6.9 shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

In the event of the extension of the maturity of Soft Bullet Covered Bonds under this Condition 6.9, interest rates, interest periods and interest payment dates on such Soft Bullet Covered Bonds from (and including) the Final Maturity Date of such Covered Bonds to (but excluding) their Extended Final Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4 (*Interest*).

If the Issuer redeems part and not all of the Principal Amount Outstanding of a Series of Soft Bullet Covered Bonds after the applicable Final Maturity Date, then the redemption proceeds shall be applied rateably across the Covered Bonds of such Series and the Principal Amount Outstanding on the relevant Covered Bonds shall be reduced by the level of that redemption.

6.10 Mandatory Redemption by the Administrator

Notwithstanding anything else herein or in any other Transaction Documents to the contrary, and without the consent of the Covered Bondholders, the Administrator (pursuant to Article 27(6) of the Covered Bonds Communiqué) may, with the consent of the Capital Markets Board (the "*CMB*") of Turkey, determine to cause the Issuer to redeem any Series of Covered Bonds in whole or in part on one or more redemption date(s) prior to the relevant Final Maturity Date or Extended Final Maturity Date applicable to such Covered Bonds. In such case, the Administrator may perform the liquidation of the Cover Pool Assets and instruct or cause the Issuer to make an early redemption of such Covered Bonds. If so instructed or caused to make an early redemption of this Series of Covered Bonds, then the Issuer will have the right to and will, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the applicable Covered Bondholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or

some only of the Covered Bonds of this Series (as so instructed or caused) at their Early Redemption Amount together (if appropriate) with all unpaid interest accrued to (but excluding) the date of redemption.

7. Taxation

7.1 Payment without Withholding

All payments of principal or interest in respect of the Covered Bonds (including with respect to the Receipts and the Coupons, if any) by (or on behalf of) the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by Applicable Law. In that event, the Issuer shall pay such additional amounts ("*Additional Amounts*") as shall be necessary in order that the net amounts received by the holders of the Covered Bonds, Receipts or Coupons after such withholding or deduction shall equal the respective amounts that would have been receivable in respect of such Covered Bonds, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in relation to any payment in respect of any Covered Bond, Receipt or Coupon:

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

(b) presented for payment in Turkey; or

(c) presented for payment more than 30 days after the Relevant Date except to the extent that a holder of the relevant Covered Bond, Receipt or Coupon would have been entitled to Additional Amounts on presenting the same for payment on the last day of such 30 day period (assuming that day to have been a Payment Day (as defined in Condition 5.6 (*Payment Day*)).

Notwithstanding any other provision of these Conditions or the other Transaction Documents, in no event will the Issuer, any Paying Agent or any other Person be required to pay any Additional Amounts or amount in respect of the Covered Bonds (including on Receipts and Coupons) for, or on account of, any withholding or deduction required pursuant to FATCA.

7.2 Additional Amounts

Any reference in these Conditions to any amounts (other than principal and interest on the Covered Bonds, which are covered in Condition 5.7) payable in respect of the Covered Bonds shall be deemed also to refer to any Additional Amounts that may be payable under this Condition 7.

7.3 Tax Sharing Laws

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

Covered Bonds) and not to holders of beneficial interests in the Covered Bonds held through Clearing Systems.

8. Prescription

Covered Bonds (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest with respect thereto are made within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date therefor.

Without prejudice to the generality of the preceding paragraph:

(a) the Issuer shall be discharged from its obligation to pay principal on a Registered Covered Bond (including any related Receipts) to the extent that the relevant Registered Covered Bond certificate has not been surrendered to the Registrar by, or a cheque that has been duly dispatched in the applicable currency of payment remains uncashed at, the end of the period of 10 years from the Relevant Date for such payment, and

(b) the Issuer shall be discharged from its obligation to pay interest on a Registered Covered Bond to the extent that a cheque that has been duly dispatched in the applicable currency of payment remains uncashed at the end of the period of five years from the Relevant Date in respect of such payment.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*) or any Talon that would be void pursuant to Condition 5.2 (*Presentation of Bearer Definitive Covered Bonds, Receipts and Coupons*).

9. Issuer Events; Consequences of the occurrence of a continuing Issuer Event

For so long as an Issuer Event, an Event of Default or (with respect to sub-paragraphs (a) through (c) below) a Potential Breach of Statutory Test is continuing:

(a) no further Covered Bonds shall be issued;

(b) after the Issuer's detection of such Issuer Event, Event of Default or Potential Breach of Statutory Test, all amounts on deposit in the Collection Account shall be transferred by the Issuer to the TL Designated Account within two İstanbul Business Days of receipt (and, with respect to amounts in the Collection Account at the time of such detection, within two İstanbul Business Days of such detection);

(c) after the Issuer's detection of such Issuer Event, Event of Default or Potential Breach of Statutory Test, all collections of principal and interest on the Cover Pool Assets will be dedicated exclusively towards the satisfaction of all the Issuer's payment obligations towards the Secured Creditors, subject to: (i) in the case of the Other Secured Creditors, the provisions of Article 29 of the Covered Bonds Communiqué, and (ii) in all cases, the provisions of Article 13 of the Covered Bonds Communiqué; and

(d) where Article 27(1) of the Covered Bonds Communiqué applies, an Administrator may be appointed by the CMB to manage the Cover Pool.

In the case of Soft Bullet Covered Bonds where the applicable Final Terms provide that the Issuer's obligations under the relevant Covered Bonds to pay the applicable Principal Amount Outstanding on the relevant Final Maturity Date may be deferred until the applicable Extended Final Maturity Date, the non-payment by the Issuer of the Principal Amount Outstanding on such Soft Bullet Covered Bonds on such

Final Maturity Date shall not constitute an Event of Default but shall (if not cured by the end of the applicable cure period) constitute an Issuer Event.

10. Events of Default

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

(a) the Issuer fails to pay any interest (or any Additional Amounts) in respect of the Covered Bonds (including with respect to the Coupons) of any Series within a period of 14 İstanbul Business Days from the due date thereof; or

(b) on the Final Maturity Date (in the case of Covered Bonds that are not subject to an Extended Final Maturity Date) or Extended Final Maturity Date (in the case of Soft Bullet Covered Bonds that are subject to an Extended Final Maturity Date), as applicable, of any Series of Covered Bonds there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of seven İstanbul Business Days from the due date thereof.

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

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

10.2 Enforcement

The Security Agent, at its discretion and without notice, may take such steps or proceedings against or in relation to the Issuer as it may think fit to enforce the provisions of the Transaction Security Documents and the other English Law Transaction Documents to which it is a party (or with respect to which the Issuer's rights, title, interest and benefit therein has been assigned to it pursuant to the Security Assignment), but the Security Agent shall not be bound to take any such steps or proceedings unless so requested in writing by the Covered Bondholder Representative (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction).

Pursuant to the Security Assignment, each of the Secured Creditors (other than the Security Agent) agrees with (or, by their accepting the benefits of the Security Assignment, shall be deemed to have agreed with) the Security Agent and the Issuer that such Secured Creditor: (a) shall not be entitled to take, and shall not take, any steps whatsoever to enforce the security created by or pursuant to the Security Assignment, or to direct the Security Agent to do so; and (b) shall not be entitled to take, and shall not take, any steps (including, without limitation, the exercise of any right of set-off) for the purpose of recovering any of the Secured Obligations owing to it or any other debts whatsoever owing to it by the Issuer or procuring the winding-up, examination, administration, bankruptcy, insolvency, dissolution or reorganisation of the Issuer (or any analogous procedure or step in any jurisdiction in relation to the Issuer) in respect of the Secured Obligations; *provided* that if the Security Agent or the Receiver, having become bound to do so, fails to serve a Notice of Default and/or to take any steps or proceedings to enforce such security pursuant to the Security Assignment within a reasonable time, and such failure is continuing, then the Secured Creditors shall be entitled to take any such steps and proceedings as they shall deem necessary (other than procuring the winding-up, examination, administration, bankruptcy, insolvency, dissolution or

reorganisation of the Issuer (or any analogous procedure or step in any jurisdiction in relation to the Issuer) in respect of the Secured Obligations); *and provided further* that the Covered Bondholder Representative is entitled to direct the Security Agent to enforce the security created pursuant to the Security Assignment as more particularly set out in this Condition 10 (*Events of Default*) and the Security Agency Agreement.

In acting on the instructions of the Covered Bondholder Representative, the Security Agent shall not be required to consider the interests of any other Secured Creditor. The Security Agent shall not be required to take any action that would involve the Security Agent in any liability or expense (unless previously pre-funded and/or indemnified and/or secured to its satisfaction). The Security Agent shall not, in any event, have regard to the consequences for individual Secured Creditors resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular jurisdiction. No Secured Creditor shall be entitled to require from the Issuer or the Security Agent, nor shall any Secured Creditor be entitled to claim from the Issuer or the Transaction Security, any indemnification or other payment in respect of any consequence (including any tax consequence) for such individual Secured Creditor of any such exercise.

For the avoidance of doubt, the Security Agent shall be entitled to act in relation to all matters arising under these Conditions, the Security Agency Agreement, the Transaction Security Documents and the other Transaction Documents to which it is a party as soon as it has received any instruction, direction and/or request from the Covered Bondholder Representative (subject in all cases to the requirement for the Security Agent to first have been pre-funded and/or secured and/or indemnified to its satisfaction) and if the Security Agent receives a conflicting instruction, direction and/or request from one or more Secured Creditor(s) (other than the Covered Bondholder Representative) in relation to any such matter, then the Security Agent shall in no way incur any liability for acting or continuing to act as it was instructed, directed and/or requested by the Covered Bondholder Representative.

The Covered Bondholder Representative is required to be appointed by the Majority Instructing Creditor. The Security Agency Agreement and the Agency Agreement contain provisions for convening meetings of Covered Bondholders to appoint the Covered Bondholder Representative.

10.3 Transfer to another institution

Pursuant to the provisions of Article 27 of the Covered Bonds Communiqué, in the event that an Administrator is appointed to the Cover Pool, the Administrator may, with the consent of the CMB, transfer (an "*Administrator Transfer*") all or part of the Cover Pool Assets and the Total Liabilities and any other obligations that benefit from the Cover Pool to another bank or mortgage finance institution (each within the meaning of the Covered Bonds Communiqué). An Administrator Transfer is not subject to the consent of the Security Agent, Covered Bondholders, Hedging Counterparties, Agents or other Secured Creditors.

Notwithstanding any other provision of these Conditions or any other Transaction Document, an Administrator Transfer shall not constitute an Event of Default.

The Issuer shall use its best endeavours to effect any such Administrator Transfer at the earliest opportunity and in as smooth and trouble-free manner as is reasonably possible in the circumstances.

11. Replacement of Covered Bonds, Receipts, Coupons and Talons

If any Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Covered Bonds, Receipts, Coupons or Talons) or the Registrar (in the case of Registered Covered Bonds) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to: (a) evidence of such loss, theft, mutilation, defacement or destruction and (b) indemnity as the Issuer and the Fiscal Agent or, as applicable, the Registrar may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with this Series, then the names of such Agents will be specified in Part B of the Final Terms for such Series.

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts; *provided* that the applicable requirements (if any) of Clause 25 (*Changes in Agents*) of the Agency Agreement are satisfied.

In addition, the Issuer shall as soon as practicable appoint a Paying Agent having a specified office in the United States in the circumstances described in Condition 5.5 (*General Provisions Applicable to Payments*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholder, Receiptholder, Couponholder or other Person. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted, with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon included in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to terminate concurrently with payment of the final Coupon included in the relevant Coupon sheet.

14. Notices

All notices to Covered Bondholders regarding the Bearer Covered Bonds will be deemed to be validly given if published in a leading English language newspaper of general circulation in London. It is anticipated (but not required) that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules of any relevant stock exchange or other relevant authority on which the Bearer Covered Bonds (if any) are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date by which publication has occurred in all required newspapers.

All notices to Covered Bondholders regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) of such Registered Covered Bonds at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are listed on a relevant stock exchange or are admitted to trading by another relevant authority and the rules of that relevant stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

So long as any Registered Global Covered Bonds are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such website(s) or such mailing the delivery of the relevant notice to DTC, Euroclear and/or Clearstream,

Luxembourg, as applicable, for communication by them to the holders of interests in the applicable Covered Bonds and, in addition, for so long as any Covered Bonds are listed on a relevant stock exchange or are admitted to trading by another relevant authority and the rules of that relevant stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of interests in such Covered Bonds on such day as is specified in the applicable Final Terms after the day on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable (or, if not so specified, on the second London Business Day after the date on which such notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as applicable).

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same (together, in the case of any Bearer Definitive Covered Bond, with the relevant Bearer Definitive Covered Bond(s)) with the Fiscal Agent. Any such Bearer Definitive Covered Bond shall be returned to the relevant Covered Bondholder after such notice has been given in the event such Bearer Definitive Covered Bond is otherwise due to be returned to such Covered Bondholder. Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of an interest in such Global Covered Bond to the Fiscal Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Receiptholders and Couponholders of a Covered Bond shall be deemed for all purposes to have notice of the contents of any notice given to the applicable Covered Bondholder.

Notices given by (or on behalf of) the Issuer to Covered Bondholders of this Series pursuant hereto shall also be delivered to all Hedge Counterparties (if any) that are parties to Hedging Agreements relating to this Series at the same time as they are given to such Covered Bondholders, which notices (unless published as provided in the first paragraph of this Condition 14) shall be delivered to each such Hedge Counterparty in accordance with the relevant Hedging Agreement.

15. Meetings of Covered Bondholders and Modifications

15.1 Meetings of Covered Bondholders

The Agency Agreement contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of any modification of the Covered Bonds (including these Conditions), the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer at any time and shall be convened by the Issuer: (a) other than in respect of a Programme Reserved Matter, at any time if required in writing by Covered Bondholders holding not less than five *per cent.* in Principal Amount Outstanding of the Covered Bonds of this Series for the time being outstanding, (b) in respect of a Programme Reserved Matter, at any time if required in writing by Covered Bondholders holding not less than five *per cent.* in aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or (c) in order to appoint the Covered Bondholder Representative, at any time if required by any Covered Bondholder. A meeting that has been validly convened in accordance with the provisions of the Agency Agreement may be cancelled by the Person(s) who convened (or, if applicable, caused the Issuer to convene) such meeting giving at least five days' notice (which, in the case of a meeting convened by the Issuer, will be given to the Covered Bondholders in accordance with Condition 14 (*Notices*) and to the Fiscal Agent and the Security Agent); *provided* that if the Issuer had convened such meeting after having been required to do so by one or more Covered Bondholder(s) pursuant to Clause 3.1 of Schedule 3 to the Agency Agreement, then the Issuer may not so cancel such meeting absent a request to do so from such Covered Bondholder(s).

The quorum at any meeting for appointing the Covered Bondholder Representative (which is required to be appointed by the Majority Instructing Creditor) shall be one or more Eligible Person(s) present and holding or representing at least a majority of the Principal Amount Outstanding of all Series of Covered Bonds for the time being outstanding. The quorum at any meeting of a Series of Covered Bonds for passing an Extraordinary Resolution (but not a Programme Resolution) is one or more Eligible Person(s) present and holding or representing in the aggregate at least a majority of the Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding, or at any adjourned meeting one or more Person(s) being or representing Covered Bondholders whatever the principal amount of the Covered Bonds so held or represented, except that at any meeting the business of which includes any Series Reserved Matter (including modifying the date of maturity of the applicable Series of Covered Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the applicable Series of Covered Bonds, modifying the currency of payment of the applicable Series of Covered Bonds, the related Receipts or the related Coupons or modifying the Deed of Covenant), the quorum shall be one or more Eligible Person(s) present and holding or representing not less than two-thirds in Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding, or at any adjourned such meeting one or more Eligible Person(s) present and holding or representing not less than one-third in Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding. An Extraordinary Resolution or Programme Resolution passed at any meeting of the Covered Bondholders shall be binding upon all the Covered Bondholders, whether or not they are present at such meeting and whether or not they vote on the resolution, and on all Couponholders and Receiptholders.

15.2 Modification

The Issuer may make amendments or modifications to these Conditions and/or the other Transaction Documents in the manner described in Clause 32 (*Amendments*) of the Agency Agreement and (with respect to any Transaction Document) as provided within the applicable Transaction Document. Any such amendment or modification shall be binding upon the Covered Bondholders, Receiptholders and Couponholders and, unless the Fiscal Agent agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Covered Bondholders, Receiptholders and Couponholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

Notwithstanding any other provision of these Conditions or the Agency Agreement, the consent or approval of the Covered Bondholders or the Couponholders shall not be required in the case of amendments to these Conditions pursuant to Condition 4.6 to vary the method or basis of calculating the rate(s) or amount of interest or the basis for calculating any Interest Amount in respect of the Covered Bonds or for any other variation of these Conditions and/or the Agency Agreement required to be made in the circumstances described in Condition 4.6, where the Issuer has delivered to the Calculation Agent a certificate pursuant to Condition 4.6(e).

Without prejudice to the provisions set out in these Conditions, after the relevant Issue Date of any Series with respect to which one or more Hedging Agreement(s) is/are in place, the Issuer shall not amend the provisions of such Series of Covered Bonds to include any additional redemption rights in respect of such Series of Covered Bonds without the prior written consent of the relevant Hedging Counterparty(ies) for such Series of Covered Bonds.

16. Further Issues

The Issuer may from time to time without the consent of the Covered Bondholders or any other Secured Creditors create and issue further Covered Bonds having terms and conditions the same as those of this Series of Covered Bonds, or the same in all respects save for the amount and/or date of the first payment of interest thereon, the issue date and/or the date from which interest starts to accrue, which shall be consolidated and form a single Series with such outstanding Covered Bonds; *provided* that the Issuer shall ensure that such further Covered Bonds will be fungible with such outstanding Covered Bonds for U.S.

federal income tax purposes as a result of their issuance being a "qualified reopening" under U.S. Treasury Regulation § 1.1275-2(k) unless the original Covered Bonds were, and such further Covered Bonds are, offered and sold by (or on behalf of) the Issuer solely in reliance upon Regulation S in offshore transactions to persons other than U.S. persons; *and provided further* that: (a) there is no Potential Breach of Statutory Test, Issuer Event or Event of Default outstanding at the time of such issuance and that such issuance would not cause a Potential Breach of Statutory Test, Issuer Event or Event of Default, (b) the Issuer notifies each Relevant Rating Agency of any Series of Covered Bonds of the issuance not less than five Business Days prior to the relevant issuance, (c) if applicable, such issuance has been approved by the CMB in accordance with the Turkish Covered Bonds Law, and (d) if a Hedging Agreement is in place with respect to such outstanding Covered Bonds, a further Hedging Agreement (or amendment or other modification of such existing Hedging Agreement) is entered into with respect to such further Covered Bonds.

In addition, the Issuer may from time to time without the consent of the Covered Bondholders or any other Secured Creditors create and issue separate Series of Covered Bonds under the Programme subject to satisfaction of sub-paragraphs (a) and (c) referred to in the proviso to the immediately preceding paragraph.

Notwithstanding the preceding two paragraphs, in order to issue any other Series of Covered Bonds or any further Tranche of this or any other Series, a Rating Agency Confirmation from the Relevant Rating Agency(ies) of this Series shall have been obtained *unless* the new issuance is denominated and payable in Turkish Lira.

17. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any Person that exists or is available apart from that Act and the rights and remedies of the relevant Hedge Counterparty(ies) in respect of the matters described in Condition 14 (*Notices*) and Condition 15.2 (*Modification*) above and the rights and remedies of the Security Agent in respect of the matters described in the preamble to Condition 1 (*Form, Denomination and Title*) of these Conditions, Condition 10 (*Events of Default*), Condition 15 (*Meeting of Covered Bondholders and Modification*) and Condition 18 (*Governing Law and Submission to Jurisdiction*).

18. Governing Law and Submission to Jurisdiction

18.1 Governing Law

These Conditions, and any non-contractual obligations arising out of or in connection herewith, are and shall be governed by, and construed in accordance with, the laws of England and Wales; *provided* that the Statutory Segregation referred to in Condition 3 (*Status of the Covered Bonds*) is and shall be governed by and construed in accordance with the laws of Turkey.

18.2 Submission to Jurisdiction

The Issuer irrevocably agrees, for the benefit of the Covered Bondholders, Receiptholders and Couponholders, and the Covered Bondholders, Receiptholders and Couponholders shall (by their acquisition of this Covered Bond or any related Receipt or Coupon) be deemed to have agreed for the benefit of the Issuer, the Agents and the Security Agent, that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) have exclusive jurisdiction to settle any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Covered Bonds, Receipts and/or Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of any of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Covered

Bonds, Receipts and/or Coupons) (together referred to as "*Proceedings*") and accordingly submits (or shall be deemed to have submitted) to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) with respect thereto.

To the fullest extent allowed by Applicable Law, the Issuer irrevocably waives any objection that it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any Proceedings brought in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) shall be conclusive and binding upon it and (to the extent permitted by Applicable Law) may be enforced in the courts of any other jurisdiction.

Nothing contained in this clause shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not, to the extent allowed by Applicable Law.

18.3 Consent to Enforcement

The Issuer agrees, upon the enforcement or recognition of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the relevant provisions of the International Private and Procedure Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Covered Bonds, the Receipts and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), such judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedure Law of Turkey (Law No. 5718).

To the extent that the Issuer hereto may in any jurisdiction claim for itself or its assets or revenues any immunity in relation to any Proceedings, including, without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise), any process for execution of any award or judgement or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the Applicable Laws of such jurisdiction. Without limiting the generality of the foregoing, the Issuer agrees that the foregoing waiver of immunity shall have the fullest scope permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and is intended to be irrevocable for purposes of such Act.

18.4 Service of Process

In connection with any Proceedings in England, service of process may be made upon the Issuer at Law Debenture Corporate Services Limited (with a current address of Fifth Floor, 100 Wood Street, London EC2V 7EX, England) and the Issuer undertakes that in the event of such process agent ceasing so to act it will promptly appoint another Person as its agent for that purpose. If the Issuer fails so to appoint such other Person, then the Security Agent may appoint an agent for this purpose; *provided* that the Issuer may thereafter appoint a replacement therefor. This Condition does not affect any other method of service allowed by Applicable Law.

18.5 Other Documents

The Issuer has, in the Agency Agreement, the Deed of Covenant and the Deed Poll, submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and agreed to service of process in terms substantially similar to those set out above.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

Security Assignment

Pursuant to the Security Assignment, the Secured Obligations owing to the Secured Creditors (including the Security Agent and any Receiver) are secured by, *inter alia*:

(a) a security assignment over all the Issuer's rights, title, interest and benefit, present and future, in, to and under:

(i) each of the Offshore Bank Accounts,

(ii) the English Law Transaction Documents (other than the Security Assignment, the Programme Agreement, any Subscription Agreement and any deed expressed to be supplemental to the Security Assignment, the Programme Agreement and/or any Subscription Agreement), including, without limitation, any guarantee, credit support document or credit support annex entered into pursuant to the Hedging Agreements governed by the laws of England and Wales and any eligible credit support (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Deed or the 1995 English Law Credit Support Deed, each as defined by the International Swaps and Derivatives Association, Inc.) delivered or transferred to the Issuer thereunder, including, without limitation, all moneys received in respect thereof, all dividends paid or payable thereon, all property paid, distributed, accruing or offered at any time to or in respect of or in substitution thereof and the proceeds of sale, repayment and redemption thereof, and

(iii) all payments of any amounts that may become payable to the Issuer under the items described in clauses (i) and (ii), all payments received by the Issuer thereunder, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof,

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

(b) a charge, by way of first fixed equitable charge to the Security Agent, over all the Issuer's rights, title, interest and benefit, present and future, in, to and under the Authorised Investments denominated in a currency other than Turkish Lira and which are Cover Pool Assets (and all moneys, income and proceeds to become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same), which are held unto the Security Agent absolutely for the Security Agent itself and on trust, subject to the terms of the Security Assignment, for the Secured Creditors to whom the Secured Obligations from time to time become due, owing or payable.

"*English Law Transaction Documents*" means the Security Assignment, the Security Agency Agreement, the Agency Agreement, the Offshore Bank Account Agreement, the Calculation Agency Agreement, the Hedging Agreements (to the extent governed by the laws of England and Wales), the Subscription Agreements (to the extent governed by the laws of England and Wales), the Programme Agreement and any additional document (governed by the laws of England and Wales) entered into in respect of a Series of Covered Bonds and/or the Cover Pool and designated as an English Law Transaction Document by the Issuer and the Security Agent.

The Security Agent has declared in the Security Assignment that it shall hold all such right, title, interest and benefit, present and future, in, to and under: (a) each of the Hedge Collateral Account(s) and the Non-TL Hedge Collection Account(s) for the benefit of and on trust for the Secured Creditors (other than in respect of the Excess Hedge Collateral, which is held for the benefit of the relevant Hedging Counterparty) and (b) the Agency Account for the benefit of and on trust for the Reserve Fund Secured Creditors.

Notwithstanding the assignment in the Security Assignment, the Issuer shall be entitled to exercise its rights in respect of the English Law Transaction Documents, but subject to the provisions of the English Law Transaction Documents and certain provisions of the Security Assignment.

Notwithstanding the security created by the Security Assignment, but subject to the security enforcement provisions contained in the Security Assignment: (a) amounts may and shall be withdrawn from the Offshore Bank Accounts in the amounts contemplated in, and for application in accordance with, the Conditions, the Offshore Bank Account Agreement, the Calculation Agency Agreement and the relevant Hedging Agreement (if any); (b) payments of the commissions, expenses and other amounts payable by the Issuer relating to or otherwise in connection with the issue of the Covered Bonds may be made by the Issuer out of the proceeds from the issue of the Covered Bonds; and (c) payments to be made under the Transaction Documents may be made by the Issuer and in accordance with the directions of the Issuer, subject as provided in the Offshore Bank Account Agreement and the Calculation Agency Agreement. Any amounts so withdrawn or paid shall be automatically released and discharged from the security interest created under the Security Assignment. Subject as provided above and for making Authorised Investments as permitted in the Security Assignment, no other payments may be made out of any of the Offshore Bank Accounts without the prior written approval of the Security Agent.

The Security Assignment Security will become enforceable upon the occurrence of an Event of Default and the serving of a Notice of Default on the Issuer. Upon such security becoming enforceable, the Security Agent will be entitled to appoint a Receiver and/or to enforce the security constituted by the Security Assignment, subject to being indemnified and/or secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages, expenses and liabilities that it may incur by so doing.

All moneys received by the Security Agent on the realisation or enforcement of the Security Assignment Security and other Non-Statutory Security (subject to the following paragraph) will be held and applied by the Security Agent in the following order of priority: (a) firstly, to pay, or procure the payment of, *pro rata* and *pari passu*, all amounts due to: (i) the Covered Bondholders in respect of all outstanding Covered Bonds, (ii) the Receiptholders and Couponholders in respect of all outstanding Receipts and Coupons and (iii) the Hedging Counterparties (if any) in respect of all outstanding Hedging Agreements; and (b) secondly, to the extent remaining after all payments made pursuant to sub-paragraph (a) have been satisfied (for the purposes hereof, the amounts used to make payments pursuant to sub-paragraph (a) shall be deemed first to have been made from funds other than Additional Cover), to use the Additional Cover (if any) or any other amounts permitted by the Covered Bonds Communiqué from time to time to meet the Secured Obligations of the Other Secured Creditors permitted by Article 29 of the Covered Bonds Communiqué; *provided* that if the Covered Bonds Communiqué is amended after the Programme Closing Date to permit Other Secured Creditors to have access to the Additional Cover on a priority or a *pari passu* basis with the Covered Bondholders and/or the Hedging Counterparties (if any), then the Security Assignment (and, to the extent applicable, other Transaction Documents) will (at the request of the Security Agent) be amended to reflect the statutory order of priority prescribed by the Covered Bonds Communiqué in respect of Additional Cover from time to time.

Notwithstanding the foregoing paragraph: (a) funds from the Agency Account shall be applied in payment of, *pro rata* and *pari passu*, all amounts due and payable to the Reserve Fund Secured Creditors and (b) Excess Hedge Collateral (if applicable) shall be transferred or delivered by the Security Agent to the relevant Hedging Counterparty (if any). The Agency Account does not form part of the Cover Pool. To the extent possible under Applicable Law, at any time after a Notice of Default has been served on the Issuer, the Security Agent may (with notice to the Issuer) sell or otherwise dispose of the Security Assignment Security or any part of it and (notwithstanding the above) shall be entitled to apply the proceeds of such sale or other disposal in paying the costs

of such sale or disposal and only thereafter in or towards the discharge of the Secured Obligations or otherwise as provided for in the Security Assignment.

The Security Assignment is governed by the laws of England and Wales.

Security Agency Agreement

Pursuant to the terms of the Security Agency Agreement, the Issuer has appointed the Security Agent to act as the security agent and trustee of the Secured Creditors in connection with the Security Assignment, the other Transaction Security Documents, the Offshore Bank Account Agreement, the Calculation Agency Agreement and the Security Agency Agreement.

The Issuer has agreed to pay to the Security Agent a fee for acting as Security Agent and to reimburse the Security Agent for certain charges and expenses incurred by the Security Agent in connection with the Transaction Documents to which it is a party.

Notwithstanding any provision of any Transaction Document to the contrary, the Security Agent is not required: (a) to undertake any act that may be illegal or contrary to any Applicable Law or fiduciary duty or duty of confidentiality to which the Security Agent is subject or (b) to perform its duties and obligations or exercise its rights and remedies, or expend or risk its own funds or incur a financial liability, under the Transaction Documents to which it is a party where amounts are due and payable to the Security Agent under such a Transaction Document and remain unpaid or the repayment of such funds or adequate indemnity against such risk or liability is not assured to the Security Agent.

In the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by any Transaction Document, the Security Agent may act by responsible officers or a responsible officer for the time being of the Security Agent.

In order for the Covered Bondholders to direct or instruct the Security Agent under the Security Agency Agreement, the Transaction Security Documents and/or the other Transaction Documents to which the Security Agent is a party, the Majority Instructing Creditor shall appoint a representative (which may be any person and need not be a Covered Bondholder) (such representative, the "*Covered Bondholder Representative*") on such terms as the Majority Instructing Creditor thinks fit, to act as the representative of the Covered Bondholders. The Security Agent shall have no duty to verify the authority of the Covered Bondholder Representative and shall be entitled (without enquiry) to rely on any instruction received from any person whom the Security Agent believes in good faith to be the Covered Bondholder Representative.

"*Majority Instructing Creditor*" means, at any time, the holders of at least a majority in Principal Amount Outstanding of the Covered Bonds then outstanding (with the Principal Amount Outstanding of Covered Bonds not denominated in Turkish Lira notionally converted into Turkish Lira using the Applicable Exchange Rate).

None of the Security Agent, any Receiver nor any delegate, agent, attorney or co-agent appointed by the Security Agent ("*Delegate*") will be liable for: (a) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Transaction Security Document or the Non-Statutory Security unless caused by its negligence, wilful misconduct or wilful default or that of its officers, directors or employees; (b) exercising or not exercising any right, power, authority or discretion given to it by, or in connection with, any Transaction Security Document, the Non-Statutory Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Transaction Security Document or the Non-Statutory Security unless caused by its negligence, wilful misconduct or wilful default or that of its officers, directors or employees; (c) any shortfall that arises on the enforcement or realisation of the Non-Statutory Security; (d) without prejudice to the generality of sub-paragraphs (a) to (c) above, any damages, costs, losses, diminution in value or liability whatsoever arising as a result of: (i) any *force majeure* event; or (ii) the general risks of investment in, or the holding of assets in, any jurisdiction; (e) any loss, cost, damage, expense or liability occasioned to the Non-Statutory Security, however caused, by the

Administrator, whether or not acting in accordance with the Covered Bonds Communiqué, or any other person (including any bank, broker, depository, warehouseman or other intermediary or by any clearing system or the operator thereof), or otherwise, unless caused by the negligence, wilful misconduct or wilful default of the Security Agent, the Receiver or a Delegate (or their respective officers, directors or employees), respectively; (f) any decline in value or any loss realised upon any sale or other disposition of any Non-Statutory Security pursuant to any Transaction Document; or (g) any deficiency that might arise because the Security Agent, the Receiver or a Delegate is subject to tax (other than in respect of its net income) in respect of the Non-Statutory Security or any party thereof or any income thereon or any proceeds thereof.

"*Non-Statutory Security*" means: (a) any property, assets or undertakings (other than the Agency Account and the property, assets and undertakings included in the Cover Pool) charged, pledged or otherwise secured by the Issuer pursuant to the Transaction Security Documents for the benefit of the Secured Creditors, and (b) the Agency Account secured by the Issuer pursuant to the Security Assignment for the benefit of the Reserve Fund Secured Creditors.

For so long as any Covered Bonds remain outstanding, the Issuer has covenanted in the Security Agency Agreement in favour of, *inter alios*, the Security Agent (for itself and for the benefit of the other Secured Creditors), that it will at all times:

(a) maintain a Fiscal Agent, Paying Agent, Exchange Agent, Registrar and Transfer Agent with specified offices in accordance with the Conditions and at all times maintain any other agents required by the Conditions,

(b) give notice in writing to the Fiscal Agent and the Security Agent promptly upon becoming aware of the occurrence of an Issuer Event, Transferability and Convertibility Event or Event of Default and without waiting for the Fiscal Agent or the Security Agent to take any further action,

(c) administer and manage the Cover Pool in the manner described in Schedule 2 (*The Cover Pool*) of the Security Agency Agreement,

(d) maintain the Cover Register in accordance with the requirements of the Covered Bonds Communiqué and ensure that it is up-to-date at all times,

(e) ensure at all times that the Cover Pool Assets are identified in such manner as is required to benefit from Statutory Segregation,

(f) give to the Security Agent at all times such opinions, certificates, information and evidence as it shall reasonably require for the purpose of the discharge of the duties, powers, trusts, authorities and discretions vested in it under the Security Agency Agreement, the Transaction Security Documents, the Offshore Bank Account Agreement and the Calculation Agency Agreement or by operation of Applicable Law; *provided* always that the foregoing shall not oblige the Issuer to give any information non-disclosure of which is required by any Applicable Law,

(g) deliver to the Fiscal Agent for distribution to any Covered Bondholder upon such Covered Bondholder's written request to the Fiscal Agent:

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

(ii) 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 (or, if published, audited) consolidated

financial statements for such six month period, prepared in accordance with the BRSA Accounting and Reporting Legislation consistently applied, together with the financial statements for the corresponding period of the previous financial year, and all such interim financial statements of the Issuer shall be accompanied by the report of the auditors thereon,

(h) so far as permitted by Applicable Law, at all times execute all such further documents and do all such further acts and things that are necessary at any time or times in the reasonable opinion of the Security Agent to give effect to the terms and conditions of the Security Agency Agreement, the Transaction Security Documents, the Offshore Bank Account Agreement and the Calculation Agency Agreement,

(i) send to the Fiscal Agent and the Security Agent a copy of each notice given to the Covered Bondholders of any one or more Series in accordance with Condition 14 (*Notices*),

(j) give prior notice to the Fiscal Agent and the Security Agent of any proposed redemption pursuant to Condition 6.2 (*Redemption for Taxation Reasons*) or Condition 6.3 (*Redemption at the Option of the Issuer (Issuer Call)*) and, if it shall have given notice to the relevant Covered Bondholders in accordance with the Conditions of its intention, duly proceed to redeem any relevant Covered Bonds accordingly,

(k) in the event of the unconditional payment to a Paying Agent or the Security Agent (in any case) of any sum due in respect of principal, redemption amount, premium (if any) and/or interest on the Covered Bonds of any Series or any of them being made after the due date for payment thereof, promptly give or procure the Fiscal Agent to give notice to the Covered Bondholders of such Series in accordance with Condition 14 (*Notices*) that such payment has been made,

(l) give or procure that there be given notice to the Covered Bondholders in accordance with the Conditions of any appointment (other than the initial appointment), resignation or removal of the Fiscal Agent, Exchange Agent, Registrar or any Transfer Agent or Paying Agent as shown on the Covered Bonds or so published in accordance with the Conditions as soon as practicable and in any event within 14 days after such event taking effect and within 30 days of notice received from the Fiscal Agent, Exchange Agent, Registrar or any Transfer Agent or Paying Agent of a change in its specified office, give notice to the Security Agent and the Covered Bondholders of such change,

(m) in order to enable the Fiscal Agent and/or the Security Agent to ascertain the Principal Amount Outstanding of Covered Bonds of each Series for the time being outstanding, deliver to the Fiscal Agent and/or the Security Agent promptly after being so requested in writing by the Fiscal Agent and/or the Security Agent, as applicable, a certificate in writing signed by an authorised signatory of the Issuer setting out the total numbers and Principal Amount Outstanding of the Covered Bonds of each Series that up to and including the date of such certificate have been purchased by or for the account of the Issuer, any holding company of the Issuer or any Subsidiary of the Issuer or such holding company, in each case held by them as beneficial owner, and the Principal Amount Outstanding of the Covered Bonds of each Series so purchased that have been cancelled,

(n) notify the Fiscal Agent and the Security Agent promptly upon becoming aware of any change in the ratings assigned by the Relevant Rating Agencies to the Covered Bonds or any Series of Covered Bonds,

(o) maintain its principal office in Turkey and that it will maintain at all times its Turkish banking licence issued to it by the BRSA in accordance with the Banking Law,

(p) maintain all necessary authorisations to be an issuer of mortgage covered bonds (within the meaning of the Covered Bonds Communiqué),

(q) permit any of the Security Agent, the Cover Monitor and, with the Issuer's prior approval (such approval not to be unreasonably withheld or delayed), any auditor or professional adviser of the Security Agent or the Cover Monitor at any time during normal business hours upon reasonable notice to have access to all books of record, account and other relevant records in the Issuer's possession relating to the administration of the Cover Pool Assets and related matters (in each case other than during an Issuer Event or an Event of Default, at such person's sole expense; *provided* that the Issuer shall not, except to the extent that it has separately agreed otherwise with such person, be responsible to reimburse such person for such expenses); and *provided further* that such access to such books of record, accounts and other relevant records shall always comply with the Applicable Law of Turkey, including, but not limited to, the Turkish Covered Bonds Law and the confidentiality terms of the banking legislation of Turkey,

(r) give, within seven İstanbul Business Days after demand by the Security Agent or the Cover Monitor, any information required to comply with the terms of the Turkish Covered Bonds Law,

(s) so far as permitted by Applicable Law, from time to time upon request from a Relevant Rating Agency, provide such further information as such Relevant Rating Agency reasonably requests for purposes of its rating on the Covered Bonds or a Series thereof,

(t) observe and comply with its obligations under the Turkish Covered Bonds Law,

(u) observe and comply with its obligations under the Transaction Documents (to the extent not otherwise provided for above),

(v) from the First Issue Date and on each London Business Day thereafter, maintain the Reserve Fund in an amount at least equal to the Reserve Fund Required Amount; *provided* that the Issuer shall not be considered to be in breach of its obligations under this clause if, during the continuance of a Transferability and Convertibility Event, it is impossible for the Issuer to deposit moneys to the Reserve Fund as a result of such Transferability and Convertibility Event,

(w) maintain records in relation to the Designated Account(s) in accordance with the Transaction Documents,

(x) maintain the Cover Pool in accordance with the requirements for Cover Pool Assets and Hedging Agreements set out in the Covered Bonds Communiqué,

(y) perform such checks and reviews as are required on each Statutory Test Date and Issue Date to ensure that each Cover Pool Asset included in the Statutory Test calculations is in compliance with the Individual Asset Eligibility Criteria and the Covered Bonds Communiqué; notwithstanding anything in the Transaction Documents to the contrary, the parties to the Security Agency Agreement have acknowledged and agreed that such checks and reviews will utilise the data as of each applicable date (*e.g.*, as of the date of a change in the Cover Pool) but might be checked and reviewed when such information becomes available after such date,

(z) comply with the Statutory Tests (*i.e.*, as of the date of this Base Prospectus, the Nominal Value Test, the Cash Flow Matching Test, the Net Present Value Test and the Stress Test). The Statutory Tests (both their nature and their method of calculation) may vary from time to time to the extent that the Covered Bonds Communiqué is amended; *provided* that all Series of Covered Bonds are subject to the Statutory Tests as in force at the time of their issuance unless expressly provided otherwise by the Turkish Covered Bonds Law. The method of calculating the Statutory Tests shall (within the requirements of the Covered Bonds Communiqué) be determined by the Issuer, acting reasonably (and subject to any guidance, pronouncement, rule, official directive or guideline (whether or not having the force of law) issued by the CMB to the Issuer specifically or to covered bond issuers generally in relation to the method of calculating the Statutory Tests). For the avoidance of doubt, with respect to any Covered Bonds with a floating interest rate, the Issuer may, at any time, perform such calculations utilising the interest rate in effect at such time,

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

(bb) if, on a Statutory Test Date, there is a Potential Breach of Statutory Test, cure any breach(es) of the relevant Statutory Test(s) within one month of such Statutory Test Date,

(cc) if, in its own monitoring of the Statutory Tests, the Issuer identifies a Potential Breach of Statutory Test, promptly notify the Fiscal Agent, the Security Agent and the Cover Monitor of such breach and cure such breach within one month of the Issuer's detection of such breach,

(dd) in accordance with Article 20(1) of the Covered Bonds Communiqué, test whether the Cover Pool complies with the Statutory Tests at every change to the Cover Register and, in any case, at least once per calendar month as long as any Series of Covered Bonds is outstanding and, as applicable, in the case of the issuance of a new Series of Covered Bonds; by the 10th İstanbul Business Day after the end of each calendar month, the Issuer shall submit a report relating to the last test made during the preceding calendar month to the Cover Monitor,

(ee) maintain the Cover Pool for the benefit of all Covered Bondholders in compliance with the Statutory Tests,

(ff) to the extent that any mortgage loan included in the Cover Pool is not in compliance with the Individual Asset Eligibility Criteria, make such substitutions in the Cover Pool as are necessary to ensure compliance with the Individual Asset Eligibility Criteria; *provided* that no such substitution shall be required if the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué,

(gg) establish and maintain the Cover Register in accordance with the Turkish Covered Bonds Law,

(hh) create Statutory Segregation over each Cover Pool Asset and segregate the Cover Pool for the satisfaction of the rights of the Covered Bondholders, the Hedging Counterparties (if any) and (subject to the provisions of Article 29 of the Covered Bonds Communiqué) the Other Secured Creditors,

For the avoidance of doubt: (i) a mortgage loan or derivative contract intended to become a Cover Pool Asset is required to meet the asset requirements set out in Article 10 (in the case of mortgage loans) and Article 11 (in the case of derivative contracts) of the Covered Bonds Communiqué at the time of inclusion in the Cover Register. In the event that a Cover Pool Asset thereafter ceases to meet the asset requirements of the Covered Bonds Communiqué (or failed to have satisfied such requirements at the time of its inclusion in the Cover Register), the Issuer is obliged under Article 13(5) of the Covered Bonds Communiqué to replace such asset with Cover Pool Assets that do satisfy the requirements of Articles 10 and 11 (as applicable) of the Covered Bonds Communiqué unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer is not obliged to remove any such ineligible Cover Pool Asset), and (ii) the Cover Pool shall include all assets included in the Cover Register from time to time notwithstanding that such assets may have ceased to satisfy the statutory requirements for covered assets specified in the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria.

