

TERMS AND CONDITIONS RELATED TO DEBT INSTRUMENTS TO BE ISSUED

1. INFORMATION ABOUT THE DEBT INSTRUMENTS TO BE ISSUED

1.1 General information on debt instruments to be issued:

Type: Debt instruments to be included in the calculation of Tier 2 capital

ISIN code: ISIN Codes regarding the debt instruments to be issued shall be generated by Takasbank İstanbul Settlement and Custody Bank Inc. (Takasbank)

The name, address of the institution that follows the debt instruments under registration: Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency Inc.), Reşitpaşa Mahallesi Özborsa Caddesi, 34467 Sarıyer/İSTANBUL

Competent Authority: Garanti Yatırım Menkul Kıymetler A.Ş. (Garanti Investment Securities Inc.)

Issuer: Turkey Garanti Bankası A.Ş.

Market to be Issued: TL Domestic

Method to be Issued: Sales to Qualified Investors

CMB Approval Date: Decision No 53/1231date 26.09.2019

Board of Directors Date of Issuance Decision: 30.07.2019

Issuance Ceiling: 7.000.000.000.-TL Nominal

Date of Sale: 3-4-7-8 October 2019

Maturity Start Date: 9 October 2019

Starting Maturity: 10 years

Interest Type: Floating

Coupon Payment Frequency and Day Convention: It pays coupons once in 3 months. (ACT / 365)

Annual Additional Return Rate (Spread): 130 bps

Issuance Nominal: 252,880,000 TL

Market to be traded: Borsa Istanbul Debt Instruments Market
Final Purchase and Sale Market

Minimum Sales Amount and Multiples: 10,000 TL nominal and multiples

1.2 According to which legislation were the debt instruments created:

Debt