All Mortgage Rights relating to the Mortgage Assets are themselves included in the Cover Pool as part of the receivables of such Mortgage Assets; *however*, if it is subsequently judicially determined that all or part of the Mortgage Rights of the type referred to in sub-

paragraphs (b) and (c) of the definition of Mortgage Rights (*i.e.*, the Ancillary Rights) do not constitute receivables of Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué, then such Ancillary Rights shall not be Cover Pool Assets and thus not benefit from Statutory Segregation.

(hh) apply the relevant proceeds of Ancillary Rights in satisfaction of any indebtedness owed by the Issuer under the Transaction Documents to the Secured Creditors as an unsecured contractual obligation only (for the avoidance of doubt, such Ancillary Rights shall not be Cover Pool Assets and thus not benefit from Statutory Segregation),

(ii) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), as an unsecured contractual obligation only, transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Security Agent, by the next day that is both an İstanbul Business Day and a business day for the Security Agent) all Related Payments to the Security Agent for the benefit of the Secured Creditors to be applied in satisfaction of the Secured Obligations; *it being understood* that (as such do not constitute receivables of the Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué and therefore do not benefit from Statutory Segregation) any such Related Payments shall not be deposited into the Collection Account or the Designated Accounts and shall otherwise remain segregated from the Cover Pool Assets,

(jj) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Offshore Account Bank, by the next day that is both an İstanbul Business Day and a business day for the Offshore Account Bank) all payments made to the Issuer on Cover Pool Assets (other than Hedging Agreements) in currencies other than Turkish Lira to the applicable Non-TL Designated Account(s),

(kk) in respect of Substitute Assets, comply with the Substitute Asset Limit and the requirements of the Covered Bonds Communiqué relating to Mandatory Excess Cover Cover Pool Assets,

(ll) act in a manner consistent with that of a Prudent Lender and Servicer of Mortgage Assets in respect of the Mortgage Assets; *provided* that:

(i) during the continuance of an Issuer Event, the Issuer may not make any Mortgage Asset Modification(s) other than in accordance with its then prevailing servicing and collection procedures in respect of mortgage assets that are not part of the Cover Pool, and

(ii) the Issuer shall service the Mortgage Assets with no less care than the Issuer exercises or would exercise in connection with the servicing of mortgage assets held for its own account as if such Mortgage Assets were not part of the Cover Pool,

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

(i) allocate to the Cover Pool additional assets at any time, including for the purposes of issuing further Series of Covered Bonds, complying with the Statutory Tests and/or the Required Overcollateralisation Percentage of any Series, maintaining the rating(s) assigned to any Series of the Covered Bonds and/or maintaining or increasing the creditworthiness of the Cover Pool; *provided* that such new assets meet the requirements of the Covered Bonds Communiqué, comply with the Individual Asset Eligibility Criteria and do not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, and

(ii) remove (including to substitute) one or more Cover Pool Assets (including any Cover Pool Assets that cease to comply or did not comply at the time of their registration in the Cover Register with the requirements of the Covered Bonds Communiqué and/or the Individual Asset Eligibility Criteria) at any time in accordance with the Covered Bonds Communiqué and to the extent not prohibited by the Transaction Documents; *provided* that, in addition to the requirements of the Covered Bonds Communiqué: (A) any assets added to the Cover Pool by way of substitution must comply with the Individual Asset Eligibility Criteria, (B) any assets added to the Cover Pool by way of substitution or any removal of assets from the Cover Pool does not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, (C) neither any Potential Breach of Statutory Test nor any Issuer Event of the type described in sub-paragraphs (a) through (f) of the definition thereof would occur as a result of such removal or Cover Pool Asset Substitution and (D) any collections in respect of any such removed Cover Pool Assets will no longer be transferred to the Collection Account. The Issuer is obliged to substitute any Cover Pool Assets that cease to comply with the requirements of the Covered Bonds Communiqué or the Individual Asset Eligibility Criteria unless the Statutory Tests are otherwise satisfied and the Issuer is otherwise complying with its obligations under the Covered Bonds Communiqué (in which case, the Issuer may either keep such ineligible Cover Pool Asset within the Cover Pool or remove such ineligible Cover Pool Asset without new eligible assets being registered in the Cover Pool). By the 10th İstanbul Business Day after the end of each calendar month, the Issuer shall submit a report relating to the last test made during the preceding calendar month to the Cover Monitor.

It is agreed that: (A) upon the occurrence of any Potential Breach of Statutory Test or an Issuer Event that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué, and (B) upon the occurrence of an Event of Default that is continuing, no Cover Pool Assets can be removed or substituted from the Cover Pool unless: (1) such removal or substitution is required pursuant to the provisions of the Covered Bonds Communiqué or (2) such substitution or removal is made by the Administrator in accordance with the provisions of the Covered Bonds Communiqué or by the Security Agent in accordance with the Transaction Documents, and

(nn) for so long as any Covered Bonds are outstanding that are listed on any regulated market of a Member State or offered to the public in a Member State, in each case, in circumstances that require the publication of a prospectus under the Prospectus Directive (or analogous requirement in any jurisdiction outside Turkey in which the Covered Bonds are issued or listed on a relevant Stock Exchange), on or before the Investor Report Date after each Collection Period, the Issuer will publish on its website an Investor Report for such Collection Period. Such report will be available to prospective investors in the Covered Bonds and to Covered Bondholders on Bloomberg and on the Issuer's website www.garantiinvestorrelations.com.

Pursuant to the terms of the Security Agency Agreement, the Issuer has covenanted to maintain the Collection Account and the TL Designated Account.

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

With respect to any Turkish Lira payments received by the Issuer under Hedging Agreements (if any), such amounts deposited into the Collection Account or the TL Designated Account (and any proceeds of Authorised

Investments made with such funds) will be maintained in a sub-account of such account so as to distinguish them from the other amounts in the Collection Account or TL Designated Account, as applicable; *however*, all such amounts shall, for all other purposes of the Transaction Documents, otherwise be treated as part of the Collection Account or TL Designated Account, as applicable.

For purposes of calculating compliance with the Statutory Tests: (a) cash amounts standing to the credit of the Collection Account (and investments made with such amounts) shall not constitute part of the Cover Pool and (b) the TL Designated Account (and investments made with such amounts) shall constitute part of the Cover Pool.

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

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

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

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

The Non-TL Hedge Collection Account(s) and the Hedge Collateral Account(s) are described in "*Offshore Bank Account Agreement*" below.

"*London Business Day*" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England.

The Security Agency Agreement is governed by the laws of England and Wales.

Offshore Bank Account Agreement

Pursuant to the terms of the Offshore Bank Account Agreement among the Issuer, the Offshore Account Bank, the Security Agent and the Calculation Agent, the Issuer has appointed the Offshore Account Bank to perform certain duties (and the Offshore Account Bank accepted such appointment), including:

(a) acting on the instructions of the Issuer, the Security Agent and/or the Administrator, as applicable, or information provided by the Calculation Agent,

(b) making payments from the Offshore Bank Accounts as instructed by the Issuer (or, if an Administrator has been appointed, the Administrator) and/or the Security Agent, as applicable, and

(c) providing the Issuer (or, if an Administrator has been appointed, the Administrator), the Security Agent and/or the Calculation Agent with details of the amounts standing to the credit of the Offshore Bank Accounts from time to time that the Issuer (or, if an Administrator has been appointed, the Administrator), the Security Agent and/or the Calculation Agent may request, including in order for them to make the calculations required in performing their respective obligations (including making calculations required under Hedging Agreements (if any), including for the related payments) and exercising their respective rights under the Transaction Documents.

As of the Programme Closing Date, the following accounts have been opened at the Offshore Account Bank:

(a) the euro Non-TL Designated Account in the name of the Issuer (as to which see Clause 5 (*Non-TL Designated Account(s)*) of the Offshore Bank Account Agreement) (which account is a Non-TL Designated Account),

(b) the U.S. Dollar Non-TL Designated Account in the name of the Issuer (as to which see Clause 5 (*Non-TL Designated Account(s)*) of the Offshore Bank Account Agreement) (which account is a Non-TL Designated Account), and

(c) the Agency Account (as to which see Clause 9 (*Agency Account*) of the Offshore Bank Account Agreement) in the name of the Security Agent (which account is not a Non-TL Designated Account).

Non-TL Designated Accounts

With respect to amounts received on Substitute Assets in currencies other than Turkish Lira, a separate Non-TL Designated Account will be established in the name of the Issuer pursuant to the Offshore Account Bank Agreement for each applicable currency. Save as provided in the Offshore Bank Account Agreement, no amount other than those deriving from Substitute Assets shall be paid into the Non-TL Designated Account(s). Notwithstanding the above, the amounts deriving from Substitute Assets may be payable directly to the Issuer (including within Turkey and/or through a clearing system such as Euroclear or Clearstream); *provided* that the Issuer shall transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Offshore Account Bank, by the next day that is both an İstanbul Business Day and a business day for the Offshore Account Bank) all such amounts to the applicable Non-TL Designated Account(s).

Other than to make Authorised Investments, no amounts shall be withdrawn from the Non-TL Designated Accounts (by the Issuer or otherwise) other than for the purposes of making payment to a Secured Creditor in accordance with the process of Clause 5.3 (*Instructions from the Issuer and/or the Administrator*) of the Offshore Bank Account Agreement unless the Security Agent provides its prior written consent. Such consent shall be provided by the Security Agent (without further enquiry) following its receipt of certification by the Issuer that: (a) no Reconciliation Event has occurred and is continuing; (b) no Event of Default has occurred and is continuing; and (c) immediately following such withdrawal, the Statutory Tests and the Required Overcollateralisation Percentage will continue to be satisfied.

"*Reconciliation Event*" means the occurrence of an Issuer Event described in sub-paragraphs (a) through (f) of the definition thereof or the occurrence of a Transferability and Convertibility Event, in each case that is continuing.

Subject to Clauses 2.3 (*No Negative Balance*) and 13.3 (*Consequences of Security Agent Notice*) of the Offshore Bank Account Agreement, the Offshore Account Bank shall comply with any direction of the Issuer (or, if an Administrator has been appointed, the Administrator) given on any London Business Day to effect a payment to a

Secured Creditor by debiting any one of Non-TL Designated Account(s): (a) if such direction: (i) is in writing in a manner required by the Offshore Bank Account Agreement, and (ii) complies with the mandates delivered by the Issuer or the Security Agent to the Offshore Account Bank (such direction shall constitute a payment instruction) and (b) unless the Offshore Account Bank has been notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing). The Calculation Agent shall promptly notify the Issuer, the Offshore Account Bank and the Security Agent of the occurrence of a Reconciliation Reporting Event.

Amounts to be credited into the Non-TL Designated Account(s) include: (a) any amounts received by the Issuer in respect of the Substitute Assets and Authorised Investments that (in each case) are Cover Pool Assets, are not denominated in Turkish Lira and do not relate to the Agency Account; (b) other than funds transferred as described in clause (a), any amounts credited into the applicable Non-TL Designated Account(s) by the Issuer from its own funds, including Authorised Investments that are Substitute Assets or for effecting payments to Secured Creditors of Secured Obligations that are not denominated in Turkish Lira; (c) any amounts transferred by the Issuer or the Administrator, as applicable, in connection with the sale of Cover Pool Assets that are not denominated in Turkish Lira; and (d) any amounts transferred from the Non-TL Hedge Collection Account(s) at the request of the Issuer in the circumstances specified in the Offshore Bank Account Agreement.

Subject to the Substitute Asset Limit, cash amounts standing to the credit of the Non-TL Designated Account(s) (and Authorised Investments made with such amounts) shall constitute part of the Cover Pool for the purposes of the Statutory Tests (for the purpose of clarification, the amounts described in sub-paragraph (c) of the previous paragraph derived from Mortgage Assets are not subject to the Substitute Asset Limit as they are collections on such Mortgage Assets). All amounts deposited in, and standing to the credit of, the Non-TL Designated Account(s) shall constitute segregated property distinct from all other property of the Issuer pursuant to Article 13 of the Covered Bonds Communiqué.

Hedge Collateral Accounts

With respect to credit support provided by Hedging Counterparties to the Issuer pursuant to the Hedging Agreements (if any), a separate Hedge Collateral Account will be established and maintained pursuant to the Offshore Bank Account Agreement for each applicable currency (other than Turkish Lira) and for each applicable Hedging Counterparty in respect of each relevant Hedging Agreement. The Hedge Collateral Accounts will be held with the Offshore Account Bank in the name of the Security Agent for the benefit of and on trust for the Secured Creditors (to the extent such Hedge Collateral does not constitute Excess Hedge Collateral) and for the benefit of and on trust for the relevant Hedging Counterparty (to the extent such Hedge Collateral constitutes Excess Hedge Collateral). Hedge Collateral provided to the Issuer by a Hedging Counterparty under a Hedging Agreement shall be credited to the relevant Hedge Collateral Account.

Payments, deliveries and/or transfers of Hedge Collateral to the relevant Hedge Collateral Account shall be made in accordance with the provisions of the relevant Hedging Agreement. For the avoidance of doubt, Hedge Collateral will be deposited in a Hedge Collateral Account regardless of whether a Reconciliation Event or an Event of Default has occurred.

Subject to Clauses 6.4 and 6.5 of the Offshore Bank Account Agreement, payments, deliveries and/or transfers of Hedge Collateral from the relevant Hedge Collateral Account shall be made solely for the purpose of making payments (by the applicable Hedge Counterparty) or deliveries (by the Issuer) in respect of: (a) any Settlement Amount (as defined in the ISDA Master Agreement), any Close-out Amount (as defined in the ISDA Master Agreement) or any analogous payment, (b) any Return Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.), (c) any Interest Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.), (d) any substitution of Hedge Collateral permitted by the applicable Hedging Agreement, (e) any amounts in respect of default interest or (f) any amounts analogous to any of the above, in each case: (i) other than in respect of any

amounts referred to in sub-clause 6.3(a) of the Offshore Bank Account Agreement, to be delivered to the relevant Hedging Counterparty under a collateral agreement entered into under or in connection with the relevant Hedging Agreement (including but without limitation the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.) or any analogous agreement; and (ii) in the case of amounts referred to in sub-clause 6.3(a) of the Offshore Bank Account Agreement, due to the Issuer or deliverable to the relevant Hedging Counterparty following the termination (in whole or in part, as applicable) of the relevant Hedging Agreement, as applicable. If a Reconciliation Event has occurred and is then continuing, any amount due to the Issuer under sub-clause 6.3(a) of the Offshore Bank Account Agreement shall be transferred from the relevant Hedge Collateral Account to the relevant Non-TL Hedge Collection Account.

The Security Agent will, within one London Business Day following receipt of the relevant approved form (or, if later, on the value date indicated in such approved form), make such payments, deliveries and/or transfers (or direct or instruct the payment, delivery and/or transfer, as applicable) of Hedge Collateral to the relevant Hedging Counterparty unless notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing) as to the relevant payment, delivery and/or transfer, as applicable.

"*Reconciliation Reporting Event*" means: (a) the detection by the Calculation Agent of a manifest error in a Reconciliation; (b) the relevant payment, delivery or transfer, as applicable, cannot be reconciled by the Calculation Agent against the approved form; (c) the relevant payee is not a Secured Creditor; and/or (d) the Calculation Agent is otherwise unable to validate the relevant payment, transfer or delivery, as applicable (including, without limitation, due to the absence of an approved form).

"*Reconciliation*" means that the Calculation Agent shall compare the requested payment against an approved form required by the Calculation Agency Agreement and: (a) confirm that the relevant payee is a Secured Creditor; (b) calculate (or check the computation) of the relevant payment transfer or delivery, as applicable, to be made; and (c) in the case of payments under each Hedging Agreement and the transfer or delivery of Hedge Collateral, as applicable, check that the account details and specified payee or transferee for the requested payment, transfer or delivery, as applicable are correct.

Where a Hedging Counterparty provides Hedge Collateral (other than in Turkish Lira) to the Issuer in accordance with the terms of a Hedging Agreement, such collateral will be credited to the relevant Hedge Collateral Account. Any Hedge Collateral applied in satisfying any termination payments payable by the relevant Hedging Counterparty to the Issuer in respect of the relevant Hedging Agreement: (a) if not in Turkish Lira, will be transferred to the Non-TL Hedge Collection Account of the corresponding currency, and (b) if in Turkish Lira, will be transferred to the Collection Account or the TL Designated Account, as applicable. Excess Hedge Collateral (including any standing to the credit of the Hedge Collateral Account(s)) shall not be available to Secured Creditors (other than to the relevant Hedging Counterparty) and (if in a Hedge Collateral Account) shall be returned to the relevant Hedging Counterparty upon a request from the Issuer.

"*Secured Obligations*" means any and all moneys, all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity) and all other amounts due, owing, payable or owed by the Issuer to the Secured Creditors under the Covered Bonds and/or the other Transaction Documents and secured by the Transaction Security, and references to Secured Obligations includes references to any of them.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Hedge Collateral Account(s) are accounts of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Secured Creditors (in respect of Excess Hedge Collateral, being held for the benefit of the relevant Hedging Counterparty only).

Non-TL Hedge Collection Accounts

With respect to payments by a Hedging Counterparty on the Hedging Agreements (if any) in currencies other than Turkish Lira (including amounts transferred thereto pursuant to Clause 6.6 of the Offshore Bank Account Agreement), a separate Non-TL Hedge Collection Account will be established and maintained for each applicable currency with the Offshore Account Bank pursuant to the Offshore Bank Account Agreement, each of which accounts is to be in the name of the Security Agent for the benefit of and on trust for the Secured Creditors (for the purpose of clarification, a transfer or delivery by a Hedging Counterparty of Hedge Collateral is not a payment on a Hedging Agreement). All such payments shall be paid into the relevant Non-TL Hedge Collection Account. For the avoidance of doubt, any amounts that are not denominated in Turkish Lira that are paid to the Issuer or the Security Agent, as applicable, by the Hedging Counterparties under the Hedging Agreements (including all scheduled payments, principal exchange amounts, termination payments, final payments on cross-currency swaps or other unscheduled sums due and payable by each Hedging Counterparty under any Hedging Agreement, but excluding Hedge Collateral) shall be paid into a Non-TL Hedge Collection Account regardless of whether a Reconciliation Event or an Event of Default has occurred.

Amounts may be withdrawn by the Security Agent from the Non-TL Hedge Collection Account(s) solely for the purposes of paying amounts due or otherwise scheduled to be paid by the Issuer on the Covered Bonds and Hedging Agreements (*i.e.*, the due and payable Total Liabilities), unless the Issuer has otherwise delivered to the Agents the necessary amounts to make all such payments that are then due and payable, in which case the funds in the Non-TL Hedge Collection Account(s) shall be transferred, at the request of the Issuer, to the relevant Non-TL Designated Account(s).

In respect of Hedging Agreements, the Security Agent, within one London Business Day following receipt of the relevant approved form (or, if later, on the value date indicated in such approved form), shall pay (or direct or instruct the payment of, as applicable) non-Turkish Lira payments due or otherwise scheduled to be paid by the Issuer thereunder unless notified by the Calculation Agent of the occurrence of a Reconciliation Reporting Event (if a Reconciliation Event has occurred and is then continuing) as to the relevant payment.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Non-TL Hedge Collection Account(s) are accounts of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Secured Creditors.

All amounts deposited in, and standing to the credit of, the Non-TL Hedge Collection Account(s) shall constitute segregated property distinct from all other property of the Issuer pursuant to Article 13 of the Covered Bonds Communiqué.

All: (a) amounts payable in Turkish Lira by a Hedge Counterparty under a Hedging Agreement will be credited to the Collection Account or the TL Designated Account, as applicable, and (b) Hedge Collateral provided in Turkish Lira by a Hedge Counterparty under a Hedging Agreement will be managed in the manner agreed in such Hedging Agreement.

Agency Account

The Issuer has established a reserve fund maintained in an U.S. Dollar-denominated account (the "*Agency Account*") maintained at the Offshore Account Bank for the benefit of the Reserve Fund Secured Creditors (the "*Reserve Fund*"). From the First Issue Date and on each London Business Day thereafter whilst any Covered Bonds are outstanding, the Reserve Fund will be fully funded by the Issuer at all times in an amount at least equal to the greater (the "*Greater Amount*") of: (a) two years' estimated Programme and Series fees of the Agents, any Covered Bond Calculation Agent, the Calculation Agent, the Security Agent and the Offshore Account Bank (the "*Reserve Fund Secured Creditors*") that are not payable in Turkish Lira (as reasonably determined by the Issuer) from each such London Business Day (for the avoidance of doubt, such fees do not include any fees (including any Series-related fees) that are payable before or at the time of any issuance of Covered Bonds) and (b) such other amount as may be agreed from time to time between the Issuer and any of the Reserve Fund Secured Creditors (such greater

amount, the "*Reserve Fund Required Amount*"); *provided* that the Issuer shall not be considered to be in breach of its obligations under this clause if, during the continuance of a Transferability and Convertibility Event, it is impossible for the Issuer to deposit moneys to the Reserve Fund as a result of such Transferability and Convertibility Event. If the balance in the Reserve Fund at any time exceeds the Greater Amount, then the excess amount in the Reserve Fund shall be transferred to the Issuer promptly after its request to the Offshore Account Bank.

Fees included in the calculation of the Reserve Fund Required Amount and not denominated in U.S. Dollars shall be notionally converted into U.S. Dollars using the Applicable Exchange Rate at the relevant date of calculation. The Reserve Fund may (without the consent of any other person) be debited by the Security Agent to meet the outstanding fees and reimbursable costs and expenses of (and all other amounts due and payable under and in respect of the Transaction Documents) to the Reserve Fund Secured Creditors upon the occurrence and during the continuance of a Reconciliation Event or an Event of Default, in each case where the Issuer has otherwise failed to pay such amounts.

In lieu of funds held in the Agency Account, the Issuer may also provide Authorised Investments (or instruct the Security Agent to use funds in the Agency Account for the purchase of Authorised Investments); *however*, the parties to the Offshore Bank Account Agreement have agreed that separate custody arrangements in accordance with the Security Agent's standard custody terms as well as security and instruction arrangements to the satisfaction of the Security Agent will need to be put in place to hold such securities. For purpose of calculating whether the Agency Account holds the Reserve Fund Required Amount, any such securities shall be valued at the lower of: (a) the outstanding principal amount and (b) if applicable, market value as of close of business in the applicable market on the last applicable business day of the most recent calendar month. Upon the occurrence of a Reconciliation Event or Event of Default, such Authorised Investments shall be liquidated by the Issuer (or the Security Agent on its behalf) and the proceeds thereof credited to the Agency Account.

Rights in, and cash amounts standing to the credit of, the Agency Account (and Authorised Investments with respect thereto) do not constitute part of the Cover Pool for the purposes of the Statutory Tests or otherwise.

Each of the Offshore Account Bank, the Issuer, the Calculation Agent and the Security Agent has acknowledged and agreed that the Agency Account is an account of the Security Agent over which a trust has been declared by the Security Agent for the benefit of the Reserve Fund Secured Creditors.

Following the redemption in full of all Covered Bonds under the Programme and the satisfaction in full of the outstanding fees and reimbursable costs and expenses of (and all other amounts due and payable under and in respect of the Transaction Documents to) the Reserve Fund Secured Creditors, any remaining balance in the Reserve Fund shall be transferred to the Issuer promptly after its request to the Offshore Account Bank.

In the event that an Offshore Account Bank Event occurs, the Issuer and the Security Agent will use their respective commercially reasonable endeavours to procure that the Offshore Bank Accounts are transferred to another financial institution that has the Offshore Account Bank Required Rating pursuant to an agreement with such institution in substantially the form of the Offshore Bank Account Agreement within a period not exceeding 30 calendar days from the date on which such Offshore Account Bank Event occurs, and the Offshore Account Bank will, at the request and cost of the Issuer, use its commercially reasonable endeavours to assist with the same; *provided* that if such is not possible within such 30 calendar day period, then the Issuer and the Security Agent shall continue to use their respective commercially reasonable endeavours to effect such transfer. The Offshore Account Bank will notify the Issuer of its applicable ratings promptly after the end of each calendar month; *it being understood* that the Issuer is independently responsible for monitoring the Offshore Account Bank's ratings for purposes of determining whether an Offshore Account Bank Event occurs.

The Offshore Account Bank Agreement is governed by the laws of England and Wales.

Calculation Agency Agreement

Pursuant to the terms of the Calculation Agency Agreement among the Issuer, the Security Agent and the Calculation Agent, the Security Agent has appointed the Calculation Agent as its agent to make certain Reconciliations as required pursuant to the provisions of the Offshore Bank Account Agreement, including:

(a) in relation to the Non-TL Designated Account(s) following the occurrence of a Reconciliation Event:

(i) reconciling amounts payable from the Non-TL Designated Account(s) to Other Secured Creditors, and

(ii) notifying the Issuer, the Security Agent and the Offshore Account Bank in the case of a Reconciliation Reporting Event,

(b) in relation to the Hedge Collateral Account(s) (if applicable) following the occurrence of a Reconciliation Event:

(i) reconciling the amounts to be transferred or delivered in respect of Hedge Collateral to or from the relevant Hedge Collateral Account in accordance with the relevant Hedging Agreement, and

(ii) notifying the Issuer, the Security Agent, the Offshore Account Bank and the relevant Hedging Counterparty (if any) in the case of a Reconciliation Reporting Event, and

(c) in relation to the Non-TL Hedge Collection Account(s) (if applicable) following the occurrence of a Reconciliation Event:

(i) reconciling payments under each applicable Hedging Agreement (if any) and Covered Bonds, as applicable, to or from the relevant Non-TL Hedge Collection Account (if applicable) in accordance with the relevant Hedging Agreement (if any) and the applicable Final Terms, as applicable (for the purpose of clarification, a transfer or delivery by a Hedging Counterparty of Hedge Collateral is not a payment on a Hedging Agreement), and

(ii) notifying the Issuer, the Security Agent, the Offshore Account Bank and the relevant Hedging Counterparty (if any) in the case of a Reconciliation Reporting Event,

provided that:

(A) the Calculation Agent shall not be required to calculate (or check the computation of):

(1) any Settlement Amount (as defined in the ISDA Master Agreement), any Close-out Amount (as defined in the ISDA Master Agreement) or any analogous payment,

(2) any Return Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(3) any Interest Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995

English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(4) any Delivery Amount (as defined in the 1995 English Law Credit Support Annex, the 1994 New York Law Credit Support Annex or the 1995 English Law Credit Support Deed, each as published by the International Swaps and Derivatives Association, Inc.),

(5) any substitution notice delivered pursuant to a credit support annex,

(6) any amounts in respect of default interest in respect of a Hedging Agreement, or

(7) any amounts analogous to any of the above,

(B) the Calculation Agent shall not be obliged to perform a Reconciliation in respect of any payment, delivery or transfer, as applicable, unless such payment, delivery or transfer can be reconciled against an approved form or other supporting evidence as may have been provided by the relevant Secured Creditor (including the relevant Hedging Counterparty (if any)), the Issuer, an Agent or the Security Agent, as applicable. Without prejudice to Clause 6.7 (*Request for Information*) of the Calculation Agency Agreement, the Issuer agrees to co-operate with reasonable requests from the Security Agent and the Calculation Agent to enable a Reconciliation to be performed by the Calculation Agent in a timely manner in respect of the relevant payment, transfer or delivery, as applicable, and

(C) the Calculation Agent shall not be obliged to perform a Reconciliation in respect of any payment or withdrawal from the Agency Account.

Absent a Reconciliation Reporting Event, no further notice, consent or approval shall be required from the Calculation Agent in order for the relevant payment, transfer or delivery, as applicable, to be made.

The Calculation Agent shall at all times promptly perform its obligations at the request of the Security Agent.

The Issuer has agreed to pay the Calculation Agent a fee for carrying out such services and to reimburse the Calculation Agent for certain expenses.

The Calculation Agent may, without giving any reason, resign at any time by giving at least 45 days' written notice to the Issuer and the Security Agent and may be removed at any time by the Security Agent or the Issuer on at least 45 days' written notice to the Calculation Agent (with a copy to the Issuer or the Security Agent, as applicable); *provided* that no such resignation or removal shall be effective unless a successor calculation agent has been appointed.

The Calculation Agency Agreement is governed by the laws of England and Wales.

Programme Agreement

Under the terms of an amended and restated Programme Agreement (the "*Programme Agreement*") dated 26 April 2019 among the Issuer and the Dealers, the Issuer and the Dealers have agreed that the Dealers shall be appointed as Dealers under the Programme and will purchase Covered Bonds (or beneficial interests therein) from the Issuer pursuant to the terms of the Programme Agreement and the relevant Subscription Agreement.

The Programme Agreement is governed by the laws of England and Wales.

Agency Agreement

Under the terms of the Agency Agreement, the Agents have each agreed to provide the Issuer with certain agency services. In particular, each Paying Agent has agreed to hold available for inspection at its specified office during normal business hours copies of all documents required to be so available by the Conditions of any Covered Bonds or the rules of any relevant Stock Exchange (or any other relevant authority). For these purposes, the Issuer shall provide the Paying Agents with sufficient copies of each of the relevant documents (or an electronic copy thereof).

The Agency Agreement is governed by the laws of England and Wales.

Amendments

Pursuant to the provisions of the Agency Agreement, the Issuer may (without the consent of the other parties hereto and, subject to the provisions of the other applicable Transaction Documents, the other parties thereto and any other Secured Creditors) make:

(a) any amendment to any of the provisions of the Conditions of any Series, the Deed of Covenant, the Agency Agreement or any other Transaction Document, which amendment is: (i) made while no Covered Bonds are outstanding or (ii) in the opinion of the Issuer, either: (A) of a formal, minor or technical nature or that is made for the purpose of curing any ambiguity or of curing or correcting any manifest or proven error or any other defective provision contained therein or (B) not materially prejudicial to the interests of the Covered Bondholders and/or the Hedging Counterparties (if any) (in each case, considered: (1) as a class and not individually, and (2) from a contractual perspective without consideration of any regulatory or other unique circumstances that might apply to any one or more Covered Bondholders and/or Hedging Counterparties (if any)),

(b) any amendment to any of the Transaction Documents if the Issuer proposes to: (i) appoint a rating agency to assign a credit rating to one or more Series of Covered Bonds or (ii) revise any provision of the Transaction Documents in accordance with the then current rating agency criteria of one or more of the Relevant Rating Agencies (such as to establish or alter the Offshore Account Bank Required Rating relating to such Relevant Rating Agency); *provided* that: (A) the Issuer certifies to the Security Agent and the Fiscal Agent that such amendment is necessary or desirable in order to give effect to the appointment of the additional Relevant Rating Agency and the assignment of its initial credit rating to the relevant Covered Bonds or to conform any provision of the Transaction Documents to the then current rating agency criteria of one or more of the Relevant Rating Agencies and (B) subject to Clause 32.4 of the Agency Agreement, Rating Agency Confirmation with respect to each outstanding Series of Covered Bonds has been obtained in respect of such amendment,

(c) any modification to a Hedging Agreement that is requested by the Issuer or the relevant Hedging Counterparty in order to enable the Issuer and/or the relevant Hedging Counterparty to comply with any requirements that apply to it under EMIR, Dodd-Frank, MiFID II or the Applicable Laws of Turkey (or other hedging-related Applicable Law in any jurisdiction to which the Issuer or the relevant Hedging Counterparty is subject), including any New EMIR Requirements, New Dodd-Frank Requirements, New MiFID II Requirements or New Turkish Law Requirements (or other hedging-related Applicable Law in any jurisdiction to which the Issuer or the relevant Hedging Counterparty is subject), as applicable, in relation to such Hedging Agreement, subject to the Issuer and/or the relevant Hedging Counterparty, as applicable, providing the Fiscal Agent and the Security Agent with written certification that the Issuer and/or the relevant Hedging Counterparty is only seeking to implement changes it considers appropriate to comply with EMIR, Dodd-Frank, MiFID II or the Applicable Law of Turkey (or other hedging-related Applicable Law in any jurisdiction to which the Issuer and/or the relevant Hedging Counterparty is subject), including to meet the New EMIR Requirements, New Dodd-Frank Requirements, New MiFID II Requirements or New Turkish Law Requirements, as applicable, together with any modification to any other Transaction Document(s) that may be necessary as a consequence of such

modification to the relevant Hedging Agreement; *provided* that any modification or change to the payment instructions (*i.e.*, the account to which payment is to be made by the Hedging Counterparty) contained in such Hedging Agreement shall require the consent of the Security Agent (as directed by the Covered Bondholder Representative),

(d) any amendment to any of the Transaction Documents (including a change in the definitions of Cover Pool, Cover Pool Asset, Individual Asset Eligibility Criteria, Substitute Asset Limit, Required Overcollateralisation Percentage and Statutory Test (and their corresponding subsidiary definitions)) (to the extent not otherwise permitted by the Transaction Documents, including per (a) and (b) above and (j) below) as a result of any amendment, restatement, modification or other change to the Turkish Covered Bonds Law; *provided* that: (i) the Issuer provides the Security Agent and the Fiscal Agent with written certification that the Issuer is only seeking to implement mandatory provisions of the Turkish Covered Bonds Law applicable to the Programme and (ii) each Relevant Rating Agency has been notified in writing in respect of such amendment not less than five London Business Days prior to the proposed amendment,

(e) any amendment to effect the substitution of the Issuer in accordance with the provisions of the Covered Bonds Communiqué, together with any modification to any other Transaction Document that may be necessary as a consequence of such substitution,

(f) any amendment to effect the appointment of a third party service provider (*hizmet sağlayıcı*) (within the meaning of the Covered Bonds Communiqué) or an Administrator, together with the modification to any other Transaction Document that may be necessary for the sole purpose of enabling such third party service provider or Administrator to carry out its statutory duties and for no other purpose,

(g) any amendment to effect the appointment or replacement of any Agent, the Security Agent, the Calculation Agent, the Offshore Account Bank or a Covered Bond Calculation Agent; *provided* that: (i) such appointment or replacement is otherwise made in accordance with the provisions of the relevant Transaction Documents applicable to such Agent, the Security Agent, the Calculation Agent, the Offshore Account Bank or such Covered Bond Calculation Agent and (ii) each Relevant Rating Agency has been notified in writing of such amendment not less than five London Business Days prior to the proposed amendment,

(h) any amendment to effect the appointment of a replacement Cover Monitor to the Programme; *provided* that: (i) such appointment is otherwise made in accordance with the provisions of the Cover Monitor Agreement (if relevant) and the Covered Bonds Communiqué and (ii) each Relevant Rating Agency has been notified in writing of such amendment not less than five London Business Days prior to the proposed amendment,

(i) any amendment to any of the Transaction Documents to facilitate the inclusion of a guarantor or other enhancer for Series of Covered Bonds, which amendment the Issuer certifies to the Security Agent and the Fiscal Agent is not materially prejudicial to the then-existing Covered Bondholders and/or the Hedging Counterparties (in each case, considered: (i) as a class and not individually, and (ii) from a contractual perspective without consideration of any regulatory or other unique circumstances that might apply to any one or more Covered Bondholders and/or Hedging Counterparties) (it being acknowledged and agreed that: (A) any such amendment that permits the guarantor/enhancer to: (1) receive its interest/premium/fee on a *pro rata* basis with interest on the Covered Bonds, (2) receive interest and/or principal (or reimbursement for making a guaranty/enhancement payment for interest and/or principal) on a *pro rata* basis with interest and/or principal, as applicable, on the Covered Bonds, (3) receive indemnities and other payments on a *pro rata* basis with similar payments to Covered Bondholders and/or (4) be a Secured Creditor will not be considered to be materially prejudicial to the then-existing Covered Bondholders and/or the Hedging Counterparties as a class and (B) any such guarantor or other enhancer is not, as of the Programme Closing Date, permitted to be paid from the Cover Pool except to the extent that it may receive payment therefrom as an Other Secured Creditor),

(j) any amendment to the Individual Asset Eligibility Criteria as a result of the inclusion of additional Cover Pool Assets in the Programme or to comply with the Issuer's then current underwriting, servicing and collection procedures; *provided* that: (i) any such change is in compliance with the provisions of the Covered Bonds Communiqué, (ii) any requirements in the Transaction Documents as to the inclusion of additional Cover Pool Assets in the Programme are satisfied and (iii) subject to Clause 32.4 of the Agency Agreement, Rating Agency Confirmation with respect to each outstanding Series of Covered Bonds has been obtained in respect of such amendment, and

(k) at any time after a change in the Applicable Law of Turkey (including in the Covered Bonds Communiqué) that permits the Additional Cover to be made available to some or all of the Other Secured Creditors on a *pari passu* or priority basis to the Total Liabilities, any amendment to the Agency Agreement, the Security Assignment or any other Transaction Document to provide for such *pari passu* or priority treatment.

Any such amendment or modification will be binding upon the Agents, Covered Bondholders, Receiptholders, Couponholders and other Secured Creditors and, unless the Fiscal Agent agrees otherwise, any such modification shall be notified by the Issuer to the Covered Bondholders, Receiptholders and Couponholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*). Notwithstanding the above, such amendment and modification provisions (other than clause (a)(i)) do not apply to any Series Reserved Matter or Programme Reserved Matter. Each party to the Agency Agreement is thereby authorised and instructed to acknowledge and/or execute any such amendment or modification to the extent requested by the Issuer.

Notwithstanding anything in clauses (a) through (k) in the preceding paragraph to the contrary, any amendment or other modification that decreases the rights of any Agent or the Security Agent (in their respective individual capacities), as applicable, or increases the obligations and/or liabilities of any Agent or the Security Agent, as applicable, including any amendment or modification to the definition of Reserve Fund Secured Creditor, shall require the consent of such Agent or the Security Agent, as applicable, which shall be in its sole discretion.

The Security Agency Agreement, Security Assignment, Offshore Bank Account Agreement, Calculation Agency Agreement and Master Definitions and Construction Schedule each provide that: (a) any provision thereof may be amended or waived; *provided* that such amendment or waiver is in writing and is signed by the parties to that Document (with respect to the Master Definitions and Construction Schedule, the Issuer and the Security Agent), but (b) notwithstanding clause (a), the Issuer may (without the consent of the other parties to the applicable document) make any amendment thereto in the manner described in this "*Amendments*" section.

Any amendments, modifications or waivers in relation to the Conditions or the other Transaction Documents that are not covered by the above in this "*Amendments*" section are, subject to the requirements for Programme Reserved Matters and Series Reserved Matters, required to be effected by Extraordinary Resolution (though substituting the phrases "not less than 75%" with "more than 50%" in the definition of Extraordinary Resolution) in respect of the Covered Bonds for the time being outstanding (or, if applicable, a Series of Covered Bonds) and (except for waivers of compliance by the Issuer) require the consent of the Issuer.

Notwithstanding anything in this "*Amendments*" section to the contrary and without prejudice to the provisions set out in the Conditions, after the relevant Issue Date of any Series with respect to which one or more Hedging Agreement(s) is/are in place, the Issuer will not amend the provisions of such Series of Covered Bonds to include any additional redemption rights in respect of such Series of Covered Bonds without the prior written consent of the relevant Hedging Counterparty(ies) for such Series of Covered Bonds.

"*Dodd-Frank*" means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"*MiFID II*" means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU and relevant regulations made under it.

"*New Dodd-Frank Requirements*" means provisions, rules, regulations, directions, processes, guidelines and procedures relating to Dodd-Frank (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

"*New EMIR Requirements*" means provisions, rules, regulations, directions, processes, guidelines and procedures relating to EMIR (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities or ESMA) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

"*New MiFID II Requirements*" means provisions, rules, regulations, directions, processes, guidelines and procedures relating to MiFID II (including, without limitation, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities or ESMA) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

"*New Turkish Law Requirements*" means provisions, rules, regulations, directions, processes, guidelines and procedures relating to any relevant (present or future) requirements of the Applicable Law of Turkey relating to derivatives (including, without limitation, in each case, any associated regulatory or implementing technical standards and advice, guidance or recommendations from relevant competent authorities) that have been enacted, clarified, updated, delivered, amended, modified or become operative or applicable on or after the Programme Closing Date.

A "*Series Reserved Matter*" means, with respect to any Series:

(a) modification of the Final Maturity Date or Extended Final Maturity Date of such Series or reduction or cancellation of the Principal Amount Outstanding of such Series payable at maturity,

(b) reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of such Series or variation of the method of calculating the rate of interest in respect of such Series,

(c) reduction of any Minimum Rate of Interest and/or Maximum Rate of Interest specified in the applicable Final Terms,

(d) modification of the currency in which payments under such Series (or its related Coupons or Receipts) are to be made,

(e) modification of the Deed of Covenant,

(f) modification of the majority required to pass an Extraordinary Resolution,

(g) the sanctioning of any scheme or proposal described in paragraph 4.9(i) of the Agency Agreement, or

(h) alteration of this definition or the proviso to paragraph 3.7 of Schedule 3 (*Provisions for Meetings of Covered Bondholders*) of the Agency Agreement,

A Series Reserved Matter is required to be passed by an Extraordinary Resolution of the relevant Series of Covered Bonds. For the purposes of a Series Reserved Matter, the quorum shall be one or more eligible person(s) present and holding or representing in the aggregate not less than two thirds in Principal Amount Outstanding of the relevant Series of Covered Bonds for the time being outstanding.

An "*Extraordinary Resolution*" when used:

(a) in respect of the Covered Bonds for the time being outstanding means: (i) a resolution passed at a meeting of the Covered Bondholders duly convened and held in accordance with the provisions of Schedule 3 (*Provisions for Meetings of Covered Bondholders*) of the Agency Agreement by a majority consisting of not less than 75% of the eligible persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes (as determined in accordance with the Agency Agreement) cast on the poll, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Covered Bondholders, or (iii) consent given by way of electronic consents through the Relevant Clearing System(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds for the time being outstanding (the resolutions in writing and consents given pursuant to clauses (ii) and (iii) shall be combined in calculating the level of approval), and

(b) in respect of a Series of Covered Bonds means: (i) a resolution passed at a meeting of the Covered Bondholders of the relevant Series duly convened and held in accordance with the provisions of Schedule 3 (*Provisions for Meetings of Covered Bondholders*) of the Agency Agreement by a majority consisting of not less than 75% of the eligible persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes (as determined in accordance with the Agency Agreement) cast on the poll, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds of the relevant Series, which resolution in writing may be contained in one document or in several documents in similar form each signed by or on behalf of one or more of the Covered Bondholders of the relevant Series, or (iii) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75% in Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding (the resolutions in writing and consents given pursuant to clauses (ii) and (iii) shall be combined in calculating the level of approval).

A "*Programme Reserved Matter*" means:

(a) a modification that would have the effect of altering the majority required to pass a specific resolution or the quorum required at any Programme Meeting,

(b) an amendment of this definition or the definition of Programme Meeting, or

(c) a modification that would have the effect of altering the requirements to declare an Event of Default under Condition 10 (*Events of Default*) or altering the taking of enforcement action under Condition 10.2 (*Enforcement*) of the Covered Bonds.

A Programme Reserved Matter is required to be passed by a Programme Resolution.

A "*Programme Resolution*" means: (a) a resolution in writing signed by or on behalf of holders of a majority of the Principal Amount Outstanding of all Covered Bonds, (b) a resolution of a Programme Meeting duly convened and held in accordance with the provisions of the Agency Agreement that has been passed by a majority of votes cast at such Programme Meeting or (c) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of a majority of the Principal Amount Outstanding of all Covered Bonds (the resolutions in writing and consents given pursuant to clauses (a) and (c) shall be combined in calculating the level of approval).

A "*Programme Meeting*" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment) that has been convened to consider a Programme Reserved Matter.

Deed of Covenant

Under the terms of the Deed of Covenant, the Issuer covenants with accountholders holding interests in the Covered Bonds through a depositary for one or more Clearing System(s) that such accountholders will acquire direct rights of enforcement against the Issuer if the relevant Global Covered Bond becomes void.

The Deed of Covenant is governed by the laws of England and Wales.

Hedging Agreements

To provide a hedge against possible variances in the rates of interest payable on or currency risks associated with the Mortgage Assets/and or the Covered Bonds, the Issuer may enter into one or more Interest Rate Swap(s) with one or more Interest Rate Swap Provider(s) and/or one or more Currency Swap(s) with one or more Currency Swap Provider(s) under one or more Interest Rate Swap Agreement(s) and/or Currency Swap Agreement(s), respectively.

With respect to Tranches not denominated in Turkish Lira, the Issuer is not obligated to enter into any Hedging Agreement; *however*, if the Issuer elects to do so, then it would likely enter into a Currency Swap. Each such Currency Swap would likely provide that: (a) on or about the Issue Date of the applicable Tranche of Covered Bonds, the Issuer would pay to the applicable Hedging Counterparty an amount equal to the relevant portion of the amount received by the Issuer in respect of the aggregate Principal Amount Outstanding of such Tranche and in return the Hedging Counterparty would pay to the Issuer the Turkish Lira Equivalent of such amount, and (b) thereafter: (i) the Hedging Counterparty would pay to the applicable Non-TL Hedge Collection Account on each Interest Payment Date an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable under such Tranche and (ii) the Issuer would periodically pay to the applicable Hedging Counterparty an amount in Turkish Lira calculated by reference to the applicable floating rate or fixed rate, as applicable, specified in the relevant Hedging Agreement plus a spread and, where relevant, the Turkish Lira Equivalent of the relevant portion of any principal due to be repaid in respect of such Tranche.

A Hedging Agreement might, in the event that the Issuer does not pay the principal amount payable to the Covered Bondholders in respect of a Tranche on the applicable Final Maturity Date (or, with respect to Instalment Covered Bonds, on an applicable Interest Payment Date) of such Tranche and, where an Extended Final Maturity Date is applicable to such Tranche, on such Extended Final Maturity Date, provide for payments to be made to and by the Hedging Counterparty on a different basis and timing.

The terms of a Hedging Agreement might provide that, in the event that the relevant rating of the relevant Hedging Counterparty or any guarantor of such Hedging Counterparty's obligations is downgraded below a rating specified in such Hedging Agreement, such Hedging Counterparty will be required to take certain remedial measures, which might include (without limitation) providing Hedge Collateral for its obligations under such Hedging Agreement, arranging for its obligations under such Hedging Agreement to be transferred to an entity with sufficient ratings or procuring another entity with sufficient ratings to become co-obligor or guarantor in respect of its obligations under such Hedging Agreement. A failure to take such steps within the time periods set out in a Hedging Agreement would likely, subject to certain conditions, allow the Issuer to terminate such Hedging Agreement.

A Hedging Agreement might also provide that the applicable Hedging Counterparty might transfer all of its interest and obligations in and under such Hedging Agreement to a transferee that satisfies minimum ratings without any prior written consent of the Issuer or the Security Agent.

It is important to note that while a Hedging Agreement might be entered into in connection with the issuance of a new Tranche of Covered Bonds, payments by the corresponding Hedging Counterparty under such Hedging Agreement are not allocated solely to the Covered Bondholders of such Tranche but rather become part of the overall Cover Pool that is applied to make payments generally, including to pay the Issuer's obligations to the Covered Bondholders of all Tranches and the Hedging Counterparties.

Cover Monitor Agreement

The Cover Monitor has agreed to be appointed by the Issuer in accordance with the Covered Bonds Communiqué to carry out any and all assessments, checks and notification duties specified in the Cover Monitor Agreement (including those referenced in the form of the Cover Monitor Report set out in Schedule 1 of the Cover Monitor Agreement), including in relation to the checks and calculations performed by the Issuer on the Cover Pool in relation to the Individual Asset Eligibility Criteria and the Statutory Tests subject to and in accordance with the Covered Bonds Communiqué and the terms of the Cover Monitor Agreement.

The Issuer shall, amongst other things:

(a) keep the Cover Register pursuant to the Covered Bonds Communiqué, keep such Cover Register up to date and make such Cover Register available to the Cover Monitor on demand during normal business hours,

(b) monitor compliance with the Statutory Tests at every change to the Cover Register (meaning removal of a Cover Pool Asset or addition to the Cover Pool Assets) and, in any case, at least once per calendar month,

(c) to the extent not contrary to Applicable Law (including with respect to customer data protection), submit the information and documents that are required by the Cover Monitor in accordance with the Covered Bonds Communiqué and provide such information as is in the Issuer's knowledge and/or possession that the Cover Monitor reasonably requests in respect of the Cover Pool,

(d) demonstrate to the Cover Monitor within two İstanbul Business Days of the Issuer's detection of a Potential Breach of Statutory Test or an Issuer Event that all collections of interest and principal on the Cover Pool Assets (and payments under Hedging Agreements) on deposit in the Collection Account have been transferred to the TL Designated Account, and

(e) demonstrate to the Cover Monitor within one month after the Issuer's detection of a Potential Breach of Statutory Test or an Issuer Event that (until the Issuer has cured all Potential Breach of Statutory Tests and Issuer Events): (i) any and all present and future payments due under the Cover Pool Assets are being accumulated in the applicable Designated Account (whether by an obligor thereof paying the sums due directly to the applicable Designated Account, by the Issuer's redirecting amounts that it receives from an obligor (including by way of set-off from an account such obligor maintains with the Issuer) or otherwise), and (ii) all such amounts will be dedicated exclusively to the payment of the Total Liabilities unless otherwise agreed with the CMB.

The Cover Monitor Agreement confirms that the Issuer shall be entitled, in accordance with the Covered Bonds Communiqué and subject to making any Security Update Registrations, to reduce the Cover Pool by removing one or more Cover Pool Asset(s); *provided* that: (a) any asset removals must not cause the Substitute Assets in the Cover Pool to exceed the Substitute Asset Limit, (b) neither any Potential Breach of Statutory Test nor any Issuer Event of the type described in sub-paragraphs (a) through (f) of the definition thereof would occur as a result of such removal, and (c) any collections in respect of any such removed Cover Pool Assets will no longer be transferred to the Collection Account.

At the discretion of the CMB, all removals of Cover Pool Assets from the Cover Pool and all deletions of entries from the Cover Register may require the consent of the Cover Monitor.

The Issuer shall notify the Cover Monitor of the occurrence of any Potential Breach of Statutory Test or Issuer Event of the type described in sub-paragraphs (a) through (f) of the definition thereof promptly after the Issuer's detection of such occurrence indicating whether any such event(s) included a failure to fulfil the Issuer's payment obligations under the Total Liabilities either partially or fully.

Subject to the terms of the Cover Monitor Agreement, the Cover Monitor shall, amongst other things: (a) verify that the Cover Register has been created and is maintained and preserved in accordance with the provisions of the Covered Bonds Communiqué, (b) analyse and confirm whether the Cover Pool Assets meet the Individual Asset Eligibility Criteria based on a sampling basis, (c) reconcile the entries in the Cover Register with any additions of Cover Pool Assets made by the Issuer to the Cover Pool and (d) analyse and verify whether the Statutory Tests are satisfied (including whether the Stress Test measurements are accurate) as of the relevant Cover Monitor Calculation Date.

Other than in relation to the checking by the Cover Monitor of the arithmetic or other accuracy of the checks and calculations performed by the Issuer in accordance with the provisions of the Cover Monitor Agreement, the Cover Monitor is entitled to assume that all information provided to it by the Issuer pursuant to the Cover Monitor Agreement is true and correct and is not misleading, and the Cover Monitor is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or non-misleading nature of such information. On completion of its calculations and procedures in respect of a Cover Monitor Calculation Date, the Cover Monitor will deliver a cover monitor report, in the form set out in the Cover Monitor Agreement (the "*Cover Monitor Report*"), to the CMB, the Issuer, the Security Agent, the Dealers, the Arrangers and the Relevant Rating Agencies (in their respective capacities, collectively referred to as the "*Recipients*").

The Issuer shall pay to the Cover Monitor a fee for its services in the amount and at the times set out in a separate fee letter between the Issuer and the Cover Monitor.

The Cover Monitor may, at any time, subject to the reasons of such resignation being submitted to the CMB in writing and the CMB's approval being obtained, resign from its appointment under the Cover Monitor Agreement upon providing the Issuer with at least 60 days' prior written notice (the Issuer shall provide a copy of such notice to the Relevant Rating Agencies and to the Security Agent); *provided* that such termination may not be effected unless and until a replacement has been found for the Cover Monitor by the Issuer, which replacement agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in the cover Monitor Agreement, and the agreement appointing such replacement ("*Replacement Cover Monitor Agreement*") is approved by the CMB.

In addition to the preceding paragraph, the Cover Monitor may resign, subject to the reasons of such resignation being submitted to the CMB in writing and the CMB's approval being obtained, from its appointment under the Cover Monitor Agreement upon giving at least 30 days' prior written notice if any action taken by any one or more of the Recipients causes a professional conflict of interest for the Cover Monitor under the rules of the professional and/or regulatory bodies regulating the activities of the Cover Monitor; *provided* that such termination may not be effected unless and until a replacement has been found for the Cover Monitor by the Issuer, which replacement agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in a Replacement Cover Monitor Agreement, and such Replacement Cover Monitor Agreement is approved by the CMB. The Cover Monitor will inform the Recipients as soon as reasonably practicable of any action of which the Cover Monitor is aware that may cause a professional conflict of interest for the Cover Monitor that could result in termination under this paragraph.

The Issuer may, at any time, terminate the appointment of the Cover Monitor under the Cover Monitor Agreement upon providing the Cover Monitor with at least 60 days' prior written notice; *provided* that such termination may not be effected: (a) unless the reasons of such termination are submitted to the CMB in writing and the CMB's approval is obtained and (b) until a replacement has been found by the Issuer, which replacement agrees to perform the duties (or substantially similar duties) of the Cover Monitor set out in the Cover Monitor Agreement, and a Replacement Cover Monitor Agreement is approved by the CMB.

The Cover Monitor Agreement is governed by Turkish law.

USE OF PROCEEDS

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

SUMMARY FINANCIAL AND OTHER DATA

The following summary financial and other data have been extracted from the Group's BRSA Financial Statements incorporated by reference into this Base Prospectus, without material adjustment. This information should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in such BRSA Financial Statements (including the notes thereto). See "Risk Factors – Risks Relating to the Group's Business – Audit Qualification."

	2016	2017	2018[1]
		(*TL thousands*)	
Interest income	22,617,659	28,360,370	41,246,027
Interest expense	(10,361,926)	(12,673,800)	(20,369,094)
Net interest income	**12,255,733**	**15,686,570**	**20,876,933**
Net fees and commissions income/expenses	3,275,690	3,860,413	5,102,687
Dividend income	9,088	7,816	7,691
Net trading income/losses (net)	(743,653)	(1,842,027)	(1,145,747)
Other operating income	2,113,576	1,942,284	3,517,425
Total operating profit	**16,910,434**	**19,655,056**	**28,358,989**
Provisions for losses on loans and other receivables	(3,387,096)	(3,681,863)	—
Expected credit losses	—	—	(10,836,246)
Other operating expenses[2]	(7,032,388)	(7,623,756)	(8,768,985)
Profit/(loss) before taxes	**6,490,950**	**8,349,437**	**8,753,758**
Provision for taxes	(1,343,191)	(1,961,463)	(2,047,153)
Net profit/(loss)	**5,147,759**	**6,387,974**	**6,706,605**
Attributable to equityholders of the Bank	5,105,291	6,332,056	6,641,652
Attributable to minority interests	42,468	55,918	64,953

(1) As of 1 January 2018, the Group started to apply TFRS 9 in its BRSA financial statements, *however*, it has not restated the comparative information for the prior periods within the scope of TFRS 9. Therefore, the information for 2016 and 2017 is not comparable to the information presented for 2018.

(2) Prior to 1 January 2018, "personnel expenses" were accounted for under "other operating expenses" line item. Effective as of 1 January 2018, personnel expenses are presented as a separate line item under "total operating profit" due to a change to the presentation of the financial statements as per new rules introduced by the BRSA. Therefore, for comparison purposes, this line item includes personnel expenses amounting to TL 3,645,278 thousand in 2018.

	As of 1 January 2018[1]	% of Total	As of 31 December 2018	% of Total
	(TL thousands, except for percentages)			
Assets				
Cash and cash equivalents	53,077,337	15.0	72,415,931	18.1
Financial assets measured at fair value through profit/(loss) (FVTPL)	1,083,674	0.3	559,876	0.1
Financial assets measured at fair value through other comprehensive income (FVOCI)	29,396,444	8.3	27,162,953	6.8
Financial assets measured at amortised cost	21,497,337	6.1	24,654,009	6.2
Derivative financial assets	2,617,709	0.7	4,093,695	1.0
Non-Performing Financial Assets	—	—	—	—
Expected credit losses (-)	(28,232)	(0.0)	(134,487)	(0.0)
Loans	234,720,508	66.3	256,548,861	64.3
Loans	*227,985,597*	*64.4*	*247,542,010*	*62.0*
Lease receivables	*5,438,422*	*1.5*	*6,068,225*	*1.5*
Factoring receivables	*3,359,986*	*0.9*	*2,279,270*	*0.6*
Non-performing receivables	*6,888,456*	*1.9*	*13,753,384*	*3.4*
Expected credit losses (-)	*(8,951,953)*	*(2.5)*	*(13,094,028)*	*(3.3)*
Assets held for sale and assets of discontinued operations	835,552	0.2	857,695	0.2
Ownership investments (net)	152,432	0.0	132,871	0.0
Tangible assets	4,096,651	1.2	4,494,918	1.1
Intangible assets	379,308	0.1	416,072	0.1
Investment property	559,388	0.2	558,309	0.1
Current tax assets	59,440	0.0	175,266	0.0
Deferred tax assets	1,398,305	0.4	1,519,177	0.4
Other assets	4,096,792	1.2	5,698,455	1.4
Total assets	**353,942,645**	**100.0**	**399,153,601**	**100.0**
Liabilities				
Deposits	200,773,560	56.7	245,016,346	61.4
Funds borrowed	37,772,327	10.7	33,339,727	8.4
Money markets funds	18,637,856	5.3	2,634,590	0.7
Securities issued (net)	20,759,469	5.9	26,911,463	6.7
Financial liabilities measured at FVTPL	9,367,375	2.6	12,312,230	3.1
Derivative financial liabilities	3,097,648	0.9	4,510,162	1.1
Provisions	3,486,400	1.0	5,369,512	1.3
Current tax liability	1,299,363	0.4	646,881	0.2
Deferred tax liability	14,365	0.0	19,121	0.0
Subordinated debts	2,849,471	0.8	3,977,018	1.0
Other liabilities	13,456,696	3.7	17,529,709	4.4
Total liabilities	**311,514,530**	**88.0**	**352,266,759**	**88.3**
Shareholders' equity	**42,428,115**	**12.0**	**46,886,842**	**11.7**
Total liabilities and shareholders' equity	**353,942,645**	**100.0**	**399,153,601**	**100.0**

(1) As of 1 January 2018, the Group started to apply TFRS 9 in the BRSA financial statements, *however*, it has not restated the comparative information for the prior periods for financial instruments in the scope of TFRS 9. Therefore, the opening balance sheet as of 1 January 2018 above is prepared in accordance with TFRS 9 and presented along with 31 December 2018 figures for comparison purposes.

	As of 31 December			
	2016	% of Total	2017	% of Total
	(TL thousands, except for percentages)			
Assets				
Cash and balances with central bank	23,951,474	7.7	33,603,641	9.5
Financial assets at fair value through profit or loss (net)	3,805,541	1.2	2,877,813	0.8
Banks	16,881,044	5.4	19,470,343	5.5
Interbank money markets	373,871	0.1	3,353	0.0
Financial assets available-for-sale (net)	23,983,448	7.7	26,277,988	7.4
Loans	201,409,096	64.5	229,353,285	64.4
Factoring receivables	2,851,223	0.9	3,379,768	0.9
Investments held-to-maturity (net)	23,109,696	7.4	24,314,540	6.8
Investments in associates (net)	37,261	0.0	35,751	0.0
Investment in subsidiaries (net)	115,858	0.0	116,681	0.0
Lease receivables (net)	5,794,260	1.9	5,788,436	1.6
Derivative financial assets held for hedging purpose	666,295	0.2	670,720	0.2
Tangible assets (net)	3,680,621	1.2	4,096,651	1.1
Intangible assets (net)	327,653	0.1	379,308	0.1
Investment property (net)	543,825	0.2	559,388	0.2
Tax asset	260,678	0.1	467,698	0.1
Assets held for sale and assets of discontinued operations (net)	605,015	0.2	835,552	0.2
Other assets	3,725,080	1.2	4,100,751	1.2
Total assets	**312,121,939**	**100.0**	**356,331,667**	**100.0**
Liabilities				
Deposits	178,689,813	57.3	200,773,560	56.4
Derivative financial liabilities held for trading	3,713,985	1.2	2,898,822	0.8
Funds borrowed	46,581,853	14.9	47,104,719	13.2
Interbank money markets	11,230,193	3.6	18,637,856	5.2
Securities issued (net)	17,745,648	5.7	20,794,452	5.8
Miscellaneous payables	9,339,748	3.0	10,376,346	2.9
Other external fundings payable	3,170,339	1.0	3,080,350	0.9
Derivative financial liabilities held for hedging purpose	343,314	0.1	198,826	0.1
Provisions	5,032,873	1.5	6,848,102	1.9
Tax liability	478,266	0.2	1,163,162	0.3
Subordinated debts	—	—	2,849,471	0.8
Total liabilities	**276,326,032**	**88.5**	**314,725,666**	**88.3**
Shareholders' equity	**35,795,907**	**11.5**	**41,606,001**	**11.7**
Total liabilities and shareholders' equity	**312,121,939**	**100.0**	**356,331,667**	**100.0**

Since the end of 2018 to the date of this Base Prospectus, the Bank has not issued any Tranche of Covered Bonds under the Programme.

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:

	As of (or for the year ended) 31 December		
Ratios	**2016**	**2017**	**2018[4]**
Net interest margin	4.8%	5.3%	6.0%
Net fees and commissions income/expenses to total operating profit	19.4%	19.6%	18.0%
Cost-to-income ratio	50.3%	46.2%	48.8%
Operating expenses to average total assets	2.4%	2.2%	2.2%
NPL ratio	3.0%	2.6%	5.1%
Group's capital adequacy ratios			
Tier 1 capital adequacy ratio[1]	13.6%	14.7%	14.2%
Common equity Tier 1 capital adequacy ratio[2]	13.6%	14.7%	14.2%
Total capital adequacy ratio[3]	14.7%	16.8%	16.5%
Allowance for probable loan losses to NPLs / expected credit losses to NPLs	130.7%	137.4%	95.2%
Return on average total assets	1.7%	1.9%	1.7%
Return on average shareholders' equity	15.2%	16.3%	14.8%
Loan-to-deposit ratio	112.0%	113.6%	104.4%
Loan loss provisions to gross loans / expected credit losses to gross loans	1.2%	0.7%	2.5%

(1) The "Tier 1" capital adequacy ratio is calculated by dividing the "Tier 1" capital (after required deductions) by the aggregate of the value at credit risk, value at market risk and value at operational risk. See "– Capital Adequacy" below.

(2) The common equity Tier 1 capital adequacy ratio is calculated by dividing the "Common Equity Tier 1" capital (after required deductions) by the aggregate of the value at credit risk, value at market risk and value at operational risk. See "– Capital Adequacy" below.

(3) The total capital adequacy ratio is calculated by dividing: (a) the "Tier 1" capital (*i.e.*, its share capital, reserves and retained earnings) *plus* the "Tier 2" 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. See "Capital Adequacy" below.

(4) As of 1 January 2018, the Group started to apply TFRS 9 in its BRSA financial statements, *however*, it has not restated the comparative information for the prior periods within the scope of TFRS 9. Therefore, the information provided as of (or for the year ended) 31 December 2016 and 2017 is not comparable to the information presented as of (or for the year ended) 31 December 2018.

The calculation of the Group's net interest margin for the indicated periods is as follows:

	2016	**2017**	**2018**
	(TL thousands, except percentages)		
Net interest income	12,255,733	15,686,570	20,876,933
Average interest-earning assets	257,056,721	296,327,234	346,062,400
Net interest margin	**4.8%**	**5.3%**	**6.0%**

The calculation of the Group's net fees and commissions income/expenses to total operating profit for the indicated periods is as follows:

	2016	2017	2018
	(TL thousands, except percentages)		
Net fees and commissions income/expenses	3,275,690	3,860,413	5,102,687
Total operating profit	16,910,434	19,655,056	28,358,989
Net fees and commissions income/expenses to total operating profit	**19.4%**	**19.6%**	**18.0%**

The calculation of the Group's cost-to-income ratio for the indicated periods is as follows:

	2016	2017	2018
	(TL thousands, except percentages)		
Net interest income	12,255,733	15,686,570	20,876,933
Net fees and commissions income/expenses	3,275,690	3,860,413	5,102,687
Net trading income/losses	(743,653)	(1,842,027)	(1,145,747)
Dividend income	9,088	7,816	7,691
Other income	2,113,576	1,942,284	3,517,425
Provisions for loans, provisions for marketable securities and general reserves	(2,930,441)	(3,148,923)	(10,387,479)
Total income	**13,979,993**	**16,506,133**	**17,971,510**
Other operating expenses	7,032,388	7,623,756	8,768,985
Total cost	**7,032,388**	**7,623,756**	**8,768,985**
Cost-to-income ratio	**50.3%**	**46.2%**	**48.8%**

The Group's other operating expenses for 2016 and 2017 are the other operating expenses (which at that time included personnel expenses) for the relevant period in the Group's BRSA Financial Statements as of and for the years ended 31 December 2016 and 2017. For 2018, the Group's other operating expenses in the above table reflect the sum of the other operating expenses and (due to a change to the presentation of the financial statements as per new rules introduced by the BRSA effective from 1 January 2018) the new separate line item for personnel expenses, both as provided in the Group's BRSA Financial Statements as of and for the year ended 31 December 2018.

The calculation of the Group's operating expenses to average total assets for the indicated periods is as follows:

	2016	2017	2018
	(TL thousands, except percentages)		
Other operating expenses	7,032,388	7,623,756	8,768,985
Average total assets	296,138,366	340,161,190	400,060,338
Operating expenses to average total assets	**2.4%**	**2.2%**	**2.2%**

The calculation of the Group's NPL ratio for the indicated dates is as follows:

	As of 31 December		
	2016	2017	2018[(1)]
	(TL thousands, except percentages)		
Loans	200,075,724	227,992,612	255,889,505
NPLs	6,124,461	6,176,985	13,753,384
Total loans	**206,200,185**	**234,169,597**	**269,642,889**
NPL ratio	**3.0%**	**2.6%**	**5.1%**

(1) As a result of the adoption of TFRS 9 as of 1 January 2018, the Group changed the provision calculation principles for loans and other receivables from the BRSA's rule-based provisioning approach to the forward-looking ECL approach and, as a result, the figures for 2018 are not comparable to the figures for the previous periods.

The calculation of the Group's allowance for probable loan losses to NPLs (or, after the implementation of TFRS 9 as of 1 January 2018, expected credit losses to NPLs) for the indicated dates is as follows:

	As of 31 December		
	2016	2017	2018
	(TL thousands, except percentages)		
Specific provisions	4,791,089	4,816,312	-
Expected credit losses (Stage 3)	-	-	8,124,589
General provisions	3,215,533	3,673,669	-
Expected credit losses (Stages 1 & 2)	-	-	4,969,439
Total provisions	**8,006,622**	**8,489,981**	**13,094,028**
NPLs	6,124,461	6,176,985	13,753,384
Allowance for probable loan losses to NPLs / expected credit losses to NPLs	**130.7%**	**137.4%**	**95.2%**

The calculation of the Group's return on average shareholders' equity for the indicated periods is as follows:

	2016	2017	2018
	(TL thousands, except percentages)		
Net profit/(loss)	5,147,759	6,387,974	6,706,605
Average shareholders' equity	33,924,259	39,085,286	45,164,334
Return on average shareholders' equity	**15.2%**	**16.3%**	**14.8%**

The calculation of the Group's return on average total assets for the indicated periods is as follows:

	2016	2017	2018
	(TL thousands, except percentages)		
Net profit/(loss)	5,147,759	6,387,974	6,706,605
Average total assets	296,138,366	340,161,190	400,060,338
Return on average total assets	**1.7%**	**1.9%**	**1.7%**

The calculation of the Group's loan loss provisions to gross loans (or, after the implementation of TFRS 9 as of 1 January 2018, expected credit losses to gross loans) for the indicated dates is as follows:

	As of 31 December		
	2016	**2017**	**2018**
	(TL thousands, except percentages)		
Specific provisions for loans and other receivables	2,717,101	1,782,034	-
Expected credit losses (Stage 3)	-	-	5,012,604
General provisions	213,321	497,877	-
Expected credit losses (Stages 1 & 2)	-	-	4,245,176
Total provision expenses	**2,930,422**	**2,279,911**	**9,257,780**
Collections	(656,107)	(727,291)	2,464,810
Net provision expense	**2,274,315**	**1,552,620**	**6,792,970**
Average total cash loans	186,667,435	220,056,324	267,427,429
Loan loss provisions to gross loans / expected credit losses to gross loans	**1.2%**	**0.7%**	**2.5%**

CAPITALISATION OF THE GROUP

The Group's total shareholders' equity as of 31 December 2018 amounted to TL 46,886,842 thousand, which was a 12.7% increase from TL 41,606,001 thousand as of 31 December 2017, itself a 16.2% increase from TL 35,795,907 thousand as of 31 December 2016. Shareholders' equity principally changes as a result of the Group's net profit/(loss) and changes in the amount of unrealised gains and losses on available-for-sale assets and, after the adoption of TFRS 9, financial assets measured at fair value through other comprehensive income (which changes are not included in profit/(loss)). The following tables summarise the components of the Group's shareholders' equity as of the indicated dates:

	As of 1 January 2018[(1)]	**As of 31 December 2018**
	(TL thousands)	
Paid-in capital	4,200,000	4,200,000
Capital reserves	784,434	784,434
Other comprehensive income/expense items not to be recycled to profit or loss	1,436,464	1,473,394
Other comprehensive income/expense items to be recycled to profit or loss	1,058,005	611,843
Profit reserves	27,869,150	32,977,973
Profit/(loss)	6,765,722	6,641,652
Minority interest	314,340	197,546
Total shareholders' equity	**42,428,115**	**46,886,842**

(1) As of 1 January 2018, the Group started to apply TFRS 9, *however*, it has not restated the comparative information for the prior periods. As such, the information as of 1 January 2018 is prepared in accordance with TFRS 9 and presented along with 31 December 2018 figures for comparison purposes. The information as of 31 December 2016 and 2017 is not comparable to the information presented for 31 December 2018.

	As of 31 December	
	2016	**2017**
	(TL thousands)	
Paid-in capital	4,200,000	4,200,000
Capital reserves	1,474,369	1,526,847
Securities value increase fund	*(543,625)*	*(317,814)*
Revaluation surplus on tangible assets	*1,691,062*	*1,747,869*
Hedging reserves	*(353,676)*	*(544,285)*
Other	*680,608*	*641,077*
Profit reserves	24,748,439	29,224,949
Profit/(loss)	5,105,291	6,332,056
Minority interest	267,808	322,149
Total shareholders' equity	**35,795,907**	**41,606,001**

For additional information on the Group's shareholders' equity, see Note 5.3.12 in Section Five of the Group's BRSA Financial Statements as of and for the year ended 31 December 2018.

The following table summarises the components of the Group's total capitalisation using the shareholders' equity figures set forth above:

	As of 31 December		
	2016	**2017**	**2018**
		(TL thousands)	
Total shareholders' equity	**35,795,907**	**41,606,001**	**46,886,842**
Subordinated debt	-	2,849,471	3,977,018
Total Capitalisation	**35,795,907**	**44,455,472**	**50,863,860**

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 BRSA 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 2018) the second largest private banking group in Turkey in terms of total assets. The Group's customers are comprised mainly of commercial enterprises, SMEs, foreign multinational corporations with operations in Turkey and customers from across the Turkish consumer market.

The Group served more than 16 million customers as of 31 December 2018 (per the Bank's internal definition: 15.9 million retail customers, 435,000 SME customers, more than 40,000 commercial customers and 2,500 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 2018, the Bank's services in Turkey were provided through a nationwide network of 926 domestic branches as well as sophisticated DCs, such as ATMs, call centres, internet banking and mobile banking. As of the same date, the Bank had eight foreign branches (one in Malta 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 two representative offices (one each in Düsseldorf and Shanghai), together with bank subsidiaries in the Netherlands (GBI) and Romania (Garanti Romania).

The Group had total assets of TL 399,153,601 thousand, performing loans (which excludes lease, factoring, non-performing receivables and expected credit losses) (*i.e.*, cash loans) of TL 247,542,010 thousand and shareholders' equity of TL 46,886,842 thousand as of 31 December 2018. The Group's return on average shareholders' equity was 14.8% during 2018. As of 31 December 2018, the Group's total capital adequacy ratio was 16.52% (14.20% when calculated using Tier 1 capital only or common equity Tier 1 capital only) calculated in accordance with applicable Basel III rules.

The Group's net profit/(loss) was TL 6,706,605 thousand in 2018, TL 6,387,974 thousand in 2017 and TL 5,147,759 thousand in 2016.

The Bank's shares have been listed on the Borsa İstanbul (or its predecessor the İstanbul Stock Exchange) since 1990 and, in 1993, it became the first Turkish company to list its shares internationally, listing global depositary receipts on the London Stock Exchange. In 2012, the Bank joined the top tier of the U.S. over-the-counter (OTC) market, OTCQX International Premier, for which companies must meet high financial standards and have an effective disclosure process. Trading on this market with 62 leading companies from around the world, the Bank ranked 30th by market capitalisation as of 31 December 2018, 61st by dollar volume of trading during 2018 and 42nd by volume of shares traded in 2018. The Bank has been included in the Borsa İstanbul's Sustainability Index and Corporate Governance Index since 2014 and, in 2018, was the only bank from Turkey listed in the Dow Jones Sustainability™ Emerging Markets Index (DJSI), for which it qualified in 2015.

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 BBVA's and the Doğuş Group's shares in the Bank were 39.90% and 10.00%, respectively. See "Ownership."

As noted in "Ownership," the Sellers and BBVA agreed to the Transaction on 21 February 2017, completion of which occurred on 22 March 2017, resulting in BBVA owning 49.85% of the total issued share capital of the Bank.

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 and dynamic balance sheet management and sound 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's high-quality and dynamic employee base is supported by the Group's experienced management team. Approximately 88% 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.

- 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 a strong brand and 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, cardless quick response (QR) code withdrawal, person-to-person mobile money transfers and mobile applications such as GarantiOne and BonusFlash.

- The Group blends the needs and tendencies of customers with evolving trends in order to offer innovative customer-oriented products and services, including via digital technologies.

- The Group's customer relationship management solutions allow for greater cross-selling and customer satisfaction through the use of sophisticated 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 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 proactive and consistent risk management and a disciplined credit approval process.

- The Group has established conservative provisions that are complemented by a sophisticated and efficient collection procedure in order to seek to maintain strong asset quality.

- 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 926 domestic branches (as of 31 December 2018). Backed by its investments in technology since the 1990s, the share that digital channels held in the non-cash financial transactions at the Bank was 95.5% in 2018. As of 31 December 2018, the Bank operated 5,258 ATMs, had a leading financial call centre (73.4 million customer contacts in 2018) and had significant market shares in internet and mobile banking.

Strategy

The Group's mission is to continuously and noticeably increase the value created for its customers, shareholders and employees, society and the environment by leveraging its effectiveness, agility and organisational efficiency. The Group's strategy has three pillars: customers, employees and business models. The strategic priorities of the Group are as follows:

- improving customers' experience,
- increasing digitalisation of the customer base and the share of the use of digital platforms in total sales,
- increasing employee satisfaction,
- improving efficiencies,
- optimising capital allocation to ensure sustainable growth, and
- ensuring a responsible and sustainable development.

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 other operations (the most significant of which is global markets). 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 15.9 million retail banking customers as of 31 December 2018.

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 domestic branch network for many years (from 478 at the end of 2006 to 926 as of 31 December 2018) 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 69.4 billion of Turkish Lira deposits and US$12.1 billion of foreign currency deposits as of 31 December 2018 (TL 59.6 billion of Turkish Lira deposits and US$12.9 billion of foreign currency deposits as of 31 December 2017 and TL 53.6 billion of Turkish Lira deposits and US$11.8 billion of foreign currency deposits as of 31 December 2016).

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 12.7% in 2017 to TL 48.2 billion and then decreased by 1.2% in 2018 to TL 47.6 billion. The Bank's primary consumer loan products are described below:

- *Mortgages*: In 2017 and 2018, the retail mortgage loan book grew by 8.1% and 7.3%, 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 80%, 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 66% as of 31 December 2018. The average original term of its mortgages on such date was 8.3 years, with most loans having an original maturity of either 5 or 10 years, and mortgages are issued with fixed interest rates. The Bank had a market share of 12.4% (with respect to outstanding mortgage loan balance for consumer loans) as of 31 December 2018 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 now 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 2017, the Bank's vehicle loan book grew by 7.2% and then decreased by 1.5% in 2018. The Bank's market share (by outstanding balance) was 11.6% as of 31 December 2018 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 18.6% in 2017 and then a further 5.2% in 2018. The Bank's market share (including overdraft, by outstanding balance) was 11.5% as of 31 December 2018 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 2018, the number of overdraft accounts operated by the Group was approximately 2.8 million, with an aggregate overdraft risk of TL 1,841 million.

Investment Products. The Bank's retail banking investment products include mutual funds, government bonds and equity securities. As of 31 December 2018, the Bank had TL 51.1 billion of assets under management in investment products. The Bank's principal strategies to increase its retail investment product sales, customers using digital channels and profitability include conducting cross-selling campaigns to deposit customers and utilising actively managed mutual funds (*e.g.*, a fund with a diversified multi-asset strategy that invests not only in Turkish equity and fixed income markets but also in the equity and fixed income markets in Europe, the United States and emerging markets and in precious metals and ETFs).

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 money market funds (which are generally invested in Turkish government securities). The product has been successful to date, reaching approximately 625,037 customers as of 31 December 2018.

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 8.2 million in December 2018. Moreover, the Bank extensively utilises DCs in providing cash management services – for example, more than 33.7 million cardless transactions (*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 2018. 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 2018, the Bank had 8,085 customers in its "affluent" category. 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 100,000 and US$500,000. As of 31 December 2018, the Bank had 508,422 customers in its upscale segment, including customers with the potential of having personal financial assets of over TL 100,000. These customers comprised approximately 3% 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 2018, the Bank had 14 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 issues debit and credit cards, acquires merchant vouchers and participates in related product development. In 2018, the Bank was the second largest issuer bank (with an issuing volume market share of 19.0%) in terms of issuing volume and the second largest processor of acquiring sales volume in Turkey (with an acquiring volume market share of 19.0%) 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. During 2018, total issuing volume amounted to US$31.5 billion with, as of 31 December 2018, approximately 10.1 million credit cards and

approximately 10.9 million bank debit cards. In 2018, total merchant partner acquiring volume was US$32.0 billion with 669,435 point of sale ("*POS*") devices (including shared POSs and virtual POSs) as of 31 December 2018.

The Bank earns an interchange fee for processing credit card payments and certain other revenues and, where the Bank is the card issuer, the Bank takes the credit risk and earns all interest and certain fees.

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

- The "Bonus Card," which is the flagship credit card brand of the Bank, had more than 7.2 million cards in issue and 451,161 merchant partners as of 31 December 2018. The Bank issues VISA, Mastercard and AMEX branded cards pursuant to customary licensing arrangements.

- The "Miles&Smiles Garanti" card is designed to serve frequent flyers in cooperation with Turkish Airlines. Miles&Smiles Garanti offers the cardholders the opportunity to earn flight miles from credit card purchases. As of 31 December 2018, there were over 1.0 million Miles&Smiles Garanti cards in issue. Turkish Airlines tenders this programme periodically and, while an expensive programme to participate in, the Bank's participation is profitable overall for the Bank due to the acquisition of the high-quality customers that it provides.

- In February 2006, the Bank 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 2018, there were approximately 77,000 Flexi cards in issue.

- "Money Bonus Card" was introduced in 2009 and provides the opportunity to earn and redeem "money," the points in Migros' rewards program, in over 1,500 sales points of Migros (a large Turkish grocery store) and affiliated stores (outlets) and their millions of customers. As of 31 December 2018, there were approximately 278,000 Money Bonus Cards.

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

- The Bank launched its first airline-agnostic traveling credit card ("Shop&Fly") in November 2018. Having a powerful value proposition, Shop&Fly offers a simple and easy travel program, flexible mile spending and flying experience. Shop&Fly cardholders can also take advantage of a variety of travel services from shopandfly.com.tr and can make various travel payments (flight, hotel, car rental, etc.) with their accumulated Shop&Fly miles.

- The Bank has also licensed the Bonus Card brand to other banks, which (as of 31 December 2018) had over 6.5 million "Bonus Card"-branded cards in issue. While the Bank does not carry the loans made under these cards, the Bank receives fees in connection with this business and the greater volume of Bonus Cards in circulation adds to the Bank' 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 40,000,000 in annual sales). 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 2018, the Bank served approximately 435,000 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 has been designed to permit SMEs to access extensive content (including recent data, financial recommendations and solutions for their businesses). In addition, mobile banking and digital banking, which respectively had approximately 162,000 and 225,000 active SME customers as of 31 December 2018, help 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: "Small Enterprise" (being those with annual sales from TL 2,500,000 to TL 8,000,000) and "Medium Enterprise" (being those with annual sales of more than TL 8,000,000 to TL 40,000,000 or annual sales using POS (per the BKM) of more than TL 3,500,000). As of 31 December 2018, 78% of the SME Banking Department's customers were in the "Small" sub-segment, with the remainder in the "Medium" sub-segment.

Commercial Banking

The Bank's Commercial Banking Department provides products and services to larger companies, with the department having separate "İstanbul" 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. Companies with annual sales or asset size over TL 40,000,000 and (as a last-12-month average) more than TL 20,000,000 in Turkish Lira-denominated cash loans (calculated based upon data provided by banks in the sector) are referred to as "Commercial." 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 39,157 customers as of 31 December 2018, the Bank's Commercial Banking Department delivers products and services through 29 specialised commercial branches in addition to the Bank's general mixed branches and benefits from 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 2,650 corporate clients as of 31 December 2018. These clients belonged to over 300 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.

Asset and Liability Management Department

The Group's operations and results rely to a large extent upon the Bank's Asset and Liability Management Department (the "*ALM*"), in which the Group centralises its asset and liability management operations. The ALM manages the Bank's interest rate, sovereign credit and liquidity risks in accordance with the objectives set by the Asset & Liability Committee (the "*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 prevailing market conditions, interest rates, volume trends on the balance sheet and risk parameters, the ALM creates and acts upon the Bank's 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 to be transferred to the ALM, which thus centralises the Bank's market risk management. In addition, by differentiating the transfer prices for different products with different risk factors, the ALM is able to develop and implement its strategic guidance on products and risk factors.

Global Markets

The Global Markets Department principally consists of the Trading Department (which coordinates the Group's trading functions and manages the risks inherent therein), the Global Market Sales and Financial Solutions Department (which allows the Bank's customers easier access to the financial markets) and the Global Markets Business Solutions 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.

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 Global Markets 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 Global Markets 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 Global Markets 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).

Global Market Sales and Financial Solutions Department

The Global Market Sales 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 Global Market Sales 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.

Global Markets Business Solutions Department

The Structured Products Unit, one of the units of the Global Markets' Business Solutions 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 Global Markets' Business Solutions Department. The Risk Control Unit also monitors the profitability and volume of global markets 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 Global Markets' Business Solutions Department, which unit also examines the confirmations of global markets 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 (GBI, which has offices in Amsterdam and Germany) and Romania (Garanti Romania).

The following tables reflect the contribution of the Bank and certain of its consolidated subsidiaries to the Group's profit/(loss) and assets as of the indicated dates; *however*, this information is provided on a "non-consolidating" basis (*i.e.*, without making adjustments for intra-Group transactions):

		As of 31 December		
Assets	**Ownership[1]**	**2016**	**2017**	**2018**
Türkiye Garanti Bankası	N/A	84.0%	83.6%	81.9%
GBI	100%	5.3%	5.0%	5.9%
GHBV and Romania businesses[3]	100%	2.4%	2.8%	3.4%
Garanti Leasing	100%	1.6%	1.4%	1.4%
Garanti Factoring	81.84%	0.9%	0.9%	0.6%
Garanti Pension and Life	84.91%	0.5%	0.6%	0.3%
Garanti Bank Moscow AO[4]	100%	NA	NA	NA
Garanti Securities	100%	0.0%	0.1%	0.1%
Garanti Asset Management	100%	0.0%	0.0%	0.0%
Structured Entities[2]				
Garanti Diversified Payment Rights Finance Company	0%	3.7%	4.0%	4.6%
RPV Company	0%	1.6%	1.6%	1.8%

		For the year ended 31 December		
Net Profit/(Loss)[5]	**Ownership[1]**	**2016**	**2017**	**2018**
Türkiye Garanti Bankası	N/A	91.9%	90.5%	89.2%
Garanti Pension and Life	84.91%	4.5%	4.6%	6.1%
GHBV and Romania businesses[3]	100%	0.2%	1.7%	2.0%
GBI	100%	0.9%	1.5%	0.9%
Garanti Securities	100%	0.4%	0.7%	0.8%
Garanti Factoring	81.84%	0.4%	0.4%	(0.4)%
Garanti Leasing	100%	1.5%	0.3%	1.2%
Garanti Asset Management	100%	0.2%	0.3%	0.4%
Garanti Bank Moscow AO[4]	100%	0.0%	NA	NA
Structured Entities[2]				
Garanti Diversified Payment Rights Finance Company	0%	0.0%	0.0%	(0.2)%
RPV Company	0%	0.0%	0.0%	0.0%

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

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

(3) Includes 100% ownership in GHBV and in the following Romanian businesses as of 31 December 2017 and 2018: Garanti Romania, Motoractive and Ralfi through G Netherlands.

(4) On 5 December 2016, the Bank sold its shares (representing 99.94% of the share capital) of Garanti Bank Moscow AO, which (with respect to income for the period before its sale) was included in the Group's BRSA Financial Statements for the year ended 31 December 2016.

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

The following provides brief summaries of each of the Bank's material subsidiaries other than Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş. ("*Garanti Technology*"), which is described in "Information Technology" below. As Garanti Technology is not a financial subsidiary, it is accounted for at cost in the Group's financial statements.

Garanti Bank International

Established in 1990, GBI is a mid-sized European bank established in Amsterdam, the Netherlands and serves a retail, corporate and institutional clientele. GBI offers financial solutions to its customers and counterparties in the areas of trade and commodity finance, cash management, private banking, treasury and structured finance, while maintaining multi-product relationships with local and global financial institutions around the world. GBI also provides targeted retail banking services in the Netherlands and Germany.

GBI is a wholly-owned subsidiary of the Bank and has a presence in Germany, Switzerland and Turkey. GBI operates under Dutch and European Union laws, and is under the supervision of the ECB, De Nederlandsche Bank (DNB) and De Autoriteit Financiële Markten (AFM).

GBI generated a net profit/(loss) of €14.0 million in 2018 (€26.2 million in 2017 and €15.6 million in 2016). GBI's total assets amounted to €4,291 million as of 31 December 2018 (€4,277 million as of 31 December 2017 and €4,831 million as of 31 December 2016).

Garanti Pension and Life

Garanti Emeklilik ve Hayat A.Ş. ("*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, with 1,150,560 participants, had a market share of 16.73% in the pension business as of 29 December 2018 according to the Pension Monitoring Centre (*Emeklilik Gözetim Merkezi*).

Garanti Pension and Life managed a portfolio of TL 11.1 billion as of 29 December 2018 and held a 14.54% market share in pension fund assets under management as of 29 December 2018 according to the Pension Monitoring Centre. An auto-enrollment system was introduced in December 2016 for public and private sector employees, with staged adoption starting in January 2017. Garanti Pension and Life, with 553,228 participants among private companies, was third in the market regarding pension fund management as of 31 December 2018 according to the Pension Monitoring Centre.

In the life insurance business, as of 31 December 2018 the company serviced 1.7 million insurance policyholders, on which business it generated TL 483.7 million in written premia in 2018 (TL 498.9 million in 2017 and TL 409.8 million in 2016). Garanti Pension and Life's direct premium production declined by 3% in 2018 as compared to 2017 and had a market share of 6.99% as of 31 December 2018 as published by the Insurance Association of Turkey (*Türkiye Sigorta Birliği*). Garanti Pension was the most profitable private company in the sector during 2018 according to the Insurance Association of Turkey.

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 profit/(loss) of TL 454,189 thousand in 2018 (TL 323,576 thousand in 2017 and TL 245,940 thousand in 2016).

Garanti Leasing

In 1990, the Bank established a leasing company, Garanti Finansal Kiralama A.Ş. ("*Garanti Leasing*"). In 2018, Garanti Leasing executed 1,785 new financial leasing deals (principally for the leases of business and construction machines) and recorded a total of US$493 million in new leases, as compared to 2,401 new financial leasing deals (US$524 million in new leases) in 2017 and 2,814 new financial leasing deals (US$741 million in new leases) in 2016. As of December 2018, the company had a market share of 10.35% for new contracts and a 10.29% market share in terms of transaction volume, each according to the Turkish Financial Institutions Association (*Finansal Kurumlar Birliği*). As of 31 December 2018, Garanti Leasing's total assets were TL 6,070,504 thousand (TL 5,440,877 thousand as of 31 December 2017 and TL 5,450,502 thousand as of 31 December 2016).

In 2018, Garanti Leasing had net profit/(loss) of TL 80,616 thousand (TL 20,747 thousand in 2017 and TL 84,003 thousand in 2016).

Garanti Holding and Romania Businesses

Garanti Holding BV ("*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 BV ("*G Netherlands*"). G Netherlands is the shareholder of Garanti Romania, Motoractive IFN SA ("*Motoractive*") and Ralfi IFN SA ("*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 2018, 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 2018, Garanti Romania operated 78 branches, 29 of which were located in the capital city Bucharest. The bank offers a full scope of universal banking products and services to its 411,397 customers (as of 31 December 2018) from the retail, SME and corporate segments. With 302,085 credit and debit cards and 8,803 active (11,493 in total) POS terminals as of such date, Garanti Romania ranked in the top ten in terms of the numbers of issued credit cards (with a market share of 5.53% (including non-banking financial institutions) and 6.72% excluding non-banking financial institutions), in the issued credit cards market as of 31 December 2018 and POS terminals (with a market share of 5.62%) in Romania, according to the public figures available from the Romanian National Bank as of 31 December 2018.

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 1,720 customers with 4,625 active contracts as of 31 December 2018 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 2018, Ralfi had 36,620 clients.

The consolidated asset size of GHBV was approximately €2.5 billion as of 31 December 2018 (€2.4 billion as of 31 December 2017 and €2.2 billion as of 31 December 2016). GHBV contributed €26.9 million to the Group's consolidated net profit/(loss) in 2018, as compared to €28.6 million in 2017 and €3.1 million in 2016.

Garanti Factoring

Garanti Faktoring A.Ş. ("*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$2.5 million in volume of receivables financed through factoring in 2018 (US$4.2 million in 2017 and US$4.7 million in 2016), representing a market share of 8.98% as of 31 December 2018 in Turkey according to the Association of Financial Institutions (*Finansal Kurumlar Birliği*).

Garanti Factoring had a net profit/(loss) for 2018 of TL (57,376) thousand mainly due to ECLs allocated prudently for certain credit files (TL 27,603 thousand in 2017 and TL 19,716 thousand in 2016) and the company's total assets amounted to TL 2,434,061 thousand as of 31 December 2018 (TL3,451,880 thousand as of 31 December 2017 and TL 2,899,452 thousand as of 31 December 2016).

Garanti Securities

Garanti Yatırım Menkul Kıymetler A.Ş. ("*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 $66 billion from its establishment in May 1991 through 31 December 2018 ($7 billion in 2018 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 2018, Garanti Securities provided brokerage services to 253,104 customers. In 2018, the company's market share in the equity market was 6.6%, ranking fourth in this market.

From the beginning of 2016, 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 12.2 billion in volume in 2018 on the futures and options market, compared to TL 10.8 billion in 2017 and TL 5.6 billion in 2016. As a result of volume growth, Garanti Securities had a 31.34% market share in the index options market as of 31 December 2018.

In 2018, foreign exchange client transaction volume decreased to US$14.3 billion from US$18.8 billion in 2017, which had decreased from US$57.8 billion in 2016. In 2017 and 2018, the decrease mainly resulted due to the reduced leverage levels imposed by the CMB in February 2017.

Garanti Asset Management

Founded in June 1997 as the first asset management company in Turkey, Garanti Portföy Yönetimi A.Ş. ("*Garanti Asset Management*") is a wholly-owned subsidiary of the Bank. As of 31 December 2018, Garanti Asset Management managed 20 mutual funds, in which Garanti Asset Management is also the owner/issuer, two mutual funds established under BBVA Durbana International Fund (SICAV), 22 pension funds of Garanti Pension and Life, 21 pension funds owned by other pension companies and the portfolio of Garanti Yatırım Ortaklığı A.Ş. (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 8.79% as of 31 December 2018 according to Rasyonet, a third-party data vendor. Total assets under management amounted to TL 18.0 billion as of such date. The market share of pension funds was 14.48% as of 31 December 2018 (according to Rasyonet). The mutual funds managed by the company had a market value of US$0.8 billion as of 31 December 2018. 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).

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 and Garanti Romania, 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 2018 the Bank's international network included more than 2,000 correspondent banks in over 150 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 16.5% share in Turkey's import letters of credit by number during 2018. 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 2018, the Bank had 926 domestic branches, seven branches in Northern Cyprus, one branch in Malta and representative offices in Düsseldorf and Shanghai. 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 an extensive distribution network, operating 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).

To enhance customer experience and capture the benefits of the increasing digital options, the Bank has introduced a new branch service model named "Garanti Plus." This new model integrates digital services more seamlessly into traditional branch services, positioning the Bank to be well prepared for future developments in service delivery. Garanti Plus has three main objectives: (a) improving customer experience, (b) increasing customer migration to the Bank's digital platform, thereby reducing branch dependency, and (c) upgrading employees' capabilities and thereby improve sales and operational efficiency. After a pilot program that was started in May 2017, the Bank transformed its entire domestic branch network to the new "Garanti Plus" service model, which seeks to decrease waiting times for customers and otherwise improve the customer experience and increase the efficiency of the Bank's sales force.

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 over TL 880 million for 2018 (TL 650 million for 2017 and TL 500 million for 2016).

- *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 2018, 60.9% of the revenue of products sold were generated through DCs within Bank.

In addition to high-quality banking services, DCs also provide convenience-oriented value-added services like Western Union remittances both online and via ATMs, mobile remittances, video agent services as well as online/mobile stock account openings and instant stock exchange services.

The Bank seeks to leverage its customers' experience on DCs by utilising experience and new technologies. In 2018, the Bank introduced "UGI" to its mobile banking platform. UGI is an artificial intelligence-based virtual assistant (a "bot") that performs banking transactions in a hands-free manner. It is a world-leading service among similar applications with its extensive and sophisticated understanding capacity and the ability to provide services for hundreds of thousands of different customer intents. UGI essentially allows users of the mobile app to speak to transact, including to obtain answers to questions about the latest account activity, to perform transfers, to buy or sell foreign currency or to find out an exchange rate. UGI's capability for understanding complex inquiries such as "how much did I spend on my credit card for groceries" differentiates UGI from most other virtual banking assistants. Another superior characteristic of UGI is providing an omni-channel experience - if users' requests cannot be addressed on the app, then UGI suggests other ways as a solution. As of 31 December 2018, 1.3 million customers have had more than 12 million interactions with UGI.

Until recently, the process for a customer to open an equity investment account was available only in branches which took approximately one hour, including sign approximately 50 pages. The Bank recently digitalised this process and an account can now be opened in as little as five minutes through a single digital approval, resulting in a significant increase in account openings. In 2018, more than 90% of new equity investment accounts were opened digitally.

Consistent with advances in technology and customer preferences, the Bank's customers are shifting their choice of distribution channel. In 2018, 95% of all non-cash transactions by the Bank's customers 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 7.1 million active digital banking users as of 31 December 2018. The Bank's internet banking service processed over 105 million financial transactions and offered more than 500 types of transactions in 2018. 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 2018, the Bank had approximately 6.4 million active mobile customers. In addition to conventional banking products, customers can use these platforms to buy modular insurance and travel health insurance and obtain certain general purpose loans that have been developed specifically for the needs of digital customers. The mobile banking platform offers many technological features such as login via eye scanning, money withdrawal/deposit and foreign exchange withdrawal/deposit using QR (quick response) technology and the "UGI" virtual assistant.

- *ATMs*: The Bank's 5,258 ATMs, as of 31 December 2018, served approximately 6.3 million different customers monthly during 2018. The ratio of cash withdrawal transactions to total transactions exceeded 60% during 2018, whereas the ratio of money withdrawals through the use of QR codes increased from 3% to 9% in 2018. In addition, new transactions became available for visually impaired customers and the customers of other banks (who can use the Bank's ATMs with their bank cards) on the Bank's ATMs, including credit card debt payment and money deposit transactions.

- *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 2018, the call centres had 5,083,845 million customer contacts and the accumulated individual sales of products through call centres was 3,682,862 million. The call centre offers a "call steering service" pursuant to which customers can be directed to the related menu by saying their transaction needs without pressing any menu button on the phone. Last year, the call centre began offering a free speech solution that authenticates users while they are naturally talking with agents during their call with the call centre, which allows users to perform banking transactions without the need for any additional security questions.

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 2016, 2017 and 2018, the Group had 22,841, 21,850 and 21,316 employees, respectively. The decline in staffing in 2017 and 2018 was a result of natural attrition while the Bank's human resources department has frozen hirings since 2016.

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). None of these incentive policies include arrangements for the involvement of employees in the capital of the Bank.

Properties

As of 31 December 2018, the total net book value of the Group's tangible assets (net) (which includes land, buildings and furniture) was TL 4,494,918 thousand, which was 1.1% 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.

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 2018, Garanti Technology was responsible for the processing of approximately 950 million transactions a day on average, with up to 1,228 million transactions a day on peak days. The financial and core banking applications within Garanti Technology are developed by a team of over 540 software developers.

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 Terrorism and Anti-Bribery Policies

Turkey is a member country of the Financial Action Task Force (the "*FATF*") and has enacted laws to combat money laundering, terrorist financing and other financial crimes. Minimum standards and duties include customer identification, record keeping, suspicious activity reporting, 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 that 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 and practices might arise from these recommendations, which the Bank will monitor.

Compliance with Sanctions Laws

OFAC administers laws that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, SDNs, and similar laws have been put in place by other U.S. government agencies (including the State Department), the EU, the United Kingdom, the United Nations and Turkey. The Bank maintains policies and procedures designed to ensure that it complies with all such laws 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 checks whether such customer is listed as a Sanction Target. In addition, the names of all customers and all incoming and outgoing transactions are continuously and automatically screened against 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 S&P, Moody's, Fitch and JCR Eurasia as of the date of this Base Prospectus is set out below. Each of S&P, Moody's and Fitch is established in the EU and is registered under the CRA Regulation. JCR Eurasia, which is not established in the EU and is not registered in accordance with the CRA Regulation, is not included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation; *however*, it is a founding member of the European Association of Credit Rating Agencies and its parent (Japan Credit Rating Agency Ltd.) is in the ESMA list. 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.

S&P (17 August 2018)

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

Moody's (26 September 2018)

Deposit Outlook:	Negative
Long Term Foreign Currency Deposit:	B2
Long Term Turkish Lira Deposit:	B1
Short Term Foreign Currency Deposit:	Not – Prime
Short Term Turkish Lira Deposit:	Not – Prime
Senior Unsecured Debt Outlook:	Negative
Senior Unsecured Debt:	B1
Baseline Credit Assessment (BCA):	b2
Adjusted BCA:	b1
National Scale Rating (NSR) Long Term Deposit:	A1.tr
NSR Short Term Deposit:	TR-1

Fitch (1 October 2018)

Outlook:	Negative
Long Term Foreign Currency:	BB-
Short Term Foreign Currency:	B
Long Term Turkish Lira:	BB
Short Term Turkish Lira:	B
Viability Rating:	b+
Support:	3
National:	AA (tur)

JCR Eurasia (17 August 2018)

Outlook FC/LC:	Negative
Long Term International Foreign Currency:	BBB
Long Term International Turkish Lira:	BBB+
Long Term National Local Rating:	AAA(TrK)
Short Term International Foreign Currency:	A-3
Short Term International Turkish Lira:	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 programmes. 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 as of such date) on the Bank with the possibility of the Bank's appealing the decision to the 13th Chamber of the Council of State. The Bank has filed a lawsuit for the cancellation of the administrative fine following its receipt of the detailed decision of the Turkish Competition Board; *however*, according to the Law on Protection of Competition No. 4054, filing a lawsuit against 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. Following the Bank's receipt of the notification of the 13th Chamber of the Council of State's decision rejecting the Bank's annulment action, the Bank appealed such court's decision on 22 February 2016. The appeal was rejected by the Council of State, Plenary Session of Administrative Law Chambers and the Bank requested a revision of the decision on 29 March 2019. 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; *however*, the 13th Chamber of the Council of State has also rejected the appeal. On 1 July 2016, the Bank requested the revision of such decision from the Council of

State, Plenary Session of Administrative Law Chambers. 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, numerous customers have filed individually small claims against the Bank on the grounds that such customers have suffered damages. Of the approximately 1,000 lawsuits that have been initiated as of the date of this Base Prospectus, only a very small number have resulted in a court decision as of the date of this Base Prospectus, with all but one of those decisions resulting in a dismissal of the lawsuit. The Bank is appealing the one case that was decided against it. While the burden of proof lies with the customers and the Bank's management is of the view that no real damage was caused to any customers, there can be no guarantee that the Turkish courts would agree with such analysis and the number of such claims may increase. 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 (the "*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 court of first instance has rejected such action and the Bank has appealed such decision. On 9 February 2018, the 8th Administrative Chamber of the İstanbul Regional Administrative Court cancelled the fine imposed against the Bank; *however*, the Custom Ministry appealed the decision before the 13th Chamber of the Council of State. 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 claims against the Bank represent an insignificant portion of this lawsuit and the Bank's management believes that the subject matter of this lawsuit should not have any material monetary or administrative impact on the Bank's ability to conduct its business. On 13 September 2017, the French court found the Bank not guilty for its activities in 2008 and early 2009 given its compliance with "know-your-customer" rules and account opening processes; *however*, the court decided to impose a fine of EUR 8 million with respect to the Bank's account closing actions during mid-2009. In addition, the French Treasury asked for civil damages from all of the defendants in the relevant lawsuit for the tax losses that it suffered. Accordingly, the Bank, jointly with the other defendants, will be subject to a damages claim for up to EUR 25 million. On 20 November 2017, the Bank filed an appeal against the decision of the French court. The Bank's management is of the view that the Bank has complied with all applicable laws and has no wrongdoing in this matter.

MORTGAGE ORIGINATION, APPROVAL AND SERVICING

The Bank's residential mortgage loan portfolio is almost entirely generated by the Bank, which also services its own residential mortgage loan portfolio. The following summarises the Bank's origination process, its approval process and its servicing of the residential mortgage loan portfolio.

Origination. The Bank offers approximately 21 different residential mortgage loan products, including purpose-based products (*e.g.*, products for home purchase, refinancing or home equity loans), payment plan-based products (*e.g.*, annual or other customised payment plans) and other special products (*e.g.*, zero cash-down mortgage loans). The Bank has been the pioneer in the mortgage market since June 2007 and the market leader among private banks, including foreign banks operating in Turkey. The Bank (based upon the outstanding principal amount of residential mortgage loans) had a market share of approximately 12.36% as of 31 December 2018 (source: BRSA).

While certain of the Bank's residential mortgage loan products are of greater application for certain categories of potential borrowers, almost all of its mortgage loans are generated through four points of contact with the Bank - directly at its branches, remotely through the internet and a call centre, through independent real estate agents and through real estate projects.

The origination process is mostly initiated through the Bank's branches, which originated residential mortgage loans representing 53.7% of the total principal amount of residential mortgage loans originated by the Bank in 2018. The Bank has at least one mortgage expert in each of its retail branches, each of whom has direct contact with branch customers to answer questions, assist with their submission of a loan application and continue as the primary point of contact with the customer throughout the application process.

Referrals from independent real estate agents resulted in a further 32.0% of the residential mortgage loan portfolio in 2018. Each real estate agent who refers a successful origination process is paid by the Bank a fee varying between TL 118 and TL 500 (in average, TL 170 was paid to real estate agents for each successful origination in 2018). As real estate agents are not dedicated solely to the Bank, they are free to provide their customers with information about loan products offered by the Bank's competitors, so the Bank is focused on maintaining good relationships with real estate agents.

A further 5.7% of the Bank's residential mortgage loans in 2018 were referred to the Bank by real estate projects. Unlike real estate agents, in these projects, the Bank has an agency arrangement with the developer of the project and (while borrowers can choose whichever lender they wish) the developer cannot market mortgage loan products from the Bank's competitors. In these projects, the Bank generally grants mortgage loans during the construction phase, with the developer of the project providing a guaranty for any non-payment by any borrower. The Bank carefully selects the projects and developers with whom it works in these transactions, and principally focuses on projects that have a state enterprise as the land owner or smaller developers. The Bank occasionally participates in larger developments, though this is less common due to the much higher levels of concentration, construction and other risks. The remaining mortgage loans in 2018 were originated through the Bank's own call centre, which utilises customer contacts collected from the Bank's internet portal. Supporting this and the Bank's other residential mortgage lending business, the Bank engages in both mass and targeted marketing in various media.

Approval. Upon submission of a mortgage loan application to a branch or a call centre (whether initiated at the Bank or from a referral from a real estate agent or project), the Bank gathers information and documents from and about the applicant (*e.g.*, income statements, employment details and credit history) in order to start the approval process. The Bank undertakes an automated evaluation of the requested loan using an internally developed "scorecard" that rates applicants based upon various criteria. Where a co-signer or guarantor would be liable on the mortgage loan, the analysis of the application takes into account their creditworthiness.

In this analysis, the Bank (upon receipt of all needed information) undertakes a credit assessment of the applicant using the same processes applicable to other potential credits to such an applicant and evaluates the credit application via an internal automatic decision system. Considerations in this analysis included whether the employee is a private or public sector worker, a shareholder of a company, a retired individual or an individual continuing to

work after retirement, an individual with additional income such as rent or interest income or an individual with farming income).

The call centre agent or an employee of a branch collects various information about each applicant through the credit application system, including the following: (a) the profession, income and address of the customer, (b) the purpose, term and amount of the requested credit and (c) other demographical information to be used for the evaluation of the application. The information received from the credit application system is then verified against the documents received from the customer and scanned into the Bank's electronic system. The information and documents collected and verified during the credit application process are maintained in the Bank's internal systems and are used for control purposes. The credit utilisation documents are printed in the branch, while other documents are kept in the Bank's electronic archive system and may be accessed by the audit department or the credit approval authority online.

Recognizing that the automated system's results are directly dependent upon the quality of the information input into the system, the Bank has developed a sophisticated internal model for estimating future income, calculating an applicant's monthly payment capacity, identifying a probability of default by the applicant and valuing the real property that would be mortgaged. Certain of these calculations benefit from information obtained from third parties, such as the Central Bank or Turkey's credit bureaus, while other information comes directly from the Bank's history with the applicant (*e.g.*, is he or she a payroll customer of the Bank, has he or she obtained loans from the Bank in the past, what levels of deposits and other funds does he or she maintain with the Group?).

The re-payment capacity and debt level of a mortgage applicant are basic factors in determining the limit for any credit that might be provided. The applicant's monthly debt payment capacity is determined by a model developed by the Bank for estimating future income, the income/salary declared or documented by the applicant and the amount of the applicant's monthly debt service. The LTV ratio, which is calculated according to an appraisal report on the relevant property, is determined within the scope of legal limits. The reasons that most frequently result in the rejection of an application include: (a) a history of non-payment being disclosed in the applicant's report from Turkey's credit bureau, (b) negative records of the applicant in the Bank's own database based upon the Bank's history with the applicant, (c) appearance of the applicant in the blacklist of the Bank's fraud database, (d) incomplete or false information in the application documentation and (e) insufficient monthly income of the applicant.

An important element of the analysis of an application is the appraisal report of the real property that would be mortgaged. All appraisal reports are prepared by independent appraisal firms. Three independent regulatory institutions (the BRSA, the CMB and the Appraisers Association of Turkey (*Türkiye Değerleme Uzmanları Birliği*)) monitor and authorise each real property appraisal business in Turkey. As of 31 December 2018, there were 131 real property appraisal companies licensed by the BRSA and 135 real property appraisal companies licensed by the CMB. The appraisal companies each use three appraisal methodologies for each property: a comparison approach, an income approach and a cost approach. Upon receiving a mortgage loan application, the Bank's banking system randomly selects an appraisal firm to which to send an appraisal request. Following receipt of an appraisal order, an appraiser will: (a) visit the relevant Land Registry Office, municipality and (for on-site measurements) the real property to be mortgaged, (b) conduct research regarding reference values and (c) prepare and submit an appraisal report to the Bank. The Bank's appraisal team review and either accepts or rejects each report. The applicable appraisal report must be reviewed and approved by the Bank's appraisal team before a mortgage loan application can be considered.

Servicing. Once a residential mortgage loan is funded, the Bank's branches are charged with monitoring the loan on the Bank's banking system. This process includes ensuring that payments are made promptly and in full and that any necessary evidence of insurance is delivered.

In all of the Bank's residential mortgage loans as of 31 December 2018, payment is made by the Bank removing the relevant payment from a bank account maintained by the borrower with the Bank. Each borrower is required to maintain an account with the Bank throughout the life of the mortgage loan and ensure that it is funded as needed so that the Bank can apply such funds to the mortgage payment in a timely fashion.

If a borrower misses two consecutive payments within an approximately 31 day period, then the Bank sends a notification to the borrower declaring the loan due and payable and requesting repayment in full to be made within 45 days. Once a mortgage loan is 90 days in arrears, it is labelled as "delinquent." If the customer does not make the necessary payments while its loan is "delinquent," the Bank sends a warning letter via public notary, transfers the loan balance to a "problematic receivables" account and labels the loan as an NPL. If no collection is made from the customer in a further 30 days, then the loan is transferred to the Bank's legal services department for legal process or other appropriate remedial action.

Where legal process is initiated, the Bank issues a warrant of execution and submits an application for the appraisal of the mortgaged property via the office of a Turkish bailiff. The bailiff commences a public auction for the mortgaged property and starts with a minimum bid price of 50% of the appraised value. If the property cannot be sold at the first auction, then a second public auction is announced for a date at least 25 days after the first auction and the minimum bid price is again set at 50% of the appraised value. In both auctions, the Bank has the option to buy the property. Following a legally required objection period provided to the debtor, the bailiff finalises the sale of the property to the winning bidder and transfers to the Bank the amount required to repay the mortgage loan in full (or as much thereof as possible). The period of collection may be extended due to: (a) the debtor making an objection to the appraisal value of the real estate (in which case the debtor must present a final decision of the enforcement court) and (b) the debtor initiating a lawsuit for cancellation of the auction; *provided* that the debtor deposits 20% of the winning auction price before initiating a lawsuit for cancellation of the auction (such deposit is retained by the court if the court does not decide in favour of the debtor).

The ratio of NPLs in the Bank's portfolio of residential mortgage loans was 0.96% as of 31 December 2018, as compared to 0.52% in the Turkish banking sector as of the same date according to the BRSA. The recovery rate of the Bank's residential mortgage loan NPLs was (in 2018): (a) 57.8% in the first 12 months after the initial payment default, (b) 79.4% in the first 24 months and (c) 87.2% in the first 36 months, largely representing value obtained through the sale of the related mortgaged property.

RISK MANAGEMENT

General

The Bank measures and monitors its risk exposure on a consolidated and unconsolidated basis by using methods compliant with international standards and in accordance with applicable law. Advanced risk management tools are utilised in measuring operational risk, market risk, asset and liability risk, counterparty credit risk and credit risk. Within these categories, the Bank seeks to identify the risks and risk factors from various perspectives, including customer-centeredness, workplace, ethics and citizenship, finances and leadership, and prepares a set of action plans to mitigate these risks. The Bank also focuses on the reputational risks that it faces. The risks are then monitored by the relevant committees within the Bank.

The Bank's risk management strategies, policies and implementation procedures are reviewed within the framework of the Bank's needs and changes to law. The risk management process is designed so that the material themes and strategic goals are linked and form the basis for identifying risks and opportunities. Through the Bank's risk appetite framework, the Bank's management determines the risks that it is prepared to take based upon the predicted capability of the Bank to manage such risks so as to achieve the goals and strategic objectives that are defined by the Board. Risk-based limits and metrics pertaining to capital, liquidity and profitability, each of which are determined per the risk appetite framework, are monitored regularly.

The Risk Management Department handles the preparation of an internal capital adequacy assessment process report (the "*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 a stress test report to the BRSA, which report (*inter alia*) analyses the impact of potential negative macroeconomic data on the Bank's three-year budget plan and results within the framework of certain scenarios, as well as 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 4.10 of the Group's 31 December 2018 BRSA 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 in accordance with applicable laws, its internal policies and procedures and internationally accepted methodologies, which are implemented in line with the Bank's structure. 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 fluctuations in the market price of positions that it maintains on or off its balance sheet for trading purposes and is calculated daily using the VaR model. The VaR is a measure of the maximum expected loss in the market price of a portfolio with a certain maturity at a certain confidence interval and a certain probability as a result of market value fluctuations. The VaR is calculated using a historical simulation method and two-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. Market risk is managed through capital, VaR and stop/loss limits approved by the Board. These limits, which are determined according to annual profit/loss targets, are monitored and reported daily by the Market Risk and Credit Risk Control Departments. In addition, a valuation function is performed by the Market and Structural Risk Department, which is independent from (and does not report to) the applicable line of business.

In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model.

Structural Interest Rate Risk Management

To determine and manage the Bank's exposure to structural interest rate risk arising from maturity mismatches in its balance sheet, the Bank's duration gap, economic value of equity ("*EVE*"), economic capital ("*ECAP*"), credit spread risk, net interest income ("*NII*"), earnings at risk ("*EaR*") and securities portfolio are monitored by measuring market price sensitivity.

The interest rate risk metrics that are calculated and the related reports that are generated are used by the Bank's management in managing balance sheet interest rate risk under the supervision of the ALCO. Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that might arise in the economic and financial environment under stress, in each case applying both internal and regulatory requirements for managing interest rate risk.

The results of stress tests are used by the Bank's management as one input in determining the Bank's risk appetite, limits and budgets, for generating balance sheet management strategies and for evaluating the Bank's need for capital. Within this framework, internal limits for EVE sensitivity, ECAP, NII sensitivity, EaR, securities revaluation differences, securities EVE sensitivity and credit spread risk are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis using the standard shock method. Regulatory limits are monitored and reported to the BRSA on a monthly basis. The Bank also monitors that its subsidiaries set and monitor internal structural interest rate risk limits.

Structural Exchange Rate Risk Management

The potential impact of negative exchange rate fluctuations upon the Bank's capital adequacy ratio and foreign currency risk-weighted assets is regularly followed up, monitored according to internal limits and reported, including in circumstances in which the Bank performs material operations in currencies other than the local currency or maintains positions for shareholders' equity-hedging purposes. The analyses conducted in this framework are expanded to encompass potential sensitivities that might result from Bank-specific negative events or changes in the market by supervising the regulatory and internal structural exchange rate risk management requirements. In addition, the Bank's foreign currency position and the profit/(loss) movements resulting from this position are monitored and reported at regular intervals, as is the foreign currency sensitivity of the Bank's 12 month projected profit and loss expectation. The Bank also monitors that its subsidiaries set and monitor internal structural exchange rate risk limits.

Liquidity Risk Management

Within the framework of liquidity and funding risk policies approved by the Board, liquidity risk is managed under the supervision of the ALCO and the "Weekly Review Committee" in order to take appropriate and timely measures in case of reduced liquidity arising from market conditions or due to the Bank's financial structure. Under the liquidity contingency plan approved by the Board, the Bank monitors liquidity risk within the scope of stress indicators and thresholds that anticipate potential liquidity stresses that could activate the Bank's liquidity contingency plan. This plan includes communication procedures, predefined measures and action plans and a detailed allocation of roles and responsibilities in the circumstance of a liquidity stress event.

A liquidity risk stress test is performed each business day in order to identify potential liquidity tensions and to ensure that the Bank has a sufficient liquidity buffer to face exceptional liquidity stresses. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based upon maturity buckets and to manage short-term funding sources effectively, while compliance with minimum regulatory liquidity ratios is monitored. Core deposit and average life analyses are performed for deposits, which are an important balance sheet item in terms of liquidity management. Concentrations in liquidity and funding risks are monitored. During 2018, intraday liquidity risk began to be monitored regularly using defined metrics. Under the contingency plan within the intraday liquidity risk procedure approved by the Risk Management Committee, situations anticipating intraday liquidity stress, which could activate the contingency plan, are monitored and stress

testing is performed for intraday liquidity risk. Within the "internal capital adequacy assessment process" ("*ICAAP*"), liquidity planning is performed annually. Stress test results for subsidiaries are monitored and the Bank monitors that its subsidiaries for which liquidity risk is applicable establish and monitor internal liquidity and funding limits to assess the robustness of their liquidity and funding structures and have liquidity and funding risk policies (including a liquidity contingency plan) approved by their respective boards of directors.

Credit Risk Management

Credit risk management, which involves a process of consistently evaluating and monitoring credit risk, and covers all of the Bank's credit portfolios. The adequacy of the Bank's internal capital is evaluated with stress tests and scenario analyses, which (including in reports to the Bank's management) are compared to their historic performance.

Within the scope of ICAAP and stress testing, the internal capital for credit risk, credit concentration risk calculations, stress tests and scenario analyses are evaluated on an annual basis. All credit units are coordinated to assess their compliance with internal credit requirements, which assessment is then reported to the relevant committees for their analysis and action.

Under the asset allocation performed annually in view of risk-based return, nominal limits are determined for credit portfolios, for which approval of the Board is required. Internal capital thresholds and risk-adjusted return targets for the entire portfolio are determined and monitored within the framework of asset allocation limits. Impact analyses are performed according to updated or renewed risk parameters and necessary documents are presented to the relevant committees from whom approval is required. In addition, development and improvement projects are carried out for the systemic automation of calculations and analyses.

In order to rate customers in the loan portfolios using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures of the Bank. The probability of default calculated by models for loan portfolios, loss given default, credit conversion factors and other parameters are used for credit allocation authorisations, internal capital allocation, risk appetite indicators, asset allocation limits, risk-based profitability calculations, budgeting, concentration risk calculations and stress tests. In TFRS 9, the output of the internal credit decision systems as specified above (i.e., the internal risk rating models, retail application and behavioural scorecards) are, together with other important explanatory variables, used as risk drivers to determine the final score category and the corresponding probability of default, which is used in the calculation of expected credit loss.

All of the methods and methodologies for credit risk management are subjected to qualitative and quantitative validation, and periodic monitoring of the models' performance is undertaken in order to determine whether any revisions are needed.

Operational Risk Management

Operational risk is managed on the basis of the three lines of defence approach within the framework of risk management policies approved by the Board. The Board determines the 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 in relation to all activities, processes and products.

In the first line of the three lines of defence approach adopted for operational risk management, all business lines and departments of the Bank take part and manage their operational risks within the framework of the Bank's policies and implementation principles. The second line of the three lines of defence approach adopted for operational risk management supports the Bank's senior management for understanding and managing the operational risks that the Bank is exposed to and the Board's monitoring of operational risk management activities. This second line of defence consists of the Internal Control Unit, Risk Management and Compliance Department, which are independent units that report directly to the Board. In addition, units that have responsibility for factors that have a potential direct and/or indirect impact upon the Bank's general operational risk level (***e.g.***, the Financial

Reporting and Accounting Department and the Anti-Fraud Monitoring Department) provide support, to the extent necessary and appropriate, to the management of operational risks that other units are exposed to in accordance with Article 26 of the Operational Risk Management Guide published by the BRSA. The risk management that takes place in the second line of defence designs measurement and assessment tools (*e.g.*, loss data, scenario analyses, risk indicators and self-assessment and a new product approval process) as part of operational risk measurement and management and provides the necessary guidance and coordination for their use. The Risk Management Department uses the data obtained by measurement tools to generate reports for the Bank's management and the Board. The Internal Audit Department, which performs internal audit activities, is the final line in the three lines of defence approach for operational risk management. The Internal Audit Department independently reviews all aspects of the operational risk management framework.

Reputational Risk Management

The Bank identifies, evaluates and manages its reputational risk, seeking to avoid transactions and activities that might cause reputational risk in the view of the Bank's customers, legal authorities and other stakeholders. Training of employees is held with the aim of raising awareness about reputational risk throughout the Bank and encouraging all employees to fulfil their applicable duties and responsibilities. In order to ensure efficient management of reputational risk throughout the Bank, the Bank monitors the Bank's reputation and seeks to protect its reputational risk through a methodical approach, taking necessary precautions before reputational risk occurs.

This methodical approach includes regularly reviewing and updating its map of reputational risks that it faces and the set of action plans to mitigate these risks. The Bank defines key risk indicators for each risk factor in order to monitor the strength of the risk mitigation procedures, including identifying the risks and risk factors from various perspectives, including customer-centeredness, workplace, ethics and citizenship, finances and leadership. Efforts carried out to this end include: (a) monitoring the media, the press and social media platforms with respect to the Bank's reputation, conducting a regular reputation analysis and managing potential impacts, (b) ensuring continued awareness of compliance with laws, corporate standards, codes of conduct and best practices and (c) developing of processes that support the management of IT/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 measures, monitors and creates limits for this risk in line with this policy. The Bank uses the "internal model method" to measure and report its counterparty credit risk for derivative transactions, repurchase transactions and security and commodity lending and uses the "current exposure method" for regulatory purposes. Within this scope, the Bank employs 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. This model is validated annually. The Bank also calculates economic capital for counterparty credit risk by way of a model that uses parameters (*e.g.*, ratings, probability of default and loss given default) based upon an internal model.

Country Risk Management

Under the country risk policy approved by the Board, methods compliant with international norms and local law are employed to evaluate and monitor developments in country risk on the basis of individual countries. Actions are taken to make sure that the Bank's country risk exposure remains within the set limits, and related reporting, control and audit systems are established as necessary.

Concentration Risk Management

The Bank defines and monitors any concentrations among different types of risks or in any individual risk that might result in material losses that would endanger the Bank's ability to sustain fundamental activities or financial structure or lead to a significant change in the Bank's risk profile, within the framework of the policy

approved by the Board. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

Risk Management in Subsidiaries

The Bank determines the needs for risk management of entities that consolidate into it and (in coordination with the risk management personnel in these entities) ensures that required studies and reports with the scale appropriate for their structure, complexity, size and risks are effectively managed. Required studies are carried out with these entities in accordance with market conditions and legal regulations to align risk management policies, rules, procedures and risk limits with those of the Bank. These risk management activities are monitored periodically.

MANAGEMENT

Board of Directors

The Bank's 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 in addition to the CEO. The most recent General Assembly (which was held on 4 April 2019) increased the number of board members from ten to 11 (including the CEO). One of the board members who was previously elected as an independent board member and whose term of independent membership has expired was appointed to the newly constituted Board. A new independent board member was appointed to the available independent board membership position, increasing the number of women on the Board to two.

Each member has a right of one vote and it is not permissible that a member vote on behalf of another member by proxy. The members of the Board are appointed for a period of three years and 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.

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 1" 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 monitor compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict these principles.

Members of the Board

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

Director	Year First Appointed	Current End of Term
Süleyman Sözen (Chairman)	1997 (Chairman since 2017)	March 2021
Jorge Sáenz Azcúnaga Carranza (Vice Chairman)	2016	March 2021
Ali Fuat Erbil	2015	March 2021
Sait Ergun Özen	2003	March 2021
Cüneyt Sezgin, PhD	2004	March 2021
Rafael Salinas Martinez de Lecea	2017	March 2021
Javier Bernal Dionis	2015	March 2021
Belkis Sema Yurdum	2013	March 2021
Jaime Saenz de Tejada Pulido	2014	March 2021
Ricardo Gomez Barredo	2017	March 2021
Mevhibe Canan Özsoy	2019	March 2021

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

Süleyman Sözen (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 Turkish 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 licence 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 35 years of experience in banking and business administration.

Jorge Sáenz-Azcúnaga (Vice Chairman)

Jorge Sáenz-Azcúnaga earned a BS in Business Administration from Universidad Deusto. He has devoted his entire career to BBVA, starting as a Research Analyst. He then worked as a Corporate Strategist, Head of CEO Office, Business Development (Commercial & Institutional Banking in Spain), Head of Strategy (Wholesale Banking & Asset Management), Head of Strategy and Planning (Spain & Portugal) and, between 2013 and 2015, as a Regional Manager for the north of Spain. As of 2015, he serves as the Head of Business Monitoring Spain, USA and Turkey and as a member of the board of directors of BBVA Compass in the U.S. As of 24 March 2016, he was appointed as a Board member. Since he has been a member of the Bank's Audit Committee since 31 March 2016, he is considered to be an independent Board member, in accordance with the relevant regulations of the CMB. Mr. Sáenz-Azcúnaga has 24 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. Mr. Erbil also serves as a board member at the Banks Association of Turkey.

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.

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.

Belkis 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.

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.

Rafael Salinas Martinez de Lecea

Mr. Salinas Martinez de Lecea graduated with a degree in economics and business management from Universidad de Alicante, later obtaining further studies at the Centro de Estudios Monetarios y Financieros del Banco de España (CEMFI), the London School of Economics (a masters degree in econometrics and mathematical economics) and the University of Chicago (a master in business administration). After beginning his career, Mr. Salinas Martinez de Lecea joined the BBVA Group in 1991, becoming Director of Derivative Products at BBV interactivos, S.V.B. This role was followed by serving as the Head of Assets and Liabilities at BBVA from 1998 to 2000, the Head of Capital Base Management at BBVA from 2000 to 2003, the CFO at BBVA subsidiary Banco de Crédito Local de España from 2003 to 2005 and Head of Risk & Portfolio Management at BBVA from 2006 to 2015. In 2015, he was appointed to his current role as Global Head of Global Risk Management for BBVA. He joined the Bank's Board in 2017.

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 is responsible for the coordination between BBVA and the Bank.

Ricardo Gomez Barredo

Mr. Gomez Barredo earned a degree in economics and business management from Universidad Autónoma de Madrid and undertook further studies at ICADE at Universidad Pontificia Comillas (a master in tax advice) and the IESE Business School. Mr. Gomez Barredo worked in the tax and legal department at PriceWaterhouse from 1988 to 2003 and as the Head of Tax Consultancy at Industria Española del Aluminio, S.A. from 1993 to 1994. In 1994, Mr. Gomez Barredo joined the BBVA Group, working in various tax roles before becoming a Deputy Director of Tax Consulting at BBVA in 2000. He was appointed as the Head of Financial Analysis and Planning at BBVA in 2003 and then became the Head of Financial Planning and Management Control at BBVA in 2007. In 2011, Mr. Gomez Barredo was appointed to his current position of Head of Global Accounting and Information Management at BBVA. He joined the Bank's Board in 2017.

Mevhibe Canan Özsoy

Ms. Canan Özsoy graduated from İstanbul University with a Bachelor's degree in dental medicine in 1985, obtained a masters degree in Dental Medicine at the same university in 1987, earned an MBA from Bogazici University in 1994 and then obtained an energy technologies masters degree at Sabancı University in 2015. Before joining the pharmaceutical industry in 1990, Ms. Özsoy had a career as a dentist. She has occupied sales and marketing and commercial leadership positions in Hoechst Marion Roussel, Glaxo Wellcome and Sanofi Aventis group companies, each of which operate in the pharmaceutical industry. She was appointed as Vice President in charge of Marketing International in 2007 at General Electric Healthcare, Paris and was then assigned as Chief Marketing Officer at General Electric Healthcare, USA in 2009. She returned to Paris as General Manager of Global Mammography in 2011 and led the mammography business field of General Electric. Ms. Özsoy was appointed as the Chairman and Chief Executive Officer at General Elektrik Ticaret ve Servis A.Ş. in 2012. In addition, she serves as the Chief Growth Officer in charge of Middle-East, North Africa and Turkey since 2017 for General Electric. She is also a board member of Grid Solutions Enerji Endustrisi A.Ş., GE Enerji Endustri Ticaret ve Servis A.Ş., Komet Enerji Sanayi ve Ticaret A.Ş., GE Renewable Enerji A.Ş., TUSAŞ Motor Sanayii A.Ş., Artesis Teknoloji Sistemleri A.Ş., Sağlık ve Eğitim Vakfı (SEV) and Amerikan Şirketler Derneği.

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
Mahmut Akten	Executive Vice President	Retail Banking	2012
Didem Dinçer Başer	Executive Vice President	Digital Banking	2005
Aydın Düren	Executive Vice President	Legal Services	2009
B. Ebru Edin	Executive Vice President	Corporate and Investment Banking	1997
İlker Kuruöz	Executive Vice President	Engineering Services and Data	2018
Cemal Onaran	Executive Vice President	SME Banking	2007
Osman Tüzün	Executive Vice President	Human Resources, Customer Satisfaction and Support Services	1999
Aydın Güler	Executive Vice President	Finance and Accounting	1990
Selahattin Güldü	Executive Vice President	Commercial Banking	1990
Ali Temel	Executive Vice President	Chief Credit Risk Officer	2016

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

Mahmut Akten

Mr. Akten holds an undergraduate degree from Boğaziçi University's Electrical and Electronics Engineering department and a graduate degree from Carnegie Mellon University in Business Administration. Mr. Akten started his career in 1999 in the United States, and after serving in various positions in the finance and treasury departments of a global construction materials company, he joined a global management consulting firm in 2006. Mr. Akten worked in the Boston and İstanbul offices of such firm between the years 2006 and 2012, lastly as an Associate Partner. Mr. Akten joined the Bank on 1 July 2012 as the Senior Vice President responsible for Mass Retail Banking Marketing. As of 1 January 2017, Mr. Akten was appointed as the Executive Vice President responsible for Retail Banking and he is a Board Member of Garanti Technology. Mr. Akten's areas of responsibility are Retail Banking Marketing, Mass Retail Banking Marketing and Affluent Banking Marketing.

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. 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. 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. Ms. Edin is responsible for corporate and investment banking.

İlker Kuruöz

Mr. İlker Kuruöz graduated from the Computer Engineering Department of Bilkent University and received an MBA degree from Bilkent University. Starting his career in 1994, he worked at two private companies prior to joining the Group in 1996 as the Senior Vice President of Garanti Technology, where he served until 2006. From 2006 to 2016, he held an executive position in a private company. In 2016, he was appointed as the CEO of Doğuş Bilgi İşlem ve Teknoloji Hizmetleri A.Ş. In 2018, Mr. Kuruöz joined the Bank as the Executive Vice President in charge of Engineering Services and Data.

Cemal Onaran

Mr. Onaran holds an undergraduate degree from Middle East Technical University's Public Administration department and started his career as an Assistant Auditor in the Bank's Audit Committee. Mr. Onaran worked as the Regional Manager in various regions of the Bank in İstanbul between the years 2000 and 2007. After the establishment of Garanti Mortgage in October 2007, Mr. Onaran was appointed as the General Manager of Garanti Mortgage. Mr. Onaran has served as the General Manager of Garanti Pension and Life since 1 August 2012 and was appointed as the Executive Vice President of the Bank in charge of SME Banking as of 1 January 2017.

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 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. 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. 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.

Selahattin Güldü

Mr. Selahattin Güldü graduated from Middle East Technical University's Public Administration Department. He started his career in 1990 at the Bank. Starting his career in Internal Audit, he was appointed as a Branch Manager in 1997 and then worked as the Regional Manager in various regions of the Bank in İstanbul between 1999 and 2018. In April 2018, Mr. Güldü was appointed as the Executive Vice President responsible for Commercial Banking.

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. 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. A number of Directors also currently hold management positions at BBVA. As such, there may be a conflict of interest between the Directors' respective duties to the Bank and any duties they may owe to BBVA.

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

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board oversees and audits the entire Bank via the Credit Committee, Audit Committee, Corporate Governance Committee, Remuneration Committee and Risk Committee. In addition to these, there are committees whose members are composed of the Bank's executives (*e.g.*, the Employee Committee, Customer Committee, Garanti Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, New Business and Product Committee, Corporate Assurance Committee, Responsible Business Committee, Innovation Committee, IT Strategy Committee, Personnel Committee, Risk Management Committee, Information Security Committee, Disciplinary Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Risk Technology and Analytics Committee, Local Benefits Committee, IT Risk Committee, Credit Cards and Member Merchants' Pricing Committee and Data Security and Protection Steering Committee).

Certain information relating to some of 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 and decides on those that are within its authorisation limits, and submits those others it deems appropriate but are outside of its authorised limits to the Board for finalisation.

Audit Committee

The Audit Committee was set up to assist the Board in the performance of its audit and supervision functions. The Audit Committee 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, 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,

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

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent members of the Board and offering suggestions regarding the nominees to the Board. Within the framework 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 nominated by management and investors, considering whether the nominees fulfil the independence criteria and presents its assessment report to the Board for approval,

- makes an assessment for election of independent members to the seats vacated due to a situation that eradicates independence and the resignation of a Board member who loses his independence, so as to re-establish the minimum number of independent Board members through temporarily elected members who will serve until the immediately following General Assembly Meeting to be held, and presents its written assessment to the Board,

- works to create a transparent system for the identification, evaluation and training of nominees who are appropriate for the Board and managerial positions with administrative responsibility, and to determine related policies and strategies, and

- makes regular assessments about the structure and efficiency of the Board and presents suggested changes to the Board.

Remuneration Committee

The Remuneration Committee's responsibilities are as follows:

- conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and risk management principles,
- reviewing, at least once a year, the Bank's remuneration policy in order to ensure compliance with applicable laws in Turkey, or with market practices, and updating the policy, if necessary,
- presenting, at least once a year, a report including the findings and proposed action plans to the Board,
- determining and approving salary packages for executive and non-executive members of the Board, the CEO and Executive Vice Presidents, and
- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Risk Committee

The Risk Committee is responsible for:

- monitoring and overseeing the strategy and general risk policies of the Bank and reviewing the risk appetite declaration and core metrics, risk tolerance levels, limit structure and metrics, in each case taking into consideration the strength of the Bank's capital and the overall quality of risk management, measurement and reporting,
- reviewing and approving, as appropriate, the corporate risk policies for each risk type and the yearly limits for each risk typend business area with the level of detail that is deemed appropriate at the time,
- reviewing and approving, as appropriate, measures to mitigate the impact of identified risks,
- monitoring the evolution of the Bank's global risk profile and risk exposure by type of risk, business line, product or customer segment, and how these compare to the Bank's risk strategy, policies and risk appetite,
- assessing the adequacy of the risk information and risk internal control systems in the Bank to provide for the appropriate functioning of risk management as well as the suitability of the structure and process of risk management within the Bank,
- monitoring that the pricing of investment and deposit products offered to clients adequately take into consideration the Bank's business model and risk strategy, and implementing a remediation plan should it be necessary,
- verifying that necessary actions are taken to ensure the availability of adequate systems, staffing and general resources are in place for managing the Bank's risks,
- analysing and assessing the quality of the Bank's asset valuation, asset classification and risk estimation procedures,
- promoting the continuous development and improvement of advanced risk management models and practices within the Bank, while closely monitoring requirements and recommendations of regulators and supervisors, and

- receiving and reviewing reports on capital planning and capital adequacy and providing an effective review of the Bank's enterprise risk management and capital planning processes.

Employee Committee

The Employee Committee is responsible for determining the Bank's human resources policies and carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of the Bank's management, the committee also aims to promote learning in order to enhance the Bank's development and tracks the impact of training on the Bank's business.

Customer Committee

The Customer Committee is responsible for developing the Bank's customer experience strategies. The committee is also responsible for implementing and monitoring the Bank's efforts that aim to enhance customer experience at every touch point and seeks to improve customer satisfaction scores. The committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Garanti Assets & Liabilities Committee

The main goal of the Garanti Assets & Liabilities Committee (*i.e.*, ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital. The ALCO is structured around the following objectives:

- coordinate and review the implementation of policies for managing the sources and uses of funds that should provide an appropriate level of profitability consistent with the planned growth within acceptable levels of risk,

- monitor and analyse profitability and net interest income,

- allow senior management to thoroughly understand, efficiently develop and refine the Bank's ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,

- follow-up limits to control balance sheet and capital risks, as well as risk profiles defined by the Board,

- assess the status of financial markets and macroeconomic variables,

- monitor that individual business lines are aligned in terms of overall objectives and proactively controlled, with regard to prudential risks under the ALM and capital function control,

- review and assess the impact of changes in market and other variables on the Bank's ALM risk and capital profile,

- evaluate strategies presented by the Finance Department and review the execution of previously approved actions,

- monitor regulatory capital-adjusted profitability measures,

- challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,

- analyse extraordinary liquidity and funding situations that require the ALCO to be summoned (if deemed appropriate, the ALCO will activate the Bank's liquidity contingency plan. The liquidity contingency plan activation will be notified to the Corporate Asset Liability Committee),

- approve the procedure for the Bank's hedge accounting transactions process,

- approve the Bank's funds transfer pricing methodology,

- approve the Bank's assumptions, methodology and structural risk measurement techniques,

- approve internal framework documents for the Bank's ALM and capital management, and

- monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and take action to keep them up-to-date.

Weekly Review Committee

The Weekly Review Committee is charged with managing the assets and liabilities of the Bank. Its objective is to assess interest rate, exchange rate, liquidity and market risks. Based upon these assessments and taking into account the Bank's strategies and competitive conditions, the committee adopts the decisions to be executed by the relevant units of the Bank in relation to the management of the Bank's balance sheet and monitors their implementation.

Cost Management and Efficiency Committee

The objective of the Cost Management Committee is to support the Board in controlling costs within the context of real revenue performance (operating efficiency) and securing savings by optimising budget implementations over the course of the year. The committee is also responsible for:

- identifying areas in which operational efficiencies can be achieved and providing a platform to discuss potential improvements,

- informing committee members about cost developments in the future and evaluating saving suggestions,

- providing a platform to discuss and make decisions related to new ideas and alternatives about efficient cost management, in each case taking into consideration the Bank's strategies,

- approving expense or investment projects and proposals received from the Bank's units within the established limits of delegation,

- clarifying the corresponding budget allocations,

- ensuring local or regional implementation of corporate models, standards and specifications, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Sustainability Committee

The Sustainability Committee is responsible for:

- overseeing the efforts for assessing potential risks resulting from the Bank's energy consumption, waste management, etc. and its direct impact upon the environment,

- supervising the efforts for assessing potential risks arising from indirect environmental, social and economic impact resulting from financed projects and other loans, and providing necessary opinions to relevant decision-making parties,

- monitoring efforts for management of risks in environmental, social and governance area with a potential negative impact on the Bank's reputation and operations,

- 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,

- managing the efforts to allow the Bank to offer products and services that support sustainable development,

- supervising the efficiency of sustainability efforts,

- providing information to the Board on the committee's activities when needed, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Consumer Committee

The Consumer Committee works to ensure that matters and practices regarding retail products and services that might lead to risks and/or dissatisfaction on the part of consumers and/or applicable regulations are addressed and considered and that necessary actions for their improvements are planned.The committee is responsible for:

- providing information on findings referred to the committee by the Internal Audit Department and the Internal Control and Compliance units, and developing actions for those findings as deemed necessary,

- providing information on improvement areas resulting from analyses based upon customer notifications (*e.g.*, complaints and objections) and developing actions for those as deemed necessary, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Integrity Committee

The main objective of the Integrity Committee is to contribute to preserve the corporate ethical integrity of the Bank. The primary function of the committee is to provide for the implementation of the Bank's code of ethics within the framework of the following responsibilities:

- encouraging and monitoring efforts for creating a shared culture of integrity within the Bank,

- making sure the Bank's code of conduct is implemented homogenously across the Bank and, in this context, formulating and disseminating descriptive notes when needed,

- implementing exclusion criteria with regard to compliance with certain provisions of the Bank's code of conduct,

- notifying to the Disciplinary Committee matters deemed to be in contradiction to the Bank's disciplinary rules and obtaining information regarding the ongoing examinations, procedures and actions taken in response thereto,

- reporting any incidents and circumstances that might pose a material risk to the Bank to top management or the individual in charge of preparing the financial statements accurately,

- following up on actions agreed upon during the committee's meetings,

- encouraging adoption of necessary measures for handling suggestions regarding compliance with the Bank's code of conduct, implementation of the code of conduct and assessing ethically questionable behaviours,

- promoting and monitoring the efficient operation of the complaint channel and taking measures for necessary improvements where appropriate, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Volcker Rule Oversight Committee

The Volcker Rule Oversight Committee is an internal body established under the provisions of the Volcker Rule Compliance Programme that has been approved by the Board. This committee was formed to evaluate the conformity of the Bank's and its subsidiaries' activities, and of the compliance programme, to the "Volcker Rule" and to supervise the effectiveness of the compliance programme. The Volcker Rule Oversight Committee's main roles and responsibilities are to:

- establish a sufficient Volcker Rule-compliance culture across the Bank,

- evaluate the conformity of the Volcker Rule Compliance Programme to the Volcker Rule,

- assess declarations of compliance received from the Bank's subsidiaries, evaluate conformity of the Bank's operations to the Volcker Rule, make decisions on this subject and communicate these decisions to the related committee of the BBVA Group,

- resolve any Volcker Rule-related issues that are submitted to the committee's agenda, and

- monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

New Business and Product Committee

The purpose of the New Business and Product Committee is to review all new business, products and services as well as evaluate the ability of the Bank's business units and subsidiaries (or third parties) in offering, servicing or administering the various aspects of a new business, product or service. The committee's responsibilities are to:

- evaluate the fitness of all proposed new businesses, products and services into the Bank's strategy and target risk profile, approve or reject these proposals in accordance with the New Business Product Committee By-laws and the New Business and Product Approval Guidelines and submit them to the Board for approval as necessary,

- conduct an ongoing review of each new business, product and service for a minimum 12-month period following its launch in order to ensure its proper implementation (in this context, the committee may revoke the approval of a previously approved business, product or service, halt the introduction of a product or service or discontinue a product or service already in use),

- summarise and inform on its deliberations and decisions, as appropriate, to members of senior management, managers within affected business lines and the Board's Risk Committee, and

- monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Corporate Assurance Committee

The purpose of the Corporate Assurance Committee is to inform the Bank's top management about internal control problems that might prevent business and/or the Bank's goals and to provide business lines with guidance from the Bank's top management about these problems. The scope of the Committee includes internal control findings and issues that are considered to have priority for the Bank, regarding their effect and urgency, fundamentally compliance, financial reporting, risk management, operational risk, reputation risk, technology and fraud. The goals and responsibilities of the committee are to:

- promote top level coordination and standardisation for improvements to the internal control system by focusing on critical risks and controls that need monitoring by the Bank's top management,

- discuss internal control problems/issues on its agenda and under its responsibility and evaluate proposed measures and actions,

- monitor mitigation of risks to a desired level by reviewing the relevant action plans,

- manage necessary coordination in case of a need for contribution from different units, and

- inform the Board about the main internal control problems.

Responsible Business Committee

The Responsible Business Committee ensures that responsible business concepts are integrated into the Bank's functions and strategic priorities and monitoring that the Bank places relevant stakeholders at the centre of decision-making processes. The goals and responsibilities of the committee include to:

- monitor responsible business trends globally and the development of responsible business concepts within the BBVA Group, evaluate how these trends and developments could be aligned and implemented at the Bank and give direction on the development of the responsible business activities across the Bank,

- give direction for the preparation of the Bank's responsible business plan and its key performance indicators and approve these,

- monitor updates on all initiatives within the Bank's responsible business plan and the related key performance indicators, and request changes to the plan, as necessary, and/or assess/approve the suggested changes,

- promote the correct and timely execution of the action plans set forth in the Bank's responsible business plan,

- review and approve the general community investment plan and the Bank's responsible business communication plan,

- monitor the Bank's "transparent/clear/responsible" ("*TCR*") plan, which is a strategic initiative to establish a transparent, clear and responsible communication with customers, and its accomplishments and make proposals to the TCR plan to be reviewed by the Customer Committee, and

- give direction for the development of the responsible business policies and strategy, review and approve these policies and strategy, the responsible business reports and/or the responsible business-related sections of the Bank's annual reports.

Risk Management Committee

The purpose of the Risk Management Committee is to develop the Bank's strategies, policies, procedures and infrastructure required to identify, assess, measure, plan and manage material risks faced by the Bank in the ordinary course of business. The committee is responsible for:

- the development of the Bank's enterprise risk management architecture, which includes the establishment of a risk appetite framework, a model governing the organisation and governance of the function, a risk identification and monitoring model and the infrastructure and processes required to efficiently and transparently manage the risks,

- the identification, assessment, measurement, planning and management of the risks that the Bank is exposed to,

- the assessment of the Bank's economic capital adequacy under both in the ordinary course of business and in stress scenarios,

- monitoring and analysis of all significant matters related to the Bank's risk exposure on an ongoing basis,

- providing guidance to the Bank's management concerning significant risk-related matters,

- overseeing the risk framework and performance of the Bank's subsidiaries,

- promoting and developing a risk culture throughout the Group, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

Information Security Committee

The goals and responsibilities of the Information Security Committee are as follows:

- coordinating efforts to provide information security,

- contributing to the formulation of the Bank's information security policy and other policies concerning the subdomains of information security, overseeing the functionality of the system, and assessing and deciding on suggested improvements, and

- monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates and taking action to keep them up-to-date.

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 net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries (including members of their respective board of directors) amounted to TL 152,889 thousand during 2018 (TL 150,727 thousand during 2017 and TL 137,735 thousand during 2016) including compensation paid to key management personnel who left their position during the year.

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 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 TAS 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 Turkish 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 BRSA Financial Statements in accordance with TAS 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 Turkish Treasury. As per the independent

actuary report dated 23 December 2018, the Bank had no excess obligation that needed to be provided for as of 31 December 2018.

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.

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 tradeable on OTCQX International Premier (the U.S. over-the-counter market).

On 21 February 2017, Doğuş Holding and Doğuş Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş. (the "*Sellers*") entered into a share purchase agreement with BBVA to transfer their shares representing 9.95% of the Bank's issued share capital with a nominal value of TL 417,900 thousand to BBVA (the "*Share Purchase Transaction*"). According to the agreement, BBVA agreed to pay TL 3,322,305 thousand. Completion of the Share Purchase Transaction occurred on 22 March 2017, resulting in BBVA owning 49.85% of the total issued share capital of the Bank.

Shareholdings

As of 31 December 2018, the Bank's issued shares were held as follows:

Shareholder	Shares held	% of issued share capital
BBVA	209,370,000,000	49.8500%
Other shareholders	210,630,000,000	50.1500%
Total	**420,000,000,000**	**100.0000%**

As far as the Bank is aware, other than BBVA, no 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 2018, the BBVA Group had a presence in over 30 countries and had 125,627 employees. As of 31 December 2018, the BBVA Group's consolidated total assets were €677 billion (€690 billion as of 31 December 2017 and €732 billion as of 31 December 2016) and its net attributable profit for 2018 was €5.3 billion (€3.5 billion for 2017 and €3.5 million for 2016).

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.

As of the date of this Base Prospectus, the BBVA Group is in the process of converting to a single global brand used in all of the markets in which it operates, including in connection with its digital transformation strategy. As part of its new brand strategy in Turkey, the Bank will operate as "Garanti BBVA" under a renewed logo once the relevant legal process is complete.

(Source: BBVA)

Dividends and Dividend Policy

In accordance with Turkish law, the distribution of profits and the payment of any annual dividend in respect of the preceding fiscal year are recommended by the 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 distribution 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 on its web-site. As of the date of this Base Prospectus, the Bank's dividend policy is to distribute up to 30% of the distributable net profit subject to the approval of the BRSA. On 4 April 2019, the Bank's General Assembly approved the transfer of 2018's distributable net profit of TL 6,638,235,755.02 to the Bank's extraordinary reserves account, with no funds being distributed to shareholders due to domestic economic developments.

RELATED PARTY TRANSACTIONS

During the period from 1 January 2016 to the date of this Base Prospectus, the Group had various types of exposures to related parties, including loans, deposits and non-cash considerations. 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 BBVA Group and the Doğuş Group (for dates as of which they were related parties of the Group) as of the dates indicated. See also note 5.13 of the Group's 31 December 2018 BRSA Financial Statements for additional information on related party risks.

	As of 31 December		
	2016	**2017**	**2018**
BBVA Group	*(TL thousands, except percentages)*		
Cash loans	-	621	4,329,526
As a % of assets	0.0%	0.0%	1.1%
As a % of shareholders' equity	0.0%	0.0%	9.2%
Contingent obligations	240,693	683,622	995,647
As a % of contingent obligations	0.5%	1.2%	1.5%
As a % of shareholders' equity	0.7%	1.6%	2.1%
Total BBVA Group Exposure	**240,693**	**684,243**	**5,325,173**

	As of 31 December	
	2016	**2017**
Doğuş Group[(1)]	*(TL thousands, except percentages)*	
Cash loans	2,216,830	2,661,712
As a % of assets	0.7%	0.7%
As a % of shareholders' equity	6.2%	6.4%
Contingent obligations	884,526	1,765,810
As a % of contingent obligations	1.8%	3.1%
As a % of shareholders' equity	2.5%	4.2%
Total Doğuş Group Exposure	**3,101,356**	**4,427,522**

(1) The Doğuş Group ceased to be considered to be a related party as of 20 December 2018 as it no longer met the criteria under TAS 24 (Related Party Disclosures).

The Group's exposure to 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 BBVA Group or the Doğuş Group.

The contingent exposure to the BBVA Group and the Doğuş 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 BBVA Group and the Doğuş Group as of the indicated dates as follows:

	As of 31 December		
	2016	**2017**	**2018**
		(*TL thousands*)	
BBVA Group	13,797,354	20,033,893	19,576,878
Doğuş Group	856,464	800,157	[1]

(1) The Doğuş Group ceased to be considered to be a related party as of 20 December 2018 as it no longer met the criteria under TAS 24 (Related Party Disclosures).

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

	As of 31 December		
	2016	**2017**	**2018**
		(*TL thousands*)	
BBVA Group	445,608	107,560	351,755
Doğuş Group	700,871	774,396	[1]

(1) The Doğuş Group ceased to be considered to be a related party as of 20 December 2018 as it no longer met the criteria under TAS 24 (Related Party Disclosures).

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

INSOLVENCY OF THE ISSUER

The Turkish Covered Bonds Law contains provisions relating to the protection of the Covered Bondholders upon the insolvency of the Issuer.

Pursuant to the Turkish Covered Bonds Law, the assets in the Cover Pool can only be used to pay the Covered Bondholders, Receiptholders, Couponholders, Hedging Counterparties and (to the extent that Additional Cover has been included in the manner described in Article 29 of the Covered Bonds Communiqué) Other Secured Creditors. The assets in the Cover Pool cannot be pledged, subject to an attachment or included in the assets of the Issuer in case of bankruptcy. If the assets in the Cover Pool are not sufficient to pay all of the outstanding Total Liabilities, then the Covered Bondholders, Receiptholders, Couponholders and Hedging Counterparties will (in addition to the Non-Statutory Security) have an unsecured right of recourse to the other assets of the Issuer and any claims of such Secured Creditors will (in the case of any insolvency, bankruptcy, liquidation or similar event relating to the Issuer) rank *pari passu* with the other unsecured creditors of the Issuer (including the Other Secured Creditors) for the unpaid amount, with the exception of the preferred rank of the creditors under the Applicable Laws of Turkey, including, but not limited to, Article 206 of the Turkish Execution and Bankruptcy Law No. 2004 (*İcra ve İflas Kanunu*), as amended from time to time, and the Law on the Central Bank of Turkey No. 1211 (*Türkiye Cumhuriyet Merkez Bankası Kanunu*) according to which the proceeds obtained from the sale of the assets of the debtor are distributed amongst the creditors in the following order:

(a) claims against the bankruptcy estate due to debts incurred during the administration of the bankruptcy estate,

(b) secured obligations,

(c) taxes, duties, fees and other governmental charges arising from sales of the pledged assets,

(d) salaries of the employees for the last year, and severance payments of the employees and debts to the employee funds,

(e) certain debts of the bankrupt due to custody and guardianship provisions under Turkish Civil Law No. 4721,

(f) debts of the bankrupt that are determined as privileged receivables of the bankrupt under specific laws (*i.e.*, debts of the bankrupt to its legal counsels, debts of the bankrupt to participate in utilities, *etc*.), and

(g) unsecured receivables (assets).

As the Issuer is a licensed bank in Turkey, the insolvency process of the Issuer will be conducted in accordance with the Banking Law and the Turkish Execution and Bankruptcy Law No. 2004 (*İcra ve İflas Kanunu*).

Measures under the Banking Law and Transfer to the SDIF

(a) Transfer of Management to the SDIF and Cancellation of Banking Licence

Pursuant to the Banking Law, if the results of a consolidated or unconsolidated audit show that the Issuer's financial structure has seriously weakened due to the occurrence of one or more of the following events, then the BRSA may require the Board of the Issuer to take measures to strengthen its financial position:

(i) the assets of the Issuer are insufficient or are likely to become insufficient to cover its obligations as they become due,

(ii) the Issuer is not complying with its liquidity requirements,

(iii) due to an imbalance in its income and expenses, the Issuer's profitability is such as to make it unable to conduct its business in a secure manner,

(iv) the regulatory equity capital of the Issuer is not sufficient or is likely to become insufficient,

(v) the quality of assets of the Issuer have been impaired in a manner weakening its financial structure,

(vi) the practices, decisions, by-laws and/or internal regulations of the Issuer are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,

(vii) either: (A) the Issuer does not establish internal control, internal audit and risk management systems, (B) the Issuer does not effectively and sufficiently conduct such systems or (C) any factor impedes the supervision of such systems, or

(viii) imprudent acts of the Issuer's managers materially: (A) increase the risks defined under the Banking Law or (B) weaken the bank's financial structure.

If the BRSA determines that the Issuer is not in compliance with one or more of the requirements set forth under clauses (i), (ii), (iii), (iv) or (v) above, then it may require the Issuer, in accordance with Article 68(a) of the Banking Law:

(a) to increase its equity capital,

(b) not to distribute dividends for a specific period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

(c) to increase its loan provisions,

(d) to cease any grant of loan to its shareholders,

(e) to dispose of its assets in order to strengthen its liquidity,

(f) to cease or restrict its new investments,

(g) to limit salaries and other payments,

(h) to cease its long-term investments, and/or

(i) to take any other action that is deemed necessary by the BRSA.

In the event the aforementioned actions are not taken (in whole or in part) by the Issuer or its financial structure cannot be strengthened despite it having taken such actions, or the BRSA determines that the Issuer's financial structure has become so weak that it could not be strengthened even if it takes any of the actions above, then the BRSA may require the Issuer, in accordance with Article 69 of the Banking Law, to take any of the following corrective actions:

(a) to strengthen its financial condition,

(b) to increase its liquidity and/or capital adequacy,

(c) to dispose of its fixed assets and long-term assets,

(d) to decrease its operational and administrative costs,

(e) to postpone its payments, excluding the regular payments to be made to its employees, or

(f) restrict or cease to make any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors.

On the other hand, if the BRSA determines that the Issuer is not in compliance with one or more of the requirements set forth under clauses (vi), (vii) or (viii) above, then it may require the Issuer, in accordance with Article 68 of the Banking Law:

(a) to comply with the relevant banking legislation,

(b) to review its loan policy and cease its high risk transactions,

(c) to take all actions to decrease any maturity, foreign exchange and interest rate risks, or

(d) to take any other action that is deemed necessary by the BRSA.

In the event the aforementioned actions are not taken (in whole or in part) by the Issuer or its financial structure cannot be strengthened despite it having taken such actions, or the BRSA determines that the Issuer's financial structure has become so weak that it could not be strengthened even if it takes any of the actions above, then the BRSA may require the Issuer, in accordance with Article 69 of the Banking Law, to take any of the following corrective actions:

(a) to convene an extraordinary general assembly in order to change the board members or assign new member(s) to the board of directors or the removal of the existing board members responsible for the failure to ensure compliance aforementioned actions, and/or

(b) to implement short, medium or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the Issuer in respect of clause (viii) above and to request the board members and shareholders holding qualified shares to undertake the implementation of such plan in writing and to deliver the outcome of this on a periodical basis, and/or

(c) to take any other action that is deemed necessary by the BRSA.

Pursuant to Article 70 of the Banking Law, in the event the aforementioned actions are not (in whole or in part) taken by the Issuer or are not sufficient to cause the Issuer to continue its business in a secure manner the BRSA may require the Issuer:

(a) to limit or cease its business for a temporary period,

(b) to apply various restrictions, including restrictions on interest and maturity with respect to resource collection and utilisation,

(c) to remove from office (in whole or in part) its board members, general manager and deputy general managers and department and branch managers and to obtain approval from the BRSA for the appointment of their replacements,

(d) to make available long-term loans that will be secured by the shares or other assets of the controlling shareholders,

(e) to limit or cease its non-performing operations and to dispose of its non-performing assets,

(f) to merge with one or more other interested banks,

(g) to provide new shareholders in order to increase its equity capital,

(h) to cover its losses with its equity capital, and/or

(i) to take any other action that is deemed necessary by the BRSA.

In the event the BRSA determines that: (a) the aforementioned actions are not (in whole or in part) taken by the Issuer within a period of time set forth by the BRSA or in any case within twelve months, (b) the financial structure of the Issuer cannot be strengthened despite it having taken such actions or the financial structure of the

Issuer has become so weak that it could not be strengthened even if the actions were taken, (c) the continuation of the activities of the Issuer would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system, (d) the Issuer cannot fulfil its obligations as they become due, (e) the total amount of the liabilities of the Issuer exceeds the total amount of its assets or (f) the controlling shareholders or managers of the Issuer are found to have made use of the Issuer's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the Issuer or caused the Issuer to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may: (i) revoke the licence of the Issuer to engage in banking operations and/or to accept deposits or (ii) transfer the management, supervision and control of the rights of the shareholders (excluding dividends) of such bank to the SDIF with the condition that the losses of the shareholders are reduced from the capital.

In the event that the licence of the Issuer to engage in banking operations and/or to accept deposits is revoked, then the Issuer's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including a preliminary injunction) against the Issuer would be discontinued as from the date on which the BRSA's decision to revoke the Issuer's licence is published in the Official Gazette. From such date, the creditors of the Issuer may not assign their rights or take any action that could lead to an assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of the Issuer. The SDIF is required to pay the insured deposits of the Issuer either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

(b) Management and Liquidation by the SDIF

Transfer of Bank's Management, Supervision and Control to the SDIF. In case the Issuer's management, supervision and control of the privileges of shareholders (excluding dividends) is transferred to the SDIF as per Article 71 of the Banking Law, the SDIF will manage the Issuer in accordance with Article 107 of the Banking Law. Accordingly, the SDIF will exercise its rights in line with the principles ensuring cost efficiency and maintaining the security and stability of the financial system. The SDIF is authorised to suspend the activities of any bank whose partnership rights, excluding dividends, as well as management and control have been transferred thereto pursuant to the provisions of Article 71, for a period to be determined by the SDIF. Taking as a basis the balance sheet to be prepared as of the transfer date, the SDIF is also authorised to:

(i) request the BRSA to transfer the assets, organisation, personnel (unless they otherwise request) as well as the savings deposit and contribution funds subject to insurance together with the interest accrued; *provided* that such interest does not exceed the average of interest rates applied by five deposit banks with the highest total deposits as of the transfer date for savings deposits and the average of return rates applied by three participation banks with the highest total participation funds for contribution funds, and the corresponding provision items on the liabilities side, to a bank to be newly established or any of the existing banks, and/or to terminate the banking licence of the bank, whose assets and liabilities have been transferred partially or completely,

(ii) provide financial support and take over the losses corresponding to the capital representing the shares transferred thereto; *provided* that it owns the shares and that the amount of deposits and contribution funds covered by insurance is not exceeded,

(iii) in case of failure to take ownership of all shares upon assuming the losses, take over the shares in return for the payment of share values (to be calculated on the basis of the capital to be calculated upon subtracting the loss from the paid-in capital) to the Issuer's shareholders within the period to be set by the SDIF, and/or

(iv) request the BRSA to cancel the Issuer's banking licence.

The shares referred to in clauses (ii) and (iii) above shall be transferred to the SDIF free from any right and restriction.

If the Issuer's shares have been transferred to the SDIF in accordance with the preceding paragraph, the SDIF is authorised to:

(i) partially or completely transfer the assets and liabilities of the Issuer, if a majority or all of its shares have been transferred thereto, to a bank that is newly established or to interested banks, by providing financial and technical assistance where necessary, or to merge the Issuer with any other interested bank,

(ii) in order to strengthen and restructure the financial system, as limited to cases where deemed necessary by the SDIF:

(A) increase the Issuer's capital,

(B) remove default interests arising from statutory provisions and general liquidity requirements,

(C) purchase affiliates and/or immovable and other assets, or to take them as guarantee and give advances in return,

(D) deposit funds to meet liquidity requirements,

(E) take over receivables or losses,

(F) carry out any transaction pertaining to its assets and liabilities and convert them into cash,

(iii) sell the assets of the Issuer to third parties offering discounts or other methods and to take any other measure it may deem necessary, and/or

(iv) transfer the shares of the Issuer to third parties, with the permission of the BRSA within the framework of the principles and procedures to be set by the SDIF.

The consent of creditors and debtors shall not be sought in transfer transactions to be performed under the provisions of this Article 107.

The process of restructuring, strengthening, transferring, merging or selling the Issuer when its partnership rights, excluding dividends, as well as management and supervision have been transferred to the SDIF pursuant to Article 71 of the Banking Law has to be completed within no more than nine months following the transfer date. This period may be extended for a period of up to three months if so determined by the SDIF. If the transfer, merger or sale cannot be completed within such period of time, then the BRSA shall revoke the banking licence of the Issuer upon the request of the SDIF.

Liquidation by the SDIF Following Cancellation of Banking Licence. Once the BRSA decides that the Issuer should no longer continue its banking activity and cancels the banking licence of the Issuer, the SDIF will take over the management of the Issuer. Pursuant to Article 106 of the Banking Law, following cancellation of the Issuer's banking licence, and takeover of the Issuer by the SDIF, the SDIF will apply to the court for the bankruptcy of the Issuer. The bankruptcy court is required to rule on the bankruptcy of the Issuer within six months of the application and appoint the SDIF as the bankruptcy administrator.

In the event that a bankruptcy judgment is issued, the SDIF will participate in the bankruptcy estate as a privileged creditor, having priority over all privileged creditors specified in Article 206 of the Execution and Bankruptcy Law No. 2004, after deduction of the receivables of the Turkish government (or relevant governmental institutions) and social security organisations set forth in the Law 6183 on the Collection Procedures of Public Receivables.

In case the bankruptcy court does not render a bankruptcy decision, then the voluntary liquidation of the Issuer will commence, and such process will be conducted by the SDIF through the appointment of members to the Issuer's liquidation board, without requiring the resolution of the general assembly of the Issuer and without being subject to the provisions of the Turkish Commercial Code regarding the dissolution and liquidation of joint stock-companies.

OVERVIEW OF THE TURKISH RESIDENTIAL MORTGAGE LOAN MARKET

The following is a general overview of the Turkish residential mortgage loan market. The summary does not purport to be, and is not, a complete description of the Turkish residential mortgage loan market or any aspect thereof.

Turkish Residential Mortgage Loan Market

The Turkish residential mortgage loan market has been growing at a significant pace, having experienced a compound aggregate growth rate of 17.3% from 31 December 2007 to 31 December 2018. This growth is particularly notable as it occurred during the global financial crisis and related economic volatility within Turkey, with the declining interest rate environment resulting from these macroeconomic conditions both encouraging borrowers to seek mortgage loans and encouraging lenders to increase their business in these higher-yielding retail products.

The following table provides the residential mortgage loans-to-GDP ratio and the outstanding principal amount of residential mortgage loans as of 31 December of each of the indicated years:

	As of 31 December									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
	(*TL millions, except percentages*)									
Residential Mortgage Loans-to-GDP ratio	4.5%	5.2%	5.3%	5.5%	6.1%	6.2%	6.1%	6.3%	6.2%	5.1%
Residential Mortgage Loans	44,872	60,793	74,588	86,042	110,286	125,750	143,537	163,899	191,534	188,108

Source: BRSA, TurkStat

The main drivers of this growth have been: (a) the historically very low use of residential mortgage loans, reflecting the traditional approach in Turkey of paying cash for a home (occasionally with funds borrowed from family members or other non-bank sources), (b) lower interest rates in Turkey (until recent years), (c) favourable demographics as a result of Turkey's significant and growing population of people in their 20s and 30s, including many young families, (d) the significant (though volatile) growth in GDP, (e) revisions to the Applicable Laws of Turkey that have made mortgage lending more attractive to Turkish banks and (f) greater stability in the value of the Turkish Lira (until recent years), thereby encouraging Turkish lenders to make longer-term loans denominated in Turkish Lira. On the other hand, demand for residential mortgage loans remained weak in 2018 in line with the slowdown in the economic activity and increased borrowing costs.

As noted above, the Turkish residential mortgage market was historically very small, being almost non-existent until 2004 as a result of persistently high budget deficits, inflation and interest rates. Following the economic crisis in 2001, Turkey has experienced a more stable political and economic environment and has implemented more prudent economic policies, which have reduced significantly the level of inflation and the volatility of the value of the Turkish Lira. In line with these improvements, Turkish interest rates have declined significantly and made mortgage borrowing more affordable for Turkish borrowers.

The following table sets out the average CPI inflation levels and average residential mortgage interest rates in Turkey, as well as the growth in the principal amount of outstanding residential mortgages, for each of the indicated years:

	As of (or for the year ended) 31 December									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
CPI	6.25%	8.57%	6.47%	8.89%	7.49%	8.85%	7.67%	7.78%	11.14%	18.70%
Mortgage interest rates	15.60%	11.05%	11.59%	12.40%	9.69%	11.86%	12.31%	13.25%	12.14%	19.30%

Source: Turkstat, Central Bank

	As of (or for the year ended) 31 December									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
					(*TL millions*)					
Growth/(Decrease) in Outstanding Principal.....	5,977	15,921	13,794	11,454	24,244	15,464	17,787	20,362	27,635	(3,426)

Source: BRSA.

Mortgage interest rates and the growth in mortgage loans are correlated, with a lower interest rate environment resulting in greater demand from borrowers. A lower interest rate environment also encourages lenders to offer greater amounts of mortgage loans due to their relatively higher net interest margin as compared to traditional corporate loans. Consistent with this correlation and as noted in the preceding table, notable expansion in the outstanding principal amount of residential mortgage loans was experienced in 2010 and 2013, which also had the lowest average mortgage interest rates (11.05% and 9.69%, respectively) on record.

Loan Provisions

In Turkey, banks announce mortgage rates on a monthly basis instead of a yearly basis (*e.g.*, 1% monthly instead of 12% yearly). Almost all Turkish residential mortgage loans are fixed rate loans and, as a result of a change of the Applicable Law in 2009 requiring loans to Turkish citizens to be denominated in Turkish Lira, all are denominated in Turkish Lira other than a very small number of mortgage loans made to foreign citizens with residences in Turkey. Payments on residential mortgages are almost always monthly and generally are effected by having the lending bank withdraw funds from a bank account held by the borrower with the lending bank.

The maximum maturity for residential mortgage loans in Turkey is typically 240 months (one institution provides loans up to 360 months and another provides loans up to 300 months, while some major banks have a maximum maturity of 120 months). As of 31 December 2018, approximately 90% of the residential mortgage loans in Turkey had a remaining maturity equal to or shorter than 120 months according to the Central Bank.

Turkish Demographics and Housing Market

Several developments in Turkey, including urbanisation and a young population, provide the potential for further demand in housing, and thus further growth in residential mortgage lending; *provided* that the economic fundamentals remain favourable, particularly low inflation and interest rates. In 2018, the Turkish population grew by 1.5% year-over-year to 82.3 million, an increase of almost one million people (source: TurkStat). More than 92% of the population in Turkey live in urban cities as of 31 December 2018 (source: TurkStat). In Turkey, the median age was 32 as of 31 December 2018 and the average household size was 3.4 people as of such date (source: TurkStat).

The Central Bank's house price index for a residence in Turkey increased by 4.48% year-over-year as of 31 December 2018. As of such date, 42.77% of the outstanding residential mortgage loans were for properties located in İstanbul and Ankara (source: BRSA), where property prices are generally higher than the rest of the country. The Bank's management expects that these two cities will continue to be the predominant mortgage markets in Turkey.

Interest Rates and Refinancing Risk

As noted above, almost every residential mortgage loan has a fixed interest rate for the entire term of the loan. Although the Consumer Protection Law No. 6502 (the "*Consumer Protection Law*") allows the disbursement of residential mortgage loans with variable interest rates, the Central Bank determined that any such variable interest rates are required to be based upon the Consumer Price Index ("*CPI*") determined by TurkStat. As such variable rates are unattractive to Turkish banks due to the lack of funding alternatives indexed to the CPI, almost all Turkish banks prefer to offer fixed rates, which are also attractive to Turkish borrowers due to the certainty that a fixed rate provides.

As a result of the predominance of fixed rate loans and the declines in interest rates over recent years, refinancing of residential mortgage loans has become more common. For example, during the declining interest rate environments in the second half of 2009 and the first half of 2011, the Bank's management estimates that Turkish banks refinanced or repriced almost half of their existing residential mortgage loan portfolio. In general, Turkish residential mortgage loan agreements include a prepayment charge of up to 2% of the outstanding principal amount of the loan for loans with the remaining maturity of more than 36 months, and up to 1% otherwise; however, such charge does not create a significant deterrent for borrowers if the difference between the interest rate on their existing mortgage loan and the interest rate on a refinanced loan is greater than 1% *per annum*.

The Bank's management expects that refinancing of residential mortgage loans will continue as consumers become more educated on the benefits of refinancing during periods of declining interest rates. Refinancing presents challenges for Turkish lenders due to the increased difficulty of matching funding with their loan portfolio and, by definition, the high probability of being unable to re-lend prepaid funds at the same or a higher interest rate than the rate applicable to the prepaid loan.

This funding risk is a particularly important challenge for banks active in the Turkish residential mortgage market as the growth in residential mortgage lending sometimes exceeds the growth in customer deposits. While the share of residential mortgages in the balance sheets of Turkish banks is still relatively small, corresponding to approximately 7.9% of their total loans as of 31 December 2018 according to the BRSA, annual growth in residential mortgage loans (such as the 14.2%, 16.9% and (1.8)% growth during 2016, 2017 and 2018, respectively) has been close to the annual growth in deposits (such as the 16.8%, 16.6% and 19.9% growth during 2016, 2017 and 2018, respectively) according to the BRSA. As the Turkish banking sector's loans-to-deposit ratio generally exceeds 100%, a greater increase in loans than in deposits requires the banks to seek alternative sources of funding, such as the issuance of unsecured or covered bonds, "future flow" transactions or loans. As the Turkish market does not offer a significant pool of long-term Turkish Lira-denominated funding, these additional funds generally have come (and likely will continue to come) from international fund-raising denominated in U.S. Dollars and euro, thereby increasing the banks' exposure to foreign exchange and other related risks.

SUMMARY OF THE TURKISH COVERED BONDS LAW

The following is a summary of the provisions of the Turkish Covered Bonds Law relevant to the transactions described in this Base Prospectus and of which Covered Bondholders should be aware. The summary does not purport to be, and is not, a complete description of all aspects of the Turkish legislative and regulatory framework pertaining to Covered Bonds and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Introduction

The primary legal framework with respect to the transaction and the structure described herein is the Capital Markets Law and the secondary legal framework is the Covered Bonds Communiqué, which was published by the CMB in the Official Gazette No. 28889 dated 21 January 2014 (as amended from time to time). The Covered Bonds Communiqué regulates mortgage covered bonds as well as other asset-backed covered bonds; *however*, as the Programme is in relation to the issuance of mortgage covered bonds, this summary focuses on the mortgage covered bond provisions of the Covered Bonds Communiqué.

Cover Pool – composition of assets

An issuer of covered bonds is required by the Turkish Covered Bonds Law to maintain a cover pool for the benefit of such covered bonds. This cover pool must be maintained in a way such that it satisfies and complies with the terms, conditions and legal requirements applicable to such covered bonds. In particular, this cover pool must be in compliance with, *inter alia*, quantitative statutory tests and the eligibility criteria required or implied by the Turkish Covered Bonds Law and the CMB. In addition, a cover register for such cover pool must be established and maintained in accordance with the Turkish Covered Bonds Law.

Pursuant to the Covered Bonds Communiqué, a cover pool may be created with the following assets:

- receivables of banks and finance companies resulting from house financing as defined in Article 57 of the Capital Markets Law that have been secured by establishing a mortgage at the relevant registry or, if approved by the CMB, otherwise,
- receivables arising from financial lease agreements executed within the framework of Law numbered 6361, provided that they arise out of house financing as defined in Article 57 of the Capital Markets Law,
- commercial loans and receivables of banks, financial leasing companies and finance companies, which loans and receivables have been secured by establishing a mortgage at the relevant registry,
- in relation to issuances to be made by mortgage finance institutions only, contractual receivables arising from instalment sales of houses by the Housing Development Administration of Turkey,
- other assets whose characteristics may be determined by the CMB,
- substitute assets, which include cash (including cash generated from cover assets), certificates of liquidity issued by the Central Bank, government bonds issued for domestic and foreign investors, securities issued or secured by the central government or the central banks of OECD member states, lease certificates issued by asset leasing companies established by the Turkish Treasury and securities guaranteed by the Turkish Treasury under the Applicable Laws of Turkey, and
- derivative instruments fulfilling the conditions of the Covered Bonds Communiqué.

The Covered Bonds Communiqué provides that neither the ratio of the net present value of commercial loans and receivables that are included in the cover assets (other than those related with sea and air vehicles that

have been secured by establishing a mortgage at the relevant registry) nor the net present value of the substitute assets (as described above) shall exceed 15% of the total net present value of the cover assets.

With respect to LTV ratio requirements, the portions of: (a) the loans and receivables resulting from housing finance and (b) commercial loans and receivables that have been secured by establishing a mortgage at the relevant registry exceeding, respectively, 80% and 50% of the value of the security provided in respect of them shall not be taken into consideration in the calculation of the Statutory Tests.

The LTV ratio is used to calculate the highest amount that may be extended by a bank for a residential mortgage loan, based upon the appraisal value of the relevant real estate.

Pursuant to Section IV, Articles 15 through 21 of the Covered Bonds Communiqué, the assets in the cover pool are subject to certain cover matching principles (*i.e.*, the Statutory Tests) as summarised in the following:

(a) *Nominal Value Test.* The nominal value of the cover pool assets may not be less than the nominal value of the covered bonds. The outstanding principal amount of mortgage loans, the issuance price of discounted debt instruments and the nominal value of premium-debt instruments in the cover pool shall be taken into account while calculating the nominal value of the cover pool assets in the cover pool and the contractual amount of derivative instruments shall not be taken into consideration while calculating the nominal value of the cover pool assets,

(b) *Cash Flow Matching Test.* The total amount of the interest, yield and similar income that is expected to be generated from the cover pool assets (including the income derived from derivative instruments included in the cover register, if any), in each case within one year from the relevant calculation date, shall not be less than the similar payment obligations that are expected to arise from the aggregate liabilities resulting from the covered bonds (including the expenses derived from derivative instruments included in the cover register, if any) within such period,

(c) *Net Present Value Test.* The net present value of the cover pool assets in the cover register is required to be more than the net present value of the total liabilities from the covered bonds and derivative instruments at a ratio to be determined by the issuer, which ratio is not to be less than 2%, and

(d) *Stress Test*. The responsiveness of the net present value, matching the possible changes in the interest rates and currency exchange rates, shall be measured by conducting a stress test (not being less than 2%).

The Statutory Tests above might vary if the Covered Bonds Communiqué is amended.

Cover Monitor

Pursuant to the Turkish Covered Bonds Law, an issuer is required to appoint a cover monitor who will be responsible for monitoring the cover pool and will report to the CMB and the issuer with regard to the cover pool.

Pursuant to the Turkish Covered Bonds Law, an issuer is required to keep a cover register for the assets in the cover pool, which register the cover monitor will review. The cover monitor is to procure that the cover register is kept and maintained accurately and in accordance with the provisions of the Turkish Covered Bonds Law. The cover monitor is also required to perform an audit and to provide a report to the issuer at least: (a) every three months for public offerings made in Turkey and (b) every six months for non-public offerings or issuances made abroad.

The Turkish Covered Bonds Law specifies that the company that conducts the independent audit on the financial statements of an issuer may not be designated as a cover monitor. The cover monitor is to be appointed through a cover monitor agreement, a copy of which is to be sent to the CMB within three İstanbul business days of its execution. The cover monitor can only be removed from its duties by the Issuer based upon just grounds to be

submitted to the CMB in writing and by obtaining the consent of the CMB. The CMB is authorised to remove the cover monitor or replace the cover monitor with a new cover monitor if it determines that the cover monitor no longer meets the requirements to qualify as a cover monitor or is negligent or at fault while conducting its duties. Based upon the general authority of the CMB under the Capital Markets Law, the CMB is entitled to take necessary steps in case either the issuer or the cover monitor does not fulfil its respective obligations relating to the covered bonds. The CMB is also entitled to impose an administrative fine in case of non-compliance with the Turkish capital markets legislation.

Non-compliance with the Statutory Tests

In the event that an issuer detects any non-compliance with the Statutory Tests, it is to notify the cover monitor of such non-compliance and the cover monitor shall then verify whether such non-compliance is remedied by the issuer through a restructuring of the cover assets, redemption of the covered bonds or taking any similar precautionary measures within one month of the detection of the non-compliance.

In such case, the issuer must take all necessary actions, including directing the collections made from the cover pool assets to a special segregated account, until the non-compliance is remedied. During such term, the amounts directed to this special segregated account may only be used for the payment of the total liabilities arising from the cover pool that have become due and payable during the period of non-compliance (which the cover monitor is to verify).

After such verification, if: (a) it is established by the cover monitor that the Statutory Tests are complied with, then the collection amounts accumulated in the special segregated account will be transferred to the issuer's accounts and may be used by the issuer, or (b) the Statutory Tests are still not complied with, the collections from the cover pool are not accumulated in a special segregated account or such collections have not been used for the payment of the total liabilities arising from the cover pool that have become due and payable during the non-compliance period, then the cover monitor shall notify such situation to the issuer.

Non-payment by the Issuer of its Total Liabilities under the Covered Bonds

Pursuant to the Covered Bonds Communiqué, if an issuer does not completely or partially pay its Total Liabilities under the covered bonds or related derivative instruments, then the issuer must so notify the cover monitor.

If an issuer has failed to completely or partially pay its Total Liabilities under the covered bonds or related derivative instruments, then the collections to be made from the cover pool are to be accumulated in a segregated account from the date of non-payment and such collected amounts are to be used solely for the payment of such Total Liabilities that have become due and payable.

The cover monitor must determine within one month of the date of complete or partial non-performance of the payment obligations of an issuer under the covered bonds or related derivative instruments whether: (a) the collections made from the cover pool have been accumulated in a special segregated account, (b) such collected amounts have been used solely for the payment of the issuer's Total Liabilities that have become due and payable and (c) the cover pool is sufficient to meet the issuer's Total Liabilities. The cover monitor is to notify the issuer of the results of such determination.

Pursuant to the Covered Bonds Communiqué, the covered bondholders and hedging counterparties do not need to wait until the completion of the liquidation of the assets in the cover pool for recourse to the other assets of the issuer. Such right of recourse to the other assets of the issuer can be initiated in accordance with the Covered Bonds Communiqué.

Third party service providers

An issuer may, provided that the liabilities of such issuer within the scope of the Covered Bonds Communiqué continue, utilise the services of expert third party service providers (as deemed appropriate by the CMB) to perform some of the duties of such issuer in respect of the management of the cover pool. If such third party service providers are to be appointed, then the issuer is required to notify the CMB of such fact before the sale of the covered bonds and disclose such fact in the prospectus or the issuance certificate for the covered bonds.

In connection therewith, and as permitted in the CMB Approval, the Bank utilises the services of its affiliate Garanti Mortgage to provide services such as establishing the Cover Pool, maintaining the Cover Register and checking compliance with Statutory Tests.

Administrator

In the event that: (a) the management and supervision of an issuer is transferred to public institutions, (b) the operating licence of an issuer is cancelled or (c) an issuer is bankrupt, the CMB may appoint another bank or a mortgage finance institution, satisfying the requirements for issuers of covered bonds, the cover monitor, another independent audit company or an expert third party institution approved by the CMB to act as an administrator. This administrator would not be assuming the liabilities arising from the cover pool but would manage the cover pool and seek to fulfil the liabilities arising from the cover pool from the income generated from the cover pool.

The administrator may actively manage the cover pool to seek to ensure that the payments under the covered bonds and related derivative instruments are made in a timely manner, and (if necessary) may sell assets, purchase new assets, utilise loans or conduct repo transactions. The administrator also may (after obtaining the approval of the CMB) transfer the cover pool and the liabilities arising from the cover pool partially or fully to another bank or mortgage finance institution satisfying the qualifications required for issuers. The administrator is not to be held liable for any payments under the liabilities arising from the cover pool, including if the cover pool and the liabilities arising from the cover pool cannot be transferred or the revenue generated from the cover pool is not sufficient.

Derivative Instruments

Article 11 of the Covered Bonds Communiqué sets out the specific requirements that derivative instruments need to satisfy in order for such derivative instruments to be recognised as part of the cover pool and for the claim of the relevant derivative counterparty to be regarded as a part of the Total Liabilities. In general:

(a) the derivative instrument must be traded on an exchange or the derivative counterparty needs to be a bank or financial institution (multi-lateral development agencies also qualify);

(b) the derivative counterparty needs to have an investment grade long-term international rating (which is tested at the time of entry into the derivative instrument);

(c) subject to CMB approval, an agreement for derivative instruments may include a provision indicating that the applicable derivative counterparty may unilaterally terminate such agreement in the event of: (i) failure by the issuer to partially or completely pay its Total Liabilities and the cover assets (including derivative instruments) being insufficient to cover the issuer's Total Liabilities under the transaction, (ii) any impossibility or illegality within the scope of the relevant legislation or any material changes to the legislation that are related to the provisions of the agreement, (iii) any early redemption of the applicable covered bonds, (iv) any failure to register such agreement in the cover register or removing such agreement from the cover register in breach of its provisions and/or (v) in any other similar circumstance that is accepted by the CMB in advance of entering into such agreement; and

(d) the derivative instrument must contain fair price terms and reliable and verifiable valuation methods.

Copies of Hedging Agreements are available to investors and potential investors in the Covered Bonds, including to review any termination events described in clause (c)(v).

TURKISH BANKING SYSTEM

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

The Turkish Banking Sector

After a phase of consolidation, liquidations and significant regulatory enhancements in the 2000s, the Turkish banking sector has experienced a period of stability. The total number of banks (including deposit-taking banks, investment banks and development banks) in the sector has held relatively steady with approximately 45 banks consistently since 2008. During this phase, bank combinations have been few and changes to the roster have resulted principally from strategic investors purchasing existing local banks. Foreign investors have, amongst others, included BBVA, BNP Paribas, Sberbank, Citigroup, ING, Bank of China, Intesa Sanpaolo, MUFG Bank, Ltd., Industrial and Commercial Bank of China, Qatar National Bank and, in the most recent significant acquisition, Emirates NBD entered into an agreement with Sberbank in 2018 to acquire its stake in Denizbank A.Ş. ("*Denizbank*"), a mid-sized bank in Turkey, although such acquisition has not been finalised as of the date of this Base Prospectus. Emlak Katılım Bankası A.Ş., a new participation bank that is 100% owned by the Turkish government, obtained authorisation from the BRSA on 26 February 2019 to commence its activities initially with TL 750 million in capital.

As of 31 March 2019, 47 banks (including domestic and foreign banks but excluding the Central Bank) (source: Banks Association of Turkey) were operating in Turkey (six participation banks, which conduct their business under different legislation in accordance with Islamic banking principles, are not included in this analysis). Thirty-four of these were deposit-taking banks (including the Bank) and the remaining banks were development and investment banks. Among the deposit-taking banks, three banks were state-controlled banks, nine were private domestic banks, 21 were private foreign banks and one was under the administration of the SDIF.

The Banking Law permits deposit-taking banks to engage in all fields of financial activities, including deposit collection, corporate and consumer lending, foreign exchange transactions, capital market activities and securities trading. Typically, major commercial banks have nationwide branch networks and provide a full range of banking services, while smaller commercial banks focus on wholesale banking. The main objectives of development and investment banks are to provide medium-and long-term funding for investment in different sectors.

Deposit-taking Turkish banks' total balance sheets have grown at a compound annual growth rate ("*CAGR*") of 18.0% from 31 December 2010 to 31 December 2018, driven by loan book expansion and customer deposits growth, which increased by a CAGR of 21.5% and 16.7%, respectively, during such period, in each case according to the BRSA. Despite strong growth of net loans and customer deposits, the Turkish banking sector remains relatively under-penetrated compared to the eurozone. Loans/GDP and customer deposits/GDP ratios of the Turkish banking sector were 64.7% and 55.0%, respectively, as of 31 December 2018 according to BRSA and Turkstat data, whereas 19 countries in the eurozone's banking sector had average loan and customer deposit penetration ratios of 98% and 108%, respectively, as of the same date based upon data from the ECB.

The following table shows key indicators for deposit-taking banks in Turkey as of (or for the period ended on) the indicated dates.

	As of (or for the year ended) 31 December				
	2014	**2015**	**2016**	**2017**	**2018**
	(*TL millions, except percentages*)				
Balance sheet					
Loans[(1)]	1,118,887	1,339,149	1,558,034	1,869,476	2,088,599
Total assets	1,805,427	2,130,602	2,455,261	2,922,704	3,403,339
Customer deposits	987,463	1,171,251	1,372,359	1,605,926	1,899,352
Shareholders' equity	201,117	228,140	262,391	314,934	367,782
Income statement					
Net interest income	59,705	70,409	83,488	103,385	133,019
Net fees and commissions income	19,351	21,037	22,761	27,167	34,862
Total income	86,500	97,784	119,410	137,884	180,496
Net Profit	22,936	23,885	34,224	44,593	47,376
Key ratios					
Loans to deposits	113.3%	114.3%	113.5%	116.4%	110.0%
Net interest margin	4.2%	4.2%	4.5%	4.6%	4.8%
Return on average shareholders' equity	12.5%	11.3%	13.9%	15.4%	13.8%
Capital adequacy ratio	15.7%	15.0%	15.1%	16.5%	16.9%

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

(1) Due to the implementation of TFRS 9 as of 1 January 2018, NPLs were excluded from the "Loans" line item as of 31 December 2018. As such, NPLs have been excluded from the "Loans" line items as of 31 December 2014, 2015, 2016 and 2017 for comparison purposes.

Competition

The Turkish banking industry is highly competitive and relatively concentrated with the top ten deposit-taking banks accounting for 90.8% of total assets of deposit-taking banks as of 31 December 2018 according to data from the BRSA. Among the top ten Turkish banks, there are three state-controlled banks - Ziraat, Halkbank and Vakıfbank, which were ranked first, third and sixth, respectively, in terms of total assets as of 31 December 2018 according to the bank-only financials published in the Public Disclosure Platform (www.kap.gov.tr). These three state-controlled banks accounted for 40.4% of deposit-taking Turkish banks' performing loans and 36.6% of customer deposits as of such date according to the BRSA. The top four privately-owned banks as of such date were Türkiye İş Bankası A.Ş., the Bank, Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş., which in total accounted for 41.6% of deposit-taking Turkish banks' performing loans and 43.5% of customer deposits as of such date according to the BRSA. The remaining banks in the top ten deposit-taking banks in Turkey as of such date included three mid-sized banks, namely QNB Finansbank A.Ş., Denizbank and Türk Ekonomi Bankası A.Ş., which were controlled by QNB, Sberbank (expected to be replaced by Emirates NBD) and TEB Holding (a joint venture between BNP Paribas and Turkey's Çolakoğlu Group), respectively, as of such date.

TURKISH REGULATORY ENVIRONMENT

Regulatory Institutions

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

The Role of the BRSA

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

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

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

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

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014 (the "*ICAAP Regulation*"), banks are obligated to establish, manage and develop (for themselves and all of their consolidated financial subsidiaries) internal audit, internal control and risk management systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties. The ICAAP Regulation also requires banks to conduct an ICAAP, which is an internal process whereby banks calculate the amount of capital required to cover the risks to which they are or may be exposed on an unconsolidated and consolidated basis and with a forward-looking perspective, taking into account their near- and medium-term business and strategic plans. The ICAAP is required to be designed in accordance with the bank's needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an ICAAP Report representing the bank's own assessment of its capital and liquidity requirements. An ICAAP Report helps a bank in constructing and operating an ICAAP compatible with its risk profile, activity environment and strategic plans. An ICAAP Report for any given year is required to be submitted annually by the end of March of the following year together with the stress test analysis, data, system and process verification research and internal model validation reports. The board of directors of a bank is responsible for maintenance of adequate equity to ensure establishment and implementation of the ICAAP Report.

The Role of the Central Bank

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

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

Banks Association of Turkey

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

Shareholdings

The direct or indirect acquisition by a person of shares that represent 10% or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the 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 that owns 10% or more of the share capital of a bank is subject to the BRSA's approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. The 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 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:

(a) Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10% or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests, shareholding interests and transactions recognised as loans by the BRSA. Avals, guarantees and sureties accepted from a natural person or legal entity in a risk group for the security of loans extended to that risk group are not taken into account in calculating loan limits.

(b) The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnerships in which any one of such persons is a member of a board of directors or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which any one of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of such persons or a partnership in which such persons participate with unlimited liability or in which such persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25% or to lower it to the legal limit. Natural and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups.

(c) Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1% of the share capital of the bank and their risk groups may not exceed 50% of the bank's capital equity.

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

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, acceptances, guarantees and sureties, and bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and credit and other financial instruments and other contracts entered

into with, governments, central banks and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

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

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

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

(c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,

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

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

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

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

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

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

Loan Loss Reserves

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

Procedures relating to loan loss reserves for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA (principally through the Classification of Loans and Provisions Regulation, which entered into force as of 1 January 2018 and replaced the former regulation). Note that as the loan classification and provisioning rules changed effective as of 1 January 2018 following the entry into force of TFRS 9, group classification and provisions levels for periods before and after 1 January 2018 are not directly comparable.

Current Rules

Pursuant to the Classification of Loans and Provisions Regulation, banks are required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature:* This group involves each loan (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables, and shall be understood as such elsewhere in this Base Prospectus):

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

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

(iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no repayment problems are expected in the future, and that have the ability to be collected in full without recourse to any collateral,

(iv) for which no weakening of the creditworthiness of the applicable debtor has been found, and

(v) to which 12 month expected credit loss reserve applies under TFRS 9.

(b) *Group II: Loans Under Close Monitoring*: This group involves each loan:

(i) that has been extended to financially creditworthy natural persons and legal entities and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor,

(ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan,

(iii) in connection with which problems are likely to occur as to principal and interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any collateral,

(iv) although the creditworthiness of the debtor has not weakened in comparison with its creditworthiness on the day the loan is granted, there is likelihood of such weakening due to the debtor's irregular and unmanageable cash flow,

(v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in creditworthiness,

(vi) for which its debtor shows significant increase in credit risk according to TFRS 9,

(vii) repayments of which are fully dependent upon collateral and the net realisable value of such collateral falls under the receivable amount,

(viii) that has been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL, or

(ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

(c) *Group III: Loans with Limited Recovery*: This group involves each loan:

(i) in connection with which the debtor's creditworthiness has weakened,

(ii) that demonstrates limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the collateral or the debtor's equity to meet the collection of the full amount on the due date without any recourse to the collateral, and that would likely result in losses in case such problems are not resolved,

(iii) collection of the principal and/or interest of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date,

(iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor, or

(v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.

(d) *Group IV: Loans with Improbable Recovery:* This group involves each loan:

(i) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any collateral,

(ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's creditworthiness or the possibility of the loan being collected,

(iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date), or

(iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.

(e) *Group V: Loans Considered as Losses*: This group involves each loan:

(i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected,

(ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year, or

(iii) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, the following loans are classified as NPLs: (a) loans that are classified under Groups III, IV and V, (b) loans the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) loans to which, as a result of debtor's default, the lifetime expected credit loss reserve applies under TFRS 9. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; *however*, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. According to the decision of the BRSA dated 15 November 2018 and numbered 8095, KGF-guaranteed loans will not be classified as an NPL unless there is an overdue amount for more than 90 days following the due date. As per the BRSA regulation published in the Official Gazette dated 27 March 2018 and numbered 30373, banks may choose to not classify any receivable up to TL 100 as an NPL.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. As for the reclassification of loans, banks are required to evaluate such loans with a view to whether such loans are to be reclassified under different groups, which evaluation is to be made at least once during each three-month financial statement term or (irrespective of this period) upon the occurrence of developments in macroeconomic circumstances or the sector in which the respective debtor operates that pose risk on such debtor's performance of its obligations. Such evaluation shall be conducted independently from the credit and risk analysis made at the time of the extension of the loan.

The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans that have been fully or partially written-down by the banks in their assets, security for which loans has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan.

The restructuring of a loan is defined as privileges granted to a debtor who faces or would probably face financial difficulties in relation to the repayment of the loan, which privileges would not be granted to other debtors not facing such repayment difficulties. These privileges consist of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or written-down principal payments in relation to the restructured loan have been collected. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. The banks applying TFRS 9 may reclassify their performing loans, which had been previously classified as restructured loans under Group II, under Group I again following a minimum three month monitoring period, subject to the satisfaction of the requirements listed under sub-paragraphs (C) and (D) above (regardless of the conditions under sub-

paragraphs (A) and (B) stated above). For Group I loans whose debtors are not in financial distress, amendments to the conditions of the loan agreement and/or partial or full refinancing of the loan are not considered to be within the scope of restructuring and banks may continue to monitor such loans under Group I.

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; *however*, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelve-months expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Banks that have been authorised not to apply provisions under TFRS 9 are required to determine their general and special provisions in accordance with Articles 10 and 11 of the Classification of Loans and Provisions Regulation. In this respect, such banks are required to set aside general provisions for at least 1.5% and 3.0% of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside are calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the 2015 Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government and the Central Bank and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government and the Central Bank are not considered in such calculation. As to special provisions, banks are required to set aside provisions for NPLs under Groups III, IV and V of at least 20%, 50%, and 100%, respectively, of the incurred credit loss.

For both general provisions and special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements for certain banks or loans taking into account the concentration, from time to time, of matters such as the size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, collateral and the credit risk level and management.

According to amendments to the Equity Regulation and the 2015 Capital Adequacy Regulation that will be effective as of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

Previous Rules

For periods before 1 January 2018, the previous "Regulation on Provisions and Classification of Loans and Receivables" provided that banks were required to classify their loans and receivables into one of the following groups:

(a) *Group I: Loans of a Standard Nature and Other Receivables:* This group involved loans and other receivables:

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

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

(iii) the reimbursement of which had been made within specified periods, for which no reimbursement problems were expected in the future and that could be fully collected, and

(iv) for which no weakening of the creditworthiness of the applicable debtor had been found.

The terms of a bank's loans and receivables monitored in this group could be modified if such loans and receivables continued to have the conditions envisaged for this group.

(b) *Group II: Loans and Other Receivables Under Close Monitoring*: This group involved loans and other receivables:

(i) that had been disbursed to financially creditworthy natural persons and legal entities and where the principal and interest payments of which there was no problem at present, but that needed to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person or legal entity utilising the loan,

(ii) whose principal and interest payments according to the conditions of the loan agreement were not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might have resulted in partial or full non-reimbursement risk,

(iii) that were very likely to be repaid but collection of principal and interest payments had been delayed for more than 30 days from their due dates for justifiable reasons but not falling within the scope of "Loans and other Receivables with Limited Recovery" set forth under Group III below, or

(iv) although the creditworthiness of the debtor had not weakened, there was a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a loan customer had multiple loans and any of these loans was classified in Group II and others were classified in Group I, then all of such customer's loans were required to be classified in Group II. The terms of a bank's loans and receivables monitored in this group could be modified if such loans and receivables continued to have the conditions envisaged for this group.

(c) *Group III: Loans and Other Receivables with Limited Recovery*: This group involved loans and other receivables:

(i) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and in case the problems observed were not eliminated, they were likely to cause loss,

(ii) the creditworthiness of whose debtor had weakened and where the loan was deemed to have weakened,

(iii) collection of whose principal and/or interest had been delayed for more than 90 days but not more than 180 days from the due date, or

(iv) in connection with which the bank was of the opinion that collection by the bank of the principal or interest of the loan or both would be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

(d) *Group IV: Loans and Other Receivables with Improbable Recovery:* This group involved loans and other receivables:

(i) that seemed unlikely to be repaid or liquidated under existing conditions,

(ii) in connection with which there was a strong likelihood that the bank would not be able to collect the full loan amount that had become due or payable under the terms stated in the loan agreement,

(iii) whose debtor's creditworthiness was deemed to have significantly weakened but which were not yet considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase, or

(iv) there was a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

(e) *Group V: Loans and Other Receivables Considered as Losses*: This group involved loans and other receivables:

(i) that were deemed to be uncollectible,

(ii) collection of whose principal or interest or both had been delayed by one year or more from the due date, or

(iii) for which, although sharing the characteristics stated in Groups III and IV, the bank was of the opinion that they had become weakened and that the debtor had lost creditworthiness due to the strong possibility that it would not be possible to fully collect the amounts that had become due and payable within a period of over one year.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks were required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also required Turkish banks to provide a general provision calculated at 1% of the total cash loan portfolio *plus* 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I, for which the general provision was calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I, for which the general provision was calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve was calculated at 0% for standard loans defined in Group I and a general provision calculated at 2.0% of the total cash loan portfolio *plus* 0.4 % of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, and activities resulting in gains of foreign currency, for which the general loan loss reserve was calculated at 1.0% and (ii) non-cash loans related to the items stated in clause (i) for which the general loan loss reserve was calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above were applied to the respective loans defined in Group I and Group II until 31 December 2017. For payment obligations arising from the relevant law in relation to each check slip that was delivered by a bank at least five years previously, 25% of the non-cash rates referred to above were applied.

On 14 December 2016, the BRSA published amendments to the previous rules, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional Article 12 stated that (among other things) the loans and other receivables classified as NPLs by the banks could be restructured up to two times until 31 December 2017. Such restructured loans could be classified under Group II if: (a) in the first restructuring, there was no overdue debt as of the date of the reclassification and the last three payments prior to the date of the reclassification have been made in a timely manner and in full, and (b) in the second restructuring, there was no overdue debt as of the date of the reclassification and the last six payments prior to the date of the reclassification had been made in a timely manner and in full. Banks must continue to reserve the required provisions for the groups they are classified in during such

restructuring period. Loans and other receivables classified under Group II after the restructuring were monitored under the "Renewed/Restructured Loans Account." Information regarding renewed/restructured loans and other receivables was required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional Article 13 (which entered into force retroactively as of 21 July 2016) stated (among other things) that the delay periods of payments stipulated for the loans defined in Groups II, III, IV and V could be counted as of 21 January 2017 for: (i) the obligations of the credit debtors that had been liquidated, assigned to the Directorate General of Foundations or the Turkish Treasury or to which the SDIF was assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016, (ii) public officials who had been discharged from their positions within the scope of the state of emergency and (iii) natural persons and legal entities the assets of which were subject to injunctions within the scope of the state of emergency.

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank was higher than ten times its equity calculated pursuant to banking regulations, a 0.3% general provision ratio was required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio and by taking into consideration the standard capital adequacy ratio, the BRSA could apply the same ratio or a higher ratio as the general provision requirement ratio.

Turkish banks were also required to set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the Regulation on Loan Transactions of Banks (published in the Official Gazette No. 26333 dated 1 November 2006) (the "*Regulation on Loan Transactions of Banks*") by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions were required to be set aside for the loans and receivables in Groups III, IV and V at least in the amounts of 20%, 50% and 100%, respectively. An amount equal to 25% of the specific provisions set forth in the preceding sentence was required to be set aside for each check slip of customers who had loans under Groups III, IV and V, which checks were delivered by the bank at least five years previously; *however*, if a bank set aside specific provisions at a rate of 100% for NPLs, then it did not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; *provided* that a registered letter had been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days.

Pursuant to these regulations, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, were defined as NPLs. If several loans had been extended to a borrower by the same bank and if any of these loans was considered as an NPL, then all outstanding risks of such borrower were classified in the same group as the NPL even if such loans would not otherwise fall under the same group as such NPL; *however*, for certain consumer loans, even if any of these loans was considered to be an NPL, other consumer loans granted to the borrower could be classified in the applicable group other than Group I. Banks also could classify any receivable up to TL 100 as an NPL.

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA was entitled to increase these provision rates taking into account the sector and country risk status of the borrower.

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

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

In case the value of the collateral exceeded the amount of the NPL, the above-mentioned rates of consideration were applied only to the portion of the collateral that was equal to the amount of the NPL.

In the event of a borrower's failure to repay loans or any other receivables due to a temporary lack of liquidity of such borrower, a bank was allowed to refinance such borrower with additional funding for strengthening the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables were required to be monitored in their current loan groups (whether Group III, IV or V) for at least a six month period and, within such period, the bank was required to continue setting aside provisions at the special provision rates applicable to the group in which they were included. After the lapse of such six month period, if total collections reached at least 15% of the total receivable for restructured loans for such borrower, then the remaining receivables from such borrower were reclassified under the "Renewed/Restructured Loans Account." A bank could refinance such a borrower for a second time if the borrower failed to repay the refinanced loan; *provided* that at least 20% of the principal and other receivables were collected on a yearly basis.

In addition to the general provisioning rules, the BRSA from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries.

Capital Adequacy

Article 45 of the Banking Law defines "capital adequacy" as having adequate capital against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8% (excluding capital buffers). In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the regulatory capital ratio of 8% (in each case, excluding capital buffers).

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

In order to implement the rules of the report titled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee in December 2010 and revised in June 2011 (*i.e.*, Basel III) into Turkish law, the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation were published in the Official Gazette No. 28756 dated 5 September 2013 and entered into force on 1 January 2014. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier 1 capital), which is composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e.*, additional Tier 1 capital) and (b) supplementary capital (*i.e.*, Tier 2 capital) *minus* capital deductions. Pursuant to the 2015 Capital Adequacy Regulation: (i) both the unconsolidated and consolidated minimum Common Equity Tier 1 capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratio are 6.0%.

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated

20 January 2016) in accordance with the Basel Committee's RCAP, which is conducted by the BIS with a view to ensure Turkey's compliance with Basel regulations. These amendments, which entered into force on 31 March 2016, included revisions to the Equity Regulation and the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016 in replacement of the 2012 Capital Adequacy Regulation. The 2015 Capital Adequacy Regulation sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items, including: (a) the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchanged-denominated required reserves held with the Central Bank to be subject to a 0% risk weight, and (b) the exclusion of the general reserve for possible losses from capital calculations.

The 2015 Capital Adequacy Regulation also lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50% to 35%, (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*) in accordance with the 2015 Capital Adequacy Regulation and instalment payments of credit cards from a range of 100% to 250% (depending upon their outstanding tenor) to 75% (irrespective of their tenor); *provided* that such receivables are not reclassified as NPLs, and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20% to 0%. As of 7 February 2017, the BRSA published a decision that enables banks to use 0% risk weightings for Turkish Lira-denominated exposures guaranteed by the KGF and supported by the Turkish Treasury. On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75% risk weight, from TL 4,200,000 to TL 5,500,000, which was then increased to TL 7,000,000 on 18 January 2019.

On 11 July 2017, clause 9(8)(b) of the Equity Regulation was repealed. In this context, the excess amount mentioned in Article 57 of the Banking Law (*i.e.*, "the total book value of the real property owned by a bank cannot exceed 50% of its capital base"), and the commodity goods and properties that banks acquire due to their receivables (*e.g.*, foreclosed-upon collateral) but have not disposed within three years, are no longer deducted from a bank's capital base.

In 2013, the BRSA published the Regulation on the Capital Conservation and Countercyclical Capital Buffer, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks was set at 1.250% for 2017, 1.875% for 2018 and 2.500% for 2019. The BRSA has published: (a) its decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio might fluctuate between 0% and 2.5% as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

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

In February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology uses an indicator-based approach to identify and classify D-SIBs in Turkey under

four different categories: size, interconnectedness, lack of substitutability and complexity. Initially, a score for each bank is to be calculated based upon their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. As of 1 January 2019, these buffers are to be applied as 3% for Group 4 banks, 2% for Group 3 banks, 1.5% for Group 2 banks and 1% for Group 1 banks. As of the date of this Base Prospectus, the Bank is classified as a Group 3 D-SIB under the D-SIBs Regulation.

Furthermore, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100% in respect of total consolidated and unconsolidated liquidity and 80% in respect of consolidated and unconsolidated foreign exchange liquidity; *however*, pursuant to the BRSA decision dated 26 December 2014 (No. 6143) (the "*BRSA Decision on Liquidity Ratios*"), for the period between 5 January 2015 and 31 December 2015, such ratios were applied as 60% and 40%, respectively, and such ratios were increased by ten percentage points for each year from 1 January 2016 until 1 January 2019. The BRSA Decision on Liquidity Ratios further provides that a 0% liquidity adequacy ratio limit applies to deposit banks. On 15 August 2017, the BRSA revised from 50% to 100% the ratio of required reserves held with the Central Bank that can be included in liquidity calculations. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliances that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied.

Pursuant to the Equity Regulation, if a Turkish bank invests in debt instruments of other banks or financial institutions that are already invested in that Turkish bank's additional Tier 1 or Tier 2 capital, then the amount of such debt instrument (and their issuance premia) are required to be deducted when calculating that Turkish bank's additional Tier 1 or Tier 2 capital (as applicable).

On 7 June 2018, the BRSA published the Communiqué on Principles regarding the Debt Instruments to be included in the Calculation of Banks' Equity, which sets forth procedures and principles for the write-up and write-down of the debt instruments or loans that are included in the calculation of banks' equity (*i.e.*, additional Tier 1 and Tier 2 capital) as well as procedures and principles related to conversion of such debt instruments into shares.

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

BRSA's Temporary Resolutions on Capital Adequacy Ratios

Due to increasing volatility in foreign exchange rates and their rapid adverse effect on Turkish banks' capital adequacy ratios, the BRSA published a temporary resolution in August 2018 that changed the foreign exchange rate references that could be used when calculating-risk weighted assets, which serve as the denominator in capital adequacy ratio calculations. This change resulted in the reporting of higher capital adequacy ratios. According to these resolutions, banks were allowed to use the higher of the following two foreign exchange rates: (a) the rate as of the end of the second quarter of 2018 (*i.e.*, US$1/TL 4.5756) or (b) the arithmetic average of foreign exchange rates of the last 252 İstanbul business days prior to the relevant calculation date. Additionally, in accordance with another temporary resolution of the BRSA, "Financial Assets Measured at Fair Value Through Other Comprehensive Income" were not included as part of regulatory capital, which is another variable used in capital adequacy ratio calculations.

These resolutions were revoked by the BRSA in December 2018 and thus are not reflected in the 31 December 2018 financial statements. Capital adequacy ratios to be reported by the Bank are expected to be calculated in accordance with the standard methodology in place prior to the effectiveness of these temporary resolutions.

Tier 2 Rules

According to the Equity Regulation, which came into force on 1 January 2014, Tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "*Tier 2 Conditions*"):

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

(b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors,

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

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

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

(i) the bank should not create any market expectation that the option will be exercised by the bank,

(ii) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations, or

(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2015 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Countercyclical Capital Buffer, (B) the capital requirement derived as a result of an ICAAP of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; *provided* that the above conditions in this clause (e) are met and the BRSA approves,

(f) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer,

(g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,

(h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,

(i) if there is a possibility that the bank's operating licence would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the losses incurred by the bank, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides,

(j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above, and

(k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described in clause (e).

In addition, procedures and principles regarding the deduction of the debt instrument's value and/or removal of the debt instrument from the bank's records, and/or the debt instrument's conversion to share certificates, are determined by the BRSA.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the Tier 2 Conditions (except for the condition stated in clause (a) of the Tier 2 Conditions) are met also can be included in Tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier 2 capital, the Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amount of such receivables) in Tier 2 capital such that 1.25% of the risk-weighted sum of the receivables in calculating the credit risk exposure by using the standardised approach is taken into consideration; *however*, the portion of surplus of this amount that exceeds general provisions is not taken into consideration in calculating the Tier 2 capital. As of 1 January 2020, general provisions will no longer be allowed to be included in the supplementary capital (*i.e.*, Tier 2 capital) of Turkish banks and the aforementioned limit calculated on the basis of risk-weighted assets related to credit risk will no longer be applicable.

Furthermore, in addition to the Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier 2 capital are required to be accompanied by the original copy or a notarised copy of the applicable agreement(s) or the CMB's letter and text confirming the registration of such debt instrument or, if an applicable agreement is not yet signed, then a draft of such agreement (with submission of its original or a notarised copy to the BRSA within five İstanbul business days following the signing date of such agreement). The Equity Regulation provides that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect the Tier 2 capital qualifications is required to be submitted to the BRSA within five İstanbul business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier 2 capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier 2 capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loans and debt instruments that have

been included in Tier 2 capital calculations and that have less than five years to maturity shall be included in Tier 2 capital calculations after being reduced by 20% each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as of the date of this Base Prospectus) results in a 100% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey revised this general rule by providing that Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. See "Basel III" below for the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 1 January 2015. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA's permission.

Basel III. Turkish banks' capital adequacy requirements have been and will continue to be affected by Basel III, as implemented by the Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and published initially the Equity Regulation and amendments to the 2012 Capital Adequacy Regulation, each entering into effect on 1 January 2014. The Equity Regulation introduced core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital. Subsequently, the BRSA replaced the 2012 Capital Adequacy Regulation with the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016. These changes: (a) introduced a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and unconsolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and (b) changed the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new Tier 2 rules and determined new criteria for debt instruments to be included in the Tier 2 capital. According to the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves were increased from 0% to 50%; *however*, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0% risk weight.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, some of which amendments entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "Capital Adequacy" above.

The BIS reviewed Turkey's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Turkey was assessed as compliant with Basel standards.

If the Bank and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at

all, or for any other reason), then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements (the "*Communiqué Regarding Reserve Requirements*"), the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending.

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars and another portion of the Turkish Lira reserve requirements in standard gold and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

(a) its total liabilities,

(b) its total non-cash loans and obligations,

(c) its revocable commitments *multiplied* by 0.1,

(d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and

(e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

In December 2018 and January 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (a) funds acquired on the Borsa İstanbul with repo transactions and (b) deposits and participation funds of official institutions. These amendments also removed a temporary article that distinguished the reserve requirement regime applicable to foreign currency liabilities other than deposits and participation funds that existed up to and prior to 28 August 2015 from those created after such date. The Central Bank further amended the Communiqué Regarding Reserve Requirements on 16 February 2019 to decrease the Turkish Lira reserve ratios for: (i) up to (and including) one year time deposits and participation funds to 7% (with a decrease of 1 percentage point), (ii) from one year to (and including) three-year time deposits and participation funds to 3.5% (with a decrease of 0.5 percentage point) and (iii) 1% for deposits and participation funds with maturities longer than three years (with a decrease of 0.5 percentage point).

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Leverage Ratio	Additional Reserve Requirement
Below 3.0%	2.0%
From 3.0% (inclusive) to 4.0%	1.5%
From 4.0% (inclusive) to 5.0%	1.0%

Reserve accounts kept in Turkish Lira may be interest-bearing pursuant to guidelines adopted by the Central Bank from time to time according to the reserve requirement manual issued by the Central Bank on 11 April 2014.

Foreign Exchange Requirements

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette No. 26333 dated 1 November 2006, for both the bank-only and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

According to Article 24 of the Banking Law, a bank's board of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Turkish Auditor Regulation. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms. The ICAAP Regulation

established standards as to principles of internal control, internal audit and risk management systems and an ICAAP in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the ICAAP Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among other things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and that it applies an ICAAP such that the bank has adequate capital to meet the risks incurred by it. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim audits by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities and foreign exchange transactions. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the ICAAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

The Savings Deposit Insurance Fund (SDIF)

Article 111 of the Banking Law relates to the SDIF. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits of Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

(a) *Insurance of Deposits*. Pursuant to Article 63 of the Banking Law, savings deposits (except for commercial deposits) held with banks are insured by the SDIF. The scope and amount of savings deposits subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Turkish Treasury. The tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon the approval of the BRSA.

(b) *Borrowings of the SDIF*. The SDIF: (i) may incur indebtedness with authorisation from the Turkish Treasury or (ii) the Turkish Treasury may issue government securities with the proceeds to be provided to the SDIF as a loan, as necessary. Principles and procedures regarding the borrowing of government debt securities, including their interest rates and terms and conditions of repayment to the Turkish Treasury, are to be determined together by the Turkish Treasury and the SDIF.

(c) *Power to require Advances from Banks*. Provided that BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.

(d) *Contribution of the Central Bank*. If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance.

The terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

(e) *Savings Deposits that are not subject to Insurance*. Deposits, participation accounts and other accounts held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers and by the parents, spouses and children under custody of the above, and deposits, participation accounts and other accounts within the scope of criminally-related assets generated through the offenses set forth in Article 282 of the Turkish Criminal Code and other deposits, participation accounts and accounts as determined by the BRSB are not covered by the SDIF's insurance.

(f) *Premiums as an Expense Item*. Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

(g) *Liquidation*. In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

(h) *Claims*. In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

Since 15 February 2013, up to TL 100,000 of the amounts of a depositor's deposit accounts benefit from the SDIF insurance guarantee.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette No. 26119 dated 25 March 2006, and as amended from time to time, are as follows:

(a) ensuring the enforcement of the SDIF board's decisions,

(b) establishing the human resources policies of the SDIF,

(c) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,

(d) insuring the savings deposits and participation accounts in the credit institutions,

(e) determining the scope and amount of the savings deposits and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Turkish Treasury, and the risk-based insurance premia timetable, collection time and form and other related issues in cooperation with the BRSA,

(f) paying (directly or through another bank) the insured deposits and participation accounts from its sources in the credit institutions whose banking licence has been revoked by the BRSA,

(g) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except to dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,

(h) taking management and control of the banks whose banking licence has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,

(i) requesting from public institutions and agencies, natural persons and legal entities all information, documents and records in a regular and timely fashion in the framework of Article 123 of the Banking Law,

(j) issuing regulations and communiqués for the enforcement of the Banking Law with the SDIF's board's decision, and

(k) fulfilling the other duties that the Banking Law and other related legislation assign to it.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

(a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due,

(b) the bank is not complying with liquidity requirements,

(c) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,

(d) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,

(e) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,

(f) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,

(g) such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems, or

(h) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then the BRSA may require the board of directors of such bank:

(i) to increase its equity capital,

(ii) not to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,

(iii) to increase its loan provisions,

(iv) to stop extension of loans to its shareholders,

(v) to dispose of its assets in order to strengthen its liquidity,

(vi) to limit or stop its new investments,

(vii) to limit its salary and other payments,

(viii) to cease its long-term investments,

(ix) to comply with the relevant banking legislation,

(x) to cease its risky transactions by re-evaluating its credit policy,

(xi) to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA, and/or

(xii) to take any other action that the BRSA may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the 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 favourable result, then the BRSA may require such bank to:

(a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period,

(b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,

(c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,

(d) make available long-term loans; *provided* that these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders,

(e) limit or cease its non-performing operations and to dispose of its non-performing assets,

(f) merge with one or more other interested bank(s),

(g) provide new shareholders in order to increase its equity capital,

(h) deduct any resulting losses from its own funds, and/or

(i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; *provided* that any loss is deducted from the share capital of current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette No. 26333 dated 1 November 2006, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records.

Independent auditors must approve the annual reports prepared by the banks.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must also keep a copy of such reports in their headquarters and an electronic copy of the annual report should be available at a bank's branches in order to be printed and submitted to the shareholders upon request. In addition they must publish them on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

Disclosure of Financial Statements

The BRSA published amendments (which entered into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (*i.e.*, additional Tier 1 capital) and supplementary capital (*i.e.*, Tier 2 capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. In this respect, banks are required to adopt a written policy in relation to their internal audit and internal control processes.

On 15 September 2018, the Ministry of Commerce issued a communiqué that sets forth the procedures and principles relating to the application of Article 376 of the TCC, which article regulates the measures that Turkish companies (*i.e.*, joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This new communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Turkey prepare their financial statements in Turkish Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based upon the currency rate applicable as of the date of such financial statements; *however*, until 1 January 2023, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. As such, companies will not be required to apply any measures set forth in Article 376 of the TCC to maintain their capital if the relevant loss of capital or insolvency arises from currency fluctuations.

Financial Services Fee

Pursuant to Heading XI of Tariff No. 8 attached to the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

As of the date of this Base Prospectus, the Bank is subject to the corporate governance principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. The Bank is required to state in its annual activity report whether it is in compliance with the principles applicable to it under the Corporate Governance Communiqué. In case of any non-compliance, explanations regarding such non-compliance are also required to be included in such report. Should the Bank fail to comply with any mandatory obligations, then it may be subject to sanctions from the CMB.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders and other stakeholders, (b) public disclosure and transparency and (c) boards of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings. According to the Corporate Governance Communiqué, banks may, taking into account the size of their operations and type of their structures, determine their corporate governance principles based upon those stated in the Corporate Governance Communiqué provided that they comply with the principles and procedures set out in the Banking Law and the provisions of other regulations entered into effect in accordance therewith.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute at least one-third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint at least three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee, in which case the above-mentioned qualifications for independent members are not applicable; *provided* that when all independent board members are selected from the audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1st Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees; *however*, banks are exempt from this requirement for the audit committee, early detection of risk committee and remuneration committee. The Bank is classified as a "1st Group" company.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

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

In addition to the provisions of the Corporate Governance Communiqué related to the remuneration policy of banks, the BRSA published a guideline on good pricing practices in banks, which entered into force on 31 March 2016. This guideline sets out the general principles for employee remuneration as well as standards for remuneration to be made to the board of directors and senior management of banks.

As of the date of this Base Prospectus, the Bank is in compliance with the mandatory principles under the Corporate Governance Communiqué, as well as with applicable requirements for having independent directors.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks and their employees are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime.

Minimum standards and duties under such laws include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments (especially credit card instalments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card and (d) increase the minimum monthly payment required to be made by cardholders. On 6 September 2016, the BRSA increased the credit limit from TL 1,000 to TL 1,300 on credit cards issued to first-time applicants if an applicant's income cannot be determined by the bank.

Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit card limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30%, 35% and 40% for credit cards with limits lower than TL 15,000, from TL 15,000 to but excluding TL 20,000 and from TL 20,000, respectively, or 40% for newly-issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75% irrespective of their tenor, which was in a range of 100% to 250% depending upon their outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or purchases of goods or services, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on the length of the periods of instalment payments on credit cards. On 11 January 2019, the Regulation on Bank Cards and Credit Cards was amended and the BRSA was empowered to determine (in consultation with the Presidency of Turkey Strategy and Budget Directorate, the Turkish Treasury and the Ministry of Trade) instalment periods for goods and services and cash withdrawals, which had previously been regulated under this regulation. On 11 January 2019, the BRSA issued a decision (as amended on 25 February 2019 and 27 March 2019) providing that the instalment payment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals (including for computer purchases, domestic expenditures relating to travel agencies, health and social services) is not permitted to exceed 12 months; *provided* that such limit is only three months for electronic appliance purchases, four months for jewellery expenditures (except for pressed and bullions jewellery), six months for payments made to clubs and associations, travel agencies assisting with international travel, airlines and accommodation and nine months for the purchase of televisions up to TL 3,000, domestic expenditures relating to airlines and accommodation, purchases of health products and tax payments. In addition, credit card instalment payments (except for corporate credit cards) are not allowed for pressed and bullion jewellery expenditures, telecommunication related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No: 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In April 2019, the Central Bank amended the Communiqué on Maximum Interest Rates to be Applied for Credit Card Transactions (which it had originally published in November 2016), replacing the then-existing rates applicable from April until June 2019. Accordingly, the maximum contractual interest rates for Turkish Lira and foreign currency credit card transactions are 2.15% and 1.72%, respectively, until the end of June 2019. The monthly maximum default interest rates are 2.65% and 2.22% for credit card transactions in Turkish Lira and foreign currency, respectively, until the end of June 2019. The Central Bank might announce new interest rates to be applied after June 2019.

Loan Transactions

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, financial lease transactions for housing and loans (except auto loans) secured by houses is 80% (which was 75% before such amendments). The BRSA further determined the minimum loan-to-value requirement for houses that have an energy identification document within the scope of Energy Efficiency Law No. 5627 and are classified within group A as 90% and those classified within group B as 85%. In addition, in accordance with the Regulation on Loan Transactions of Banks, for auto loans extended to consumers, loans secured by autos and autos leased under financial lease transactions, the loan-to-value requirement is 70%; *provided* that, in each case, the sale price of the respective auto is not higher than TL 120,000; *however*, if the sale price of the respective auto is above this TL 120,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70% and the remainder is set at 50%.

As for limitations regarding instalments, save for loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and for student loans, financing of debts owed to public institutions where the loan amount is directly deposited into the relevant public institution's account and any refinancing of the same, the maturity of consumer loans and auto loans for autos final invoice amount of which are TL 120,000 or less are not permitted to exceed 60 months, whereas such limit is 48 months for auto loans extended for the purchase of autos final invoice amount of which are more than TL 120,000 and loans secured with autos, 12 months for loans granted for purchases of computers, 6 months for loans granted for purchases of tablets, 12 months for mobile phones that cost up to TL 3,500 and six months for loans granted for purchases mobile phones that cost more than TL 3,500.

Also, pursuant to the provisional article of the Regulation on Loan Transactions of Banks, the debt balances of individual loans (which include loans provided for durable and semi-durable consumer goods, weddings, education and health) utilised before 27 September 2016 may be restructured upon the request of the borrower over a period of up to 72 months (or up to 48 months if an additional loan is provided to the customer within the scope of the restructuring). The BRSA introduced two provisional articles to the Regulation on Loan Transactions of Banks on 10 February 2019 and 26 February 2019, respectively, providing that the debt balances of individual loans that were non-performing as of 10 February 2019 may be restructured upon the request of the borrower for a period of up to 60 months. In addition, debt balances of individual loans may be restructured upon the request of the borrower for a period of up to 60 months.

On 25 January 2019, the Regulation on Loan Transactions of Banks was further amended. Accordingly, the board of directors of a bank must determine, in writing, the procedures for assessment, approval and workflow in respect of loan transactions, service agreements, purchase agreements for goods or such other agreements to be entered into with: (a) the risk group that such bank is involved in (*i.e.*, a bank, its shareholders holding 10% or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and

partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability or in which these persons act as a member of the board of directors or general managers) or (b) individuals or legal entities specified in Article 50(1) of the Banking Law. In addition, such transactions exceeding the materiality threshold to be determined by the board of directors of a bank shall be subject to board of directors' approval. The BRSA is also entitled to introduce restrictions on the materiality thresholds that banks determine.

In addition, such amendments: (a) require that a credit rating note from an authorised institution be obtained prior to extension of certain loans, the scope of which will be determined by the BRSA, and (b) have exempted from the lending limits set forth in Article 54 of the Banking Law the loans extended to banks that are majority-owned, jointly or solely, by the Turkish Treasury, the Privatisation Administration, the Turkish Wealth Fund or other public institutions within the central administration.

On 3 October 2014, the BRSA published its Regulation on the Procedures and Principles Regarding Fees to be Collected from Financial Institutions' Customers, which limits the level of fees and commissions that banks may charge customers. The regulation imposes fee and commission limits on selected categories of product groups, including deposit account maintenance fees, loan related fees, credit card commissions, overdraft statement commissions and debt collection notification fees. The charge of any other fees and commissions by Turkish banks is subject to the BRSA's approval.

Foreign Currency Restrictions

Decree 32 and the Capital Movements Circular of the Central Bank (the "*Capital Movements Circular*") were amended, effective as of 2 May 2018, in order to introduce restrictions on Turkish resident legal entities utilising foreign currency loans. While this regime maintained the previous prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange-indexed loans, it introduced a strict prohibition on Turkish resident non-bank legal entities (each a "*Corporate Borrower*") utilising foreign currency-indexed loans and also imposed restrictions on Corporate Borrowers utilising foreign currency loans (the "*F/X Loan Restriction*").

Accordingly, a Corporate Borrower is only permitted to utilise foreign currency loans if: (a) it generates foreign currency-denominated income (which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities" and activities that are accepted as foreign currency income and other activities to be approved by the relevant Ministry) (the "*F/X Income Exemption*"), (b) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the "*Activity Exemption*") or (c) if, as of 2 May 2018, the unpaid outstanding balance of its total foreign currency loans ("*Loan Balance*") was more than US$15 million.

As far as the F/X Income Exemption is concerned, if the Loan Balance of a Corporate Borrower was below US$15 million, then the sum of the foreign currency loans to be utilised and the existing Loan Balance must not be more than the combined value of such Corporate Borrower's foreign currency income as stated in its financial statements for the last three financial years. Turkish-resident financial institution lenders are required to control whether a Corporate Borrower complies with this rule. In case of any non-compliance with the F/X Loan Restriction rules, Turkish-resident financial institution lenders are required either to cancel or convert into Turkish Lira the portion of the foreign currency loans to such Corporate Borrower that exceeds this value. In case of a breach of this obligation, an administrative monetary fine might be imposed.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of, among others: (a) a domestic tender with an international element awarded to such Corporate Borrower, (b) defence industry projects approved by the Undersecretariat of Defence Industry, (c) public-private partnership projects or (d) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency incomes (*muhtemel döviz geliri*). In order for a Corporate Borrower to benefit from the Activity Exemption summarised in clause (d), it must not have had any foreign

currency revenue within the last three financial years (which otherwise would be subject to the F/X Income Exemption) and the maximum amount of foreign currency loans that such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign revenue.

The Turkish Treasury is entitled to extend the scope of the Activity Exemption and has exercised such authority in respect of, among others, privatisation tenders, public tenders awarded with a foreign exchange consideration, unlicensed electricity generation projects within this scope and foreign currency loans to be used by fully owned (directly or indirectly) Turkish subsidiaries of foreign companies from other group companies resident abroad.

On 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between persons residing in Turkey: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction contracts. According to such amendments, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (*i.e.*, by 13 October 2018). On 6 October 2018 and 16 November 2018, the Turkish Treasury issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any Notes issued directly to Turkish investors) are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

A communiqué numbered 2018-32/48 regarding export prices was published in the Official Gazette dated 4 September 2018 and numbered 30525. This communiqué requires exporters to sell 80% of their foreign currency export revenues to Turkish banks within 180 days following the date of the export. This obligation applies to all Turkish resident exporters and the exporters are liable for fulfillment of those obligations, which the intermediary banks are required to monitor. The BRSA extended the application of this provision to one year from the effect date of the requirement (*i.e.*, until 4 September 2019).

In addition, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25% of a bank's regulatory capital. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 25% level (which is calculated on a daily basis) is attained; *however*, transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. Separately, when calculating the transactions falling within the scope of the 25% threshold, local banks are to consider transactions having a maturity of: (a) 90 to 360 days at 75% of their amount and (b) no less than 360 days at 50% of their amount.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. In addition, changes were introduced to this law on 15 March 2018 that (*inter alia*) states that the contractual termination, default and acceleration clauses of an agreement cannot be triggered in case the debtor makes a *concordat* application and such application shall not constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the "*Restructuring Regulation*") pursuant to which a framework agreement (the "*Framework Agreement*") was drafted by the Banks Association of Turkey. On 19 September 2018, the Banks Association of Turkey announced that Turkish banks (including the Bank) and other financial institutions, whose shares correspond to approximately 90% of the total loans in the market, executed the Framework Agreement, which entered into force on the same date following the approval of the BRSA. The main aim of the regulation is to enhance the repayment ability of debtors in repaying their debts to the financial sector in order for these companies to sustain their operations and contribute to the employment in Turkey. The Framework Agreement determined: (a) the scope of debts to be restructured, (b)

the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor's eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. According to the Framework Agreement, debtors that have a principal debt of more than TL 100 million (including cash and non-cash debt) are eligible to apply to restructure their debts. According to the Framework Agreement, the eligible debtor(s) and the applicable credit institutions may sign a restructuring agreement at any time through 19 September 2020. As such, certain borrowers of the Bank might apply for restructuring of their debt.

In this respect, eligible creditors (the "*Creditors*") that have signed or will be signing the Framework Agreement will constitute a creditors consortium and, to the extent that a debtor is able to meet certain eligibility conditions set out in the Restructuring Regulation and the Framework Agreement (together the "*New Restructuring Framework*"), it will have the right to apply to one of the three Creditors carrying the highest three exposures to initiate the restructuring process. Pursuant to the Framework Agreement, when a debtor makes an application for restructuring, there is a minimum 90 day standstill period, which can be extended to 150 days. If the restructuring agreement is signed, then, during the standstill period, all enforcement actions by the respective Creditors that sign the Framework Agreement are suspended and no new enforcement action can be initiated by such Creditors against such debtor. The debtor and any related party (including such debtor's subsidiaries, other affiliates and their respective shareholders) are under the "equal treatment" principle during the standstill period, which requires them not to favour any Creditor over any other Creditor. Following the negotiations, if a restructuring protocol is entered into between such number of Creditors representing at least two-thirds of the outstanding debt of the debtor that has been agreed to be restructured under the Framework Agreement, then all Creditors that have signed the Framework Agreement must restructure their loans to such debtor. According to the New Restructuring Framework, a restructuring protocol may (*inter alia*) provide for a reduction of restructured debt, extension of maturities of the restructured debt, extension of new money loans, introduction of new framework for the governance of the debtor, injection of shareholder equity contribution, disposal of certain part of the business of the debtor and the provision of additional collaterals.

The Restructuring Regulation was further amended on 21 November 2018 to enable foreign credit institutions to participate in the restructuring process under the Framework Agreement. According to the Restructuring Regulation, only debtors that are expected to gain the financial ability to repay their obligations in a reasonable period of time are allowed to benefit from financial restructuring. To this end, the solvency of such debtors that would like to benefit from a restructuring scheme is to be determined by the entities specified in the Framework Agreement. The Framework Agreement was approved by the BRSA on 5 February 2019. Furthermore, a draft law on restructuring (the "*Draft Restructuring Law*") was circulated to Turkish banks for their review and the Banks Association of Turkey sent the banks' input to the BRSA on 25 September 2018. The Draft Restructuring Law contemplates certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring.

Credit Guarantee Fund

The KGF was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises, in particular, to those that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional Article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount was increased to TL 25 billion in accordance with the Law No. 6670 dated 18 January 2017. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) (as amended from time to time), the KGF guarantees are supported by the Turkish Treasury. The KGF can provide guarantees from 80% to 100% of the sum of interest, dividend and rent payments except for the default interest and principal balance on the date of loan payment for both SMEs and non-SMEs.

Pursuant to Presidential Decree No. 162 dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured up to 96 months for working capital loans and up to 156 months for

investment loans. Such Presidential Decree also requires lenders to provide an opportunity to borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank's management believes to be reliable, but neither the Bank nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its direct participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*" and, together with Direct Participants, "*Participants*").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "*DTC Rules*"), DTC makes book-entry transfers of securities among Direct Participants on whose behalf it acts with respect to Covered Bonds accepted into DTC's book-entry settlement system ("*DTC Covered Bonds*") as described below and receives and transmits distributions of principal and interest on DTC Covered Bonds. The DTC Rules are on file with the SEC. Participants with which beneficial owners of DTC Covered Bonds ("*DTC Beneficial Owners*") have accounts with respect to the DTC Covered Bonds similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective DTC Beneficial Owners. Accordingly, although DTC Beneficial Owners who hold interests in DTC Covered Bonds through Participants will not possess the securities, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Covered Bonds.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each DTC Beneficial Owner is in turn to be recorded on the relevant Direct Participant's and Indirect Participant's records. DTC Beneficial Owners will not receive written confirmation from DTC of their purchases, but DTC Beneficial Owners are expected to receive written confirmations providing details of each transaction, as well as periodic statements of their holdings, from the Participant through which the DTC Beneficial Owner holds its interest in the DTC Covered Bonds. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of DTC Beneficial Owners. DTC Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual DTC Beneficial Owners; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the DTC Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to DTC Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Covered Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Covered Bonds will be made to DTC or its nominee. DTC's practice is to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC, subject to the receipt of funds and corresponding detail information from the Issuer or the relevant Paying Agent. Payments by Participants to DTC Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or its nominee is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the DTC Beneficial Owners is the responsibility of Participants.

Under certain circumstances, including if there is an Event of Default under the Covered Bonds, DTC will exchange the DTC Covered Bonds for definitive Registered Covered Bonds, which it will distribute to its Direct Participants in accordance with their requests and proportionate entitlements and that will be legended as described in "*Subscription and Sale and Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any DTC Beneficial Owner desiring to pledge its interest in DTC Covered Bonds to persons that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to effect such pledge through DTC and its Participants or, if not possible to so effect it, to withdraw its securities from DTC as described below.

The Applicable Laws in some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer an interest in Covered Bonds represented by a Registered Global Covered Bond to such persons might depend upon the ability to exchange such interest for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such interest to persons that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such interest for Covered Bonds in definitive form. The ability of any holder of an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such interests might be impaired if the proposed transferee of such interests is not eligible to hold such interests through a Participant.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the Applicable Laws of Luxembourg as a professional 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 a direct participant in Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

The ability of an owner of a beneficial interest in a Covered Bond held through Clearstream, Luxembourg to pledge such interest to persons that do not participate in the Clearstream, Luxembourg system, or otherwise take action in respect of such interest, might be limited by the lack of a definitive Covered Bond for such interest because Clearstream, Luxembourg can act only on behalf of Clearstream, Luxembourg's customers, who in turn act on behalf of their own customers. The Applicable Laws of some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Covered Bonds to such persons might be limited. In addition, beneficial owners of Covered Bonds held through the Clearstream, Luxembourg system will receive payments of principal, interest and any other amounts in respect of the Covered Bonds only through Clearstream, Luxembourg participants.

Euroclear

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between its direct participants. Euroclear provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear is available to other institutions that clear through or maintain a custodial relationship with participants in Euroclear.

The ability of an owner of a beneficial interest in a Covered Bond held through Euroclear to pledge such interest to persons that do not participate in the Euroclear system, or otherwise take action in respect of such interest, might be limited by the lack of a definitive Covered Bond for such interest because Euroclear can act only on behalf of Euroclear's customers, who in turn act on behalf of their own customers. The Applicable Laws of some jurisdictions might require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the Covered Bonds to such persons might be limited. In addition, beneficial owners of Covered Bonds held through the Euroclear system will receive payments of principal, interest and any other amounts in respect of the Covered Bonds only through Euroclear participants.

Book-entry Ownership of and Payments in respect of Global Covered Bonds

The Issuer has applied to each of Euroclear and Clearstream, Luxembourg to have Global Covered Bond(s) accepted in its book-entry settlement system. Upon the issue of any such Global Covered Bond, Euroclear and/or Clearstream, Luxembourg, as applicable, will credit, on its internal book-entry system, the respective nominal

amounts of the interests represented by such Global Covered Bond to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg, as applicable. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Interests in such a Global Covered Bond through Euroclear and/or Clearstream, Luxembourg, as applicable, will be limited to participants of Euroclear and/or Clearstream, Luxembourg, as applicable. Interests in such a Global Covered Bond will be shown on, and the transfer of such interests will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg or its nominee (with respect to the interests of direct Euroclear and/or Clearstream, Luxembourg participants) and the records of direct or indirect Euroclear and/or Clearstream, Luxembourg participants (with respect to interests of indirect Euroclear and/or Clearstream, Luxembourg participants).

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer(s) or investor(s). Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants and Indirect Participants, including, in the case of any Regulation S Registered Global Covered Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants and Indirect Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial owners of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable Participants' account.

Subject to the preceding paragraph, payments of principal and interest in respect of a Global Covered Bond will be made to DTC, Clearstream, Luxembourg, Euroclear or their respective nominee, as the case may be, as the registered holder of such Covered Bond. The Issuer expects DTC, Clearstream, Luxembourg and Euroclear to credit accounts of their respective direct accountholders on the applicable payment date. The Issuer also expects that payments by direct DTC, Clearstream, Luxembourg or Euroclear accountholders to indirect participants in such Clearing Systems will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers of such Clearing System, and will be the responsibility of such direct participant and not the responsibility of such Clearing System, the Fiscal Agent, any Paying Agent, the Registrar or the Bank. Payments of principal and interest on the Covered Bonds to a Clearing System (or its nominee) are the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Registered Global Covered Bonds

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear or Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described in "Subscription and Sale and Transfer and Selling Restrictions," cross-market transfers between Participants in DTC, on the one hand, and directly and indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("Custodian") with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Tranche, transfers of Covered Bonds of such Tranche between participants in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Tranche between

Participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between participants in Clearstream, Luxembourg or Euroclear and Participants in DTC will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg participants and DTC's Participants cannot be made on a delivery-versus-payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

Each Clearing System has published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants of the Clearing Systems; *however*, they are under no obligation to perform or continue to perform such procedures, and such procedures might be discontinued or changed at any time. None of the Issuer, the Agents or any Arranger or Dealer will be responsible for any performance by the Clearing Systems or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

General

This is a general summary of certain Turkish tax laws and other tax considerations in connection with an investment in the Covered Bonds. This summary does not address all aspects of such Applicable Laws and other tax considerations, or the Applicable Laws of other jurisdictions (such as tax-related Applicable Laws in the United Kingdom or the United States). While this summary is considered to be a correct interpretation of existing Applicable Laws in force on the date of this Base Prospectus, there can be no assurance that those Applicable Laws or the interpretation of those Applicable Laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective investors in the Covered Bonds are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Covered Bonds (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction of their respective citizenship, residence or domicile, including (but not limited to) the consequences of receipt of payments on the Covered Bonds and the disposal of investments in the Covered Bonds.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Covered Bonds by a person who is a non-resident of Turkey. References to "resident" in this section refer to tax residents of Turkey and references to "non-resident" in this section refer to persons who are not tax resident in Turkey.

The discussion is based upon current Applicable Law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Covered Bonds that may be relevant to a decision to make an investment in the Covered Bonds. Furthermore, the discussion only relates to the beneficial interest of a person in the Covered Bonds where the Covered Bonds will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon Applicable Laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the Applicable Laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative.

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law might not be treated as a resident of Turkey depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term "accounted for" means that a payment is made in Turkey,

or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident is the final tax for such non-resident and no further declaration is required. Any other income of a non-resident sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on covered bonds (such as the Covered Bonds) issued abroad by a Turkish corporation is subject to withholding tax, which tax would be paid by the Bank in Turkey. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of covered bonds issued abroad as follows:

(a) 7% withholding tax for covered bonds with an original maturity of less than one year,

(b) 3% withholding tax for covered bonds with an original maturity of at least one year and less than three years, and

(c) 0% withholding tax for covered bonds with an original maturity of three years and more.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 40,000 for 2019 together with the gains from other marketable securities and income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Covered Bonds 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 covered bonds of a Turkish corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-residents in respect of capital gains from the Covered Bonds and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Covered Bonds, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Covered Bonds (or beneficial interests therein) are subject to income tax or corporate tax declaration. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting periods of 2018, 2019 and 2020. The current rate for individuals ranges from 15% to 35% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index' rate of increase for each month except for the month of discharge so long as such index increased by at least 10%.

Reduced Withholding Tax Rates

Under current Applicable Laws in Turkey, interest payments on covered bonds issued abroad by a Turkish corporation to a non-resident holder will be subject to a withholding tax at a rate between 7% and 0% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the covered bonds is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and

the country in which the investor is an income tax resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

Value Added Tax

Bond issuances and interest payments on bonds are exempt from Turkey's value added tax pursuant to Article 17/4(g) of the Value Added Tax Law (Law No. 3065), as amended pursuant to the Turkish Tax Bill Regarding Improvement of the Investment Environment (Law No. 6728) published in the Official Gazette dated 9 August 2016 and numbered 29796.

FATCA

Pursuant to FATCA, a "foreign financial institution" (as defined in FATCA) (a "*Foreign Financial Institution*") may be required to withhold on certain payments it makes ("*Foreign Passthru Payments*") to payees who fail to meet certain certification, reporting or related requirements. The Issuer is a Foreign Financial Institution for these purposes. A number of jurisdictions (including Turkey) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("*IGAs*"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as in effect as of the date of this Base Prospectus, a Foreign Financial Institution in an IGA jurisdiction would generally not be required to withhold under FATCA or such IGA from payments that it makes; *however*, there can be no assurance that it will not be required to do so in the future. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Covered Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining Foreign Passthru Payments are published in the U.S. Federal Register, and Covered Bonds characterised as debt (or that are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining Foreign Passthru Payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date; *however*, if additional Covered Bonds (see Condition 16) that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents might treat all Covered Bonds, including Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules might apply to their investment in the Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of such withholding.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "*Commission's Proposal*") for a Directive for a common financial transaction tax ("*FTT*") that might apply in certain member states of the EU (the "*Participating Member States*"); *however*, Estonia has since stated that it will not participate. The Commission's Proposal has very broad scope and might, if introduced, apply to certain dealings in the Covered Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Covered Bonds

where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution might be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a Participating Member State; *however*, the FTT proposal remains subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear as of the date of this Base Prospectus. Participating Member States might decide to withdraw and additional member states of the EU might decide to participate. Prospective investors in the Covered Bonds are advised to seek their own professional advice in relation to the FTT and its potential impact on the Covered Bonds.

CERTAIN CONSIDERATIONS FOR ERISA AND OTHER U.S. EMPLOYEE BENEFIT PLANS

Subject to the following discussion, the Covered Bonds (or beneficial interests therein) may be acquired with assets of an "employee benefit plan" (as defined in Section 3(3) of ERISA), that is subject to Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code and any entity deemed to hold "plan assets" of the foregoing (each, a "*Benefit Plan Investor*"), as well as by governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (collectively, with Benefit Plan Investors, referred to as "*Plans*"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan Investor from engaging in certain transactions with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan Investor. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of such Benefit Plan Investor. In addition, Title I of ERISA requires fiduciaries of a Benefit Plan Investor subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents. Plans that are governmental plans, certain church plans and non-U.S. plans are not subject to the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of ERISA or Section 4975 of the Code; *however*, such Plans might be subject to any applicable state, local, other federal or non-U.S. law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("*Similar Law*").

An investment in the Covered Bonds by or on behalf of a Benefit Plan Investor could give rise to a prohibited transaction if the Bank, an Arranger, a Dealer, an Agent or any of their respective affiliates is or becomes a party in interest or a "disqualified person" with respect to such Benefit Plan Investor. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition or holding of an investment in the Covered Bonds by a Benefit Plan Investor depending upon the type and circumstances of the plan fiduciary making the decision to acquire such investment and the relationship of the party in interest or "disqualified person" to the Benefit Plan Investor. Included among these exemptions are: Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions between a Benefit Plan Investor and persons who are parties in interest or "disqualified persons" solely by reason of providing services to the Benefit Plan Investor or being affiliated with such service providers; Prohibited Transaction Class Exemption ("*PTCE*") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, regarding investments by insurance company general accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Covered Bonds, and prospective investors that are Benefit Plan Investors should consult with their legal advisors regarding the applicability of any such exemption.

By acquiring a Covered Bond (or a beneficial interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) is deemed to represent and warrant that either: (a) it is not, and for so long as it holds the Covered Bond (or a beneficial interest therein) will not be, acquiring or holding a Covered Bond (or a beneficial interest therein) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of the Covered Bond (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Prospective investors in the Covered Bonds are advised to consult their advisers with respect to the matters discussed above and other applicable legal requirements.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have in the Programme Agreement agreed (or, when acceding thereto, will agree) with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds (or beneficial interests therein). Any such agreement will extend to those matters stated under "*Form of the Covered Bonds*" and "*Terms and Conditions of the Covered Bonds*." In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment, this update and any future update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith, including liabilities under the Securities Act, or to contribute to payments that the Dealers may be required to make because of those liabilities. The Programme Agreement provides that the obligation of any Dealer to purchase Covered Bonds under any agreement for the issue and purchase of such Covered Bonds is subject to certain conditions. Unless otherwise specified in the relevant Final Terms, any Covered Bonds sold to one or more Dealers as principal will be purchased by such Dealer(s) at a price as may be set forth in the relevant Final Terms less a percentage of the principal amount equal to a commission as agreed upon by the Issuer and such Dealer(s). After the initial offering of a Tranche of Covered Bonds, the offering price may be changed.

Any offers and sales of the Covered Bonds in the United States may only be made by those Dealers or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. One or more Dealers participating in the offering of any Tranche of Covered Bonds may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically such persons may overallot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the market price of an investment in the Covered Bonds by bidding for or purchasing Covered Bonds 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 Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of an investment in the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the market price of an investment in the Covered Bonds 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 Applicable Laws in England, stabilisation activities may only be carried on by the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Covered Bonds.

Investors in the Covered Bonds who wish to trade interests in Covered Bonds on their trade date or otherwise before the applicable Issue Date should consult their own adviser.

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

In the ordinary course of their various business activities, the Dealers, the Arrangers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and might at any time hold long and short positions in such securities and instruments. Such

investment and securities activities might involve securities and instruments of the Issuer and/or other members of the Group. In addition, certain of the Dealers, the Arrangers and/or their respective affiliates hedge their credit exposure to the Issuer and/or other members of the Group pursuant to their customary risk management policies. These hedging activities might have an adverse effect on the future trading prices of an investment in the Covered Bonds.

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

Transfer Restrictions

As a result of the following restrictions, investors in the Covered Bonds are advised to consult legal counsel prior to making any purchase, offer, sale, resale, pledge or other transfer of such Covered Bonds. References to Covered Bonds in this section should, as appropriate, be deemed to refer to the Covered Bonds themselves and/or beneficial interests therein.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form (or *vice versa*) will be required to acknowledge, represent, warrant and agree, and each person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance upon Rule 144A, (ii) it is an Institutional Accredited Investor that has delivered a duly executed investment letter from the relevant transferee to the Issuer substantially in the form set out in the Agency Agreement (an "*IAI Investment Letter*") or (iii) it is not a U.S. person and is purchasing or acquiring the Covered Bonds (or a beneficial interest therein) in a transaction pursuant to an exemption from registration under the Securities Act,

(b) that the Covered Bonds (or a beneficial interest therein) are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Covered Bonds (or a beneficial interest therein) have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below,

(c) that, unless it holds an interest in a Regulation S Registered Global Covered Bond and is not a U.S. person, if in the future it decides to offer, resell, assign, transfer, pledge, encumber or otherwise dispose the Covered Bonds (or beneficial interests therein), it will do so, prior to the date that is one year after the later of the last Issue Date for such Covered Bonds and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds or beneficial interests, only: (i) to the Issuer or any affiliate thereof, (ii) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the United States and all other jurisdictions,

(d) it will, and will require each transferee from it to, notify any transferee of the Covered Bonds from it of the resale restrictions, if then applicable,

(e) that Covered Bonds initially offered to QIBs pursuant to Rule 144A will be represented by one or more Rule 144A Global Covered Bond(s), that Covered Bonds offered to Institutional Accredited Investors pursuant to Section 4(a)(2) under the Securities Act will be in the form of IAI Definitive Covered Bonds or one or more IAI Global Covered Bond(s) and that Covered Bonds offered in offshore transactions to non-U.S. persons in reliance upon Regulation S will be represented by one or more Regulation S Covered Bond(s),

(f) that each Covered Bond issued pursuant to Rule 144A will contain a legend substantially in the following form (with, if in definitive form, appropriate revisions) unless otherwise agreed by the Issuer:

> "THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS COVERED BOND OR A BENEFICIAL INTEREST HEREIN, EACH HOLDER OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN): (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYER(S), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iii) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (iv) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL DELIVER TO EACH PERSON TO WHOM ANY INTEREST IN THIS COVERED BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS COVERED BOND.
>
> EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND

AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

(g) that each IAI Covered Bond will bear a legend in the following form (with, if an IAI Definitive Covered Bond, appropriate revisions) unless otherwise agreed to by the Issuer:

"THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN), THE HOLDER THEREOF: (a) REPRESENTS (OR SHALL BE DEEMED TO REPRESENT) THAT IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT) THAT IS AN INSTITUTION (AN "*INSTITUTIONAL ACCREDITED INVESTOR*"), (b) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT IT WILL NOT OFFER,

SELL, ASSIGN, PLEDGE, ENCUMBER OR OTHERWISE TRANSFER THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT, THE TERMS OF THE IAI INVESTMENT LETTER IT EXECUTED IN CONNECTION WITH ITS PURCHASE OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES OF WHICH THIS COVERED BOND FORMS PART AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE (AS DEFINED IN RULE 144 UNDER THE SECURITIES ACT) OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (i) TO THE ISSUER OR ANY AFFILIATE THEREOF, (ii) FOR SO LONG AS THIS COVERED BOND IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (iii) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 UNDER THE SECURITIES ACT, (iv) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (v) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES AND ALL OTHER JURISDICTIONS; *PROVIDED* THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO (iii) OR (iv) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO THE ISSUER, AND (c) AGREES (OR SHALL BE DEEMED TO AGREE) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS COVERED BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION IS MADE BY THE ISSUER AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THIS COVERED BOND.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF

BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).",

(h) if such investor holds a Definitive Regulation S Registered Covered Bond or a beneficial interest in a Regulation S Registered Global Covered Bond, that if it should offer, resell, assign, transfer, pledge, encumber or otherwise dispose such Covered Bond (or beneficial interest) prior to the expiration of a 40-day period after the later of the commencement of the offering to persons other than distributors and the applicable Issue Date (the "*Distribution Compliance Period*"), it will do so only: (i)(A) in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act or (B) to a QIB in compliance with Rule 144A, and (ii) in accordance with all applicable U.S. federal and state securities laws; and it acknowledges that such Covered Bonds (with appropriate revisions) will bear a legend in the following form unless otherwise agreed to by the Issuer:

"THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OF THE UNITED STATES OF AMERICA, OR ANY OTHER APPLICABLE U.S. FEDERAL OR STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) BY ITS ACCEPTANCE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN) AGREES (OR SHALL BE DEEMED TO AGREE) ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT IS HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) THAT NO OFFER, SALE, ASSIGNMENT, TRANSFER, PLEDGE, ENCUMBRANCE OR OTHER DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) SHALL BE MADE TO A U.S. PERSON PRIOR TO THE EXPIRATION OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE COVERED BONDS OF THE TRANCHE OF WHICH THIS COVERED BOND FORMS PART.

EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN, THEN ITS FIDUCIARY) OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER: (a) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT BE, ACQUIRING OR HOLDING THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WITH THE ASSETS OF: (i) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED

("*ERISA*"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (ii) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "*CODE*"), (iii) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING OR (iv) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY STATE, LOCAL, OTHER FEDERAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("*SIMILAR LAW*"), OR (b) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR A BENEFICIAL INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

THIS COVERED BOND AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDER OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) SENT TO ITS REGISTERED ADDRESS (OR, FOR HOLDERS OF BENEFICIAL INTERESTS, TO THE EXTENT FORWARDED TO THEM BY THE APPLICABLE CLEARING SYSTEM), TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS COVERED BOND (OR BENEFICIAL INTERESTS HEREIN) TO REFLECT ANY CHANGE IN APPLICABLE LAW (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS COVERED BOND (OR OF A BENEFICIAL INTEREST HEREIN) SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF (OR OF A BENEFICIAL INTEREST HEREIN), TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING UPON THE HOLDER HEREOF (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ALL FUTURE HOLDERS OF THIS COVERED BOND (AND HOLDERS OF A BENEFICIAL INTEREST HEREIN) AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFORE, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).", and

(i) that the Issuer, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees (or will be deemed to agree) that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer and the applicable Dealer(s); and if it is acquiring any Covered Bonds (or beneficial interests therein) as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser and transferee (and if the purchaser or transferee is a Plan, then its fiduciary) of a Covered Bond (or a beneficial interest therein) will be deemed to represent, warrant and agree that either: (a) it is not, and for so long as it holds a Covered Bond (or a beneficial interest therein) will not be, acquiring or holding such Covered Bond (or beneficial interest) with the assets of a Benefit Plan Investor or a Plan that is subject to Similar Law, or (b) the acquisition, holding and disposition of such Covered Bond (or a beneficial interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Law.

Institutional Accredited Investors who invest in IAI Covered Bonds offered and sold in the United States as part of their original issuance in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. An IAI Investment Letter will state, among other things, the following:

(a) that the applicable Institutional Accredited Investor has received a copy of this Base Prospectus and such other information as it deems necessary in order to make its investment decision,

(b) that such Institutional Accredited Investor understands that such Covered Bonds (or beneficial interests therein) are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that such Covered Bonds have not been and will not be registered under the Securities Act or any other applicable U.S. federal or state securities laws and that any subsequent transfer of such Covered Bonds (or beneficial interests therein) is subject to certain restrictions and conditions set forth in this Base Prospectus and such Covered Bonds (including those set out above) and that it agrees to be bound by, and not to reoffer, resell, pledge or otherwise transfer such Covered Bonds (or beneficial interests therein) except in compliance with, such restrictions and conditions and the Securities Act,

(c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Covered Bonds,

(d) that it is an Institutional Accredited Investor and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Covered Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment in the Covered Bonds for an indefinite period of time,

(e) that such Institutional Accredited Investor is acquiring such Covered Bonds (or beneficial interests therein) for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of such Covered Bonds (or beneficial interests therein), subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control, and

(f) that, in the event that such Institutional Accredited Investor purchases Covered Bonds (or beneficial interests therein), it will acquire Covered Bonds (or beneficial interests therein) having a minimum purchase price of at least US$500,000 (or the approximate equivalent in another Specified Currency) (or such other amount set forth in the applicable Final Terms).

Unless set forth in the applicable Final Terms otherwise, no sale of Legended Covered Bonds in the United States to any one purchaser will be for less than US$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its foreign currency equivalent) principal amount and no Legended Covered Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, then each person for whom it is acting must purchase at least US$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors pursuant to Section 4(a)(2) of the Securities Act, US$500,000 (or its foreign currency equivalent) principal amount of Registered Covered Bonds (in each case, or such other amount as may be set forth in the applicable Final Terms).

Pursuant to the BRSA decisions dated 6 May 2010 (No. 3665) and 30 September 2010 (No. 3875) and in accordance with Decree 32, residents of Turkey: (a) in the secondary markets only, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in a currency other than Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis, and (b) in both the primary and secondary markets, may purchase or sell Covered Bonds (or beneficial interests therein) denominated in Turkish Lira in offshore transactions on an unsolicited (reverse inquiry) basis; *provided* that, for each of clauses (a) and (b), such purchase or sale is made through licensed banks authorised by the BRSA or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use such licensed banks or licensed brokerage institutions when purchasing Covered Bonds (or beneficial interests therein) and should transfer the purchase price through such licensed banks.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval required for the issuance of Covered Bonds under the Programme. Pursuant to the CMB Approval, the offer, sale and issue of Covered Bonds under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law, the Capital Markets Law, the Debt Instruments Communiqué and the Covered Bonds Communiqué and their respective related Applicable Laws. In addition, Covered Bonds (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. The Covered Bonds issued under the Programme prior to the date of the CMB Approval were issued under previously existing CMB approvals.

Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Covered Bonds within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Covered Bonds (or beneficial interests therein) in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No. 3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey may acquire Covered Bonds (or beneficial interests therein) so long as they comply with the restrictions described in the last paragraph of "*-Transfer Restrictions*" above.

To the extent (and in the form) required by Applicable Law, an approval from the CMB in respect of each Tranche of Covered Bonds is required to be obtained by the Issuer prior to the Issue Date of such Tranche of Covered Bonds.

Monies paid for investments in the Covered Bonds are not protected by the insurance coverage provided by the SDIF.

United States

The Covered Bonds have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and in accordance with all applicable local, state or federal Applicable Laws. Terms used in this paragraph have the meanings given to them by Regulation S.

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

In connection with any Regulation S Covered Bonds, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Covered Bonds (or beneficial interests therein): (a) as part of their distribution at any time or (b) otherwise until the expiration of the applicable Distribution Compliance Period other than in an offshore transaction to, or for the account or benefit of, persons who are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor, dealer or other person to whom it sells any Regulation S Covered Bonds (or beneficial interests therein) during the applicable Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Covered Bonds other than in offshore transactions to, or for the account or benefit of, persons who are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until the expiration of the applicable Distribution Compliance Period, an offer or sale of such Covered Bonds (or beneficial interests therein) other than in an offshore transaction to a person who is not a U.S. person by any distributor (whether or not participating in the offering) might violate the registration requirements of the

Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers might arrange for the resale of Registered Covered Bonds (or beneficial interests therein) to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds (or beneficial interests therein) is hereby notified that the Dealers may be relying upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has undertaken in the Deed Poll to furnish, upon the request of a holder of such Covered Bonds (or beneficial interests therein), to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Covered Bonds of the applicable Series remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Public Offer Selling Restriction under the Prospectus Directive and, where applicable, Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that if the Final Terms in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as:

1. "Applicable," then it has not offered, sold or otherwise made available (and will not offer, sell or otherwise make available) any of such Covered Bonds (or beneficial interests therein) to any EEA Retail Investor, and

2. "Not Applicable," then, in relation to each Relevant Member State with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*"), it (with respect to such Covered Bonds) has not made and will not make an offer of Covered Bonds 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 Covered Bonds to the public in that Relevant Member State at any time:

(a) to any legal entity that is a qualified investor as defined in the Prospectus Directive,

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Issuer for any such offer, or

(c) in any other circumstances falling within an exemption from the requirements to publish a prospectus under the Prospectus Directive;

provided that no such offer of Covered Bonds referred to in clauses (a) to (c) shall require the Issuer or any Dealer to publish or supplement a prospectus pursuant to the Prospectus Directive.

For the purposes of part 2, the expression "an offer of Covered Bonds to the public" in relation to any Covered Bonds (which shall also include beneficial interests therein where applicable) in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds (or beneficial interests therein) to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds (or beneficial interests therein), as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Covered Bonds that 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 Covered Bonds 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 Covered Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the "*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 Covered Bonds 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 Covered Bonds in, from or otherwise involving the United Kingdom.

Belgium

Other than in respect of Covered Bonds for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that an offering of Covered Bonds (or beneficial interests therein) may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "*Belgian Consumer*"), and 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, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Covered Bonds (or beneficial interests therein) to any Belgian Consumer, and (b) it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Covered Bonds, directly or indirectly, to any Belgian Consumer.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Covered Bonds (or beneficial interests therein) or caused the Covered Bonds (or beneficial interests therein) to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds (or beneficial interests therein) or cause any Covered Bonds (or beneficial interest therein) to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Covered Bonds (or beneficial interests therein), whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Covered Bonds (or beneficial interests therein) are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or

(b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of such trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust, as applicable, has acquired the Covered Bonds (or beneficial interests therein) pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA,

(ii) where no consideration is or will be given for the transfer,

(iii) where the transfer is by operation of law,

(iv) as specified in Section 276(7) of the SFA, or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Final Terms in respect of any Covered Bonds may include a legend entitled "Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore" that will state the product classification of the applicable Covered Bonds pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Covered Bonds shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included in the relevant Final Terms will constitute notice to "relevant persons" for purposes of Section 309B(1)(c) of the SFA.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the "*FIEA*") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds (or beneficial interests therein), directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that, in Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in any Covered Bonds. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Covered Bonds (and

beneficial interests therein) have not been and will not be publicly offered, sold or advertised, directly or indirectly, by such Dealer in, into or from Switzerland and have not been and will not be listed by such Dealer on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to Article 5 of the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering of the Covered Bonds has been or will be filed by the Issuer or any Dealer with or approved by any Swiss regulatory authority. The Covered Bonds do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Covered Bonds will not benefit from protection or supervision by any Swiss regulatory authority.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all Applicable Laws in force related to securities in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the Applicable Laws in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

OTHER GENERAL INFORMATION

Authorisation

The update of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of the Board dated 13 December 2018.

Legal Entity Identifier (LEI)

The Legal Entity Identifier (LEI) of the Issuer is 5493002XSS7K7RHN1V37.

Listing of Covered Bonds

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to Euronext Dublin for Covered Bonds issued through the date that is one year after the date hereof to be admitted to the Official List and to trading on the Regulated Market. The Regulated Market is a regulated market for the purposes of MiFID II. It is expected that each Tranche of Covered Bonds that is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Covered Bonds initially representing the Covered Bonds of such Tranche; *however*, no assurance can be given that any such admission will occur. If a Tranche of Covered Bonds is to be listed by the Issuer on Euronext Dublin or any other stock exchange, then any information required by such exchange to be in the applicable Final Terms will be included therein.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Programme and is not itself seeking admission of the Covered Bonds to the Official List or to trading on the Regulated Market for the purposes of the Prospectus 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 unconsolidated BRSA Financial Statements of the Bank as of and for the years ended 31 December 2017 (including comparative information for 2016) and 2018,

(c) the independent auditors' audit reports and audited consolidated BRSA Financial Statements of the Group as of and for the years ended 31 December 2017 (including comparative information for 2016) and 2018,

(d) when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently publishes: (i) audited consolidated and unconsolidated BRSA Financial Statements on an annual basis, (ii) unaudited consolidated and unconsolidated interim BRSA Financial Statements for each of the first three quarters of each fiscal year, (ii) audited consolidated IFRS Financial Statements on an annual basis and (iv) unaudited consolidated interim IFRS Financial Statements for each of the first three quarters of each fiscal year,

(e) the Agency Agreement, the Deed of Covenant, the Deed Poll, the Cover Monitor Agreement, the Security Assignment, the Security Agency Agreement, the Offshore Bank Account Agreement, the Calculation Agency Agreement, the Hedging Agreements (including to review any termination events described in clause (c)(v) of "*Summary of the Turkish Covered Bonds Law - Derivative Instruments*") and the forms of the Global Covered Bonds, the Covered Bonds in definitive form, the Coupons and the Talons,

(f) a copy of this Base Prospectus, and

(g) when published, any future base prospectus, prospectus, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Covered Bond that is neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances in which a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus and each document (or portion thereof) incorporated by reference herein will also be available in electronic format on the Issuer's website (such website is not, and should not be deemed to, constitute a part of, or be incorporated into, this Base Prospectus). See "Documents Incorporated by Reference" above. Each Final Terms relating to Covered Bonds that are admitted to trading on Euronext Dublin's regulated market will also be available on the Issuer's website. Such website is not, and should not be deemed to constitute, a part of (or be incorporated into) this Base Prospectus.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg, which are the entities in charge of keeping the records. The appropriate Common Code and ISIN (if any) for each Tranche of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. To the extent applicable, the ISIN, Common Code, CUSIP, CINS, CFI and/or FISN for each Tranche of Covered Bonds will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system, then the appropriate information will be specified in the applicable Final Terms.

Scheduled payments of interest on each Registered Covered Bond will be paid only to the person in whose name such Registered Covered Bond was registered at the close of business on the Record Date. Notwithstanding the Record Date established in the Conditions for any Series of Registered Covered Bonds, the Issuer has been advised by DTC that through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC's Participants' holdings of the Covered Bonds on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "*New York Business Day*" for these purposes is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorised or required by law or executive order to close.

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

Conditions for Determining Price

For Covered Bonds (or beneficial interests therein) to be issued to one or more Dealer(s), the price and amount of such Covered Bonds (or beneficial interests therein) will be determined by the Issuer and such Dealer(s) at the time of issue in accordance with prevailing market conditions. For Covered Bonds (or beneficial interests therein) to be issued to one or more investor(s) purchasing such Covered Bonds (or beneficial interests therein)

directly from the Issuer, the price and amount of such Covered Bonds (or beneficial interests therein) will be determined by the Issuer and such investor(s).

No Significant or Material Adverse Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 December 2018 and (b) no material adverse change in the financial position or prospects of the Bank since such date.

Litigation

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

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Arrangers and Dealers, so far as the Bank is aware, no natural or legal person involved in the issue of the Covered Bonds has an interest, including a conflicting interest, that is material to the issue of the Covered Bonds; *provided* that one or more of such persons might own Covered Bonds (or beneficial interests therein), might be a Hedging Counterparty and/or might be a Secured Creditor in another capacity, whether at the time of issuance or after the applicable Issue Date. It should be noted that one of the Dealers (*i.e.*, BBVA) is the controlling Shareholder of the Bank (See "Ownership").

Independent Auditors

The BRSA Financial Statements as of and for the year ended 31 December 2016 have been audited by Deloitte in accordance with the Turkish Auditor Regulation and the Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the POA. Deloitte, independent certified public accountants in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey. Deloitte is located at Maslak Plaza, Eski Büyükdere Caddesi, Maslak Mahallesi No:1, Maslak, Sarıyer, 34398 İstanbul, Turkey.

The BRSA Financial Statements as of and for the year ended 31 December 2017 and 2018 have been audited by KPMG in accordance with the Turkish Auditor Regulation and the Independent Standards on Auditing, which is a component of the Turkish Auditing Standards published by the POA. KPMG, independent certified public accountants in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey. KPMG is located at İş Kuleleri Kule 3 Kat 2-9, Levent, Beşiktaş, 34330, İstanbul, Turkey.

Deloitte's and KPMG's audit reports included in the BRSA Financial Statements incorporated by reference herein contain a qualification (see "Risk Factors – Risks Relating to the Group's Business – Audit Qualification").

Material Contracts

The Bank has not entered into any material contract outside the ordinary course of its business that could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Covered Bonds.

Dealers and Arrangers transacting with the Issuer

Certain of the Dealers, the Arrangers and/or their respective affiliates have engaged, and might in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or the Issuer's affiliates in the ordinary course of business.

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

INDEX OF DEFINED TERMS

APPENDIX A

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND THE BRSA ACCOUNTING AND REPORTING LEGISLATION

The financial statements and financial information included in this Base Prospectus have been prepared in accordance with BRSA Accounting and Reporting Legislation. The BRSA Accounting and Reporting Legislation, statements, communiqués and guidance differ from IFRS in some instances that might be material to the financial information herein. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (*e.g.*, IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. The following paragraphs summarise certain areas in which the BRSA Accounting and Reporting Legislation and IFRS differ from each other.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services, which are subject to policies/requirements of the Turkish Treasury, and factoring and leasing services, which are subject to BRSA policies/requirements.

Presentation of Financial Statements

There are differences in presentation of financial statements other than measurement differences described above. These differences can be briefly explained by mandatory financial statement line items in accordance with IAS 1, disclosure requirements of IFRS 7 or, where applicable, the disclosure requirements of other standards. BRSA financial statements and related notes are presented under a special format determined by the BRSA. Similarly, statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows are presented using this specified format. The BRSA also requires a statement for off balance sheet items. These presentation differences may vary based upon the sector that the related consolidated subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the Turkish Treasury policies/requirements, and factoring or leasing services, which are subject to specific BRSA policies/requirements.

Basis for Consolidation

Consolidation principles under the BRSA Accounting and Reporting Legislation and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Only financial sector subsidiaries are consolidated under the BRSA Accounting and Reporting Legislation, whereas other associates are carried at cost. The BRSA Accounting and Reporting Legislation provides an exemption for consolidation based upon certain materiality criteria, whereas this is not applicable in the case of IFRS. Under IFRS, all subsidiaries are consolidated.

FOR 2016 AND 2017

Allowance for Loan Losses

Under the BRSA Accounting and Reporting Legislation, specific and general provisions for impaired loans are provided for in accordance with the Regulation on Provisions and Classification of Loans and Receivables issued by the BRSA (unlike impairment and measurement rules under IAS 39). Such BRSA rules for impairment only apply to loans and receivables, while other classes of financial assets (available-for-sale financial assets) are subject to IAS 39 rules. All loans are grouped into five categories mainly depending upon their past due status and creditworthiness of the borrower. The BRSA Accounting and Reporting Legislation have prescribed certain minimum provisioning rates for groups comprising non-performing loans after taking into account collateral

obtained (specific provision) and a separate rate for groups comprising performing loans (general provision – the general provision rate is minimum specified by the BRSA and applied across the Turkish banking sector).

Under IAS 39, for loans that have been identified as impaired on the basis of objective evidence of impairment, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate. IFRS requires a form of individual assessment for loans that are individually significant and a collective assessment for loans that form part of a group of loans with similar credit characteristics.

Deferred Taxation

In accordance with IFRS, deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. On the other hand, under the BRSA Accounting and Reporting Legislation, it is not permitted to recognise deferred tax on a general provision allocated based upon BRSA rules described above, although it constitutes a temporary difference based upon IAS 12 Income Taxes.

ISSUER

Türkiye Garanti Bankası A.Ş.
Levent Nispetiye Mahallesi
Aytar Caddesi No: 2
Beşiktaş 34340
İstanbul, Turkey

ARRANGERS AND DEALERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

NATIXIS
30, avenue Pierre Mendès France
75013 Paris
France

DEALERS

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Canary Wharf
London E14 5AA
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Landesbank Baden-Württemberg
Am Hauptbahnhof 2
70173 Stuttgart
Federal Republic of Germany

Société Générale
29, boulevard Haussmann
75009 Paris
France

FISCAL AGENT, EXCHANGE AGENT, PAYING AGENT AND SECURITY AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
2-4 rue Eugene Ruppert
2453 Luxembourg

LEGAL ADVISERS

To the Issuer as to English and United States law

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF
United Kingdom

Mayer Brown LLP
71 South Wacker Drive
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To the Dealers as to English and United States law

White & Case LLP
5 Old Broad Street
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United Kingdom

To the Dealers as to Turkish law

GKC Partners
Ferko Signature
Büyükdere Caddesi No: 175 Kat:10
34394 Esentepe
İstanbul, Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

AUDITORS TO THE BANK FOR 2016

Deloitte
DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Maslak No 1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer
34398, İstanbul
Turkey

AUDITORS TO THE BANK FOR 2017 AND 2018

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KPMG Bağımsız Denetim ve SMMM A.Ş.
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34330 İstanbul
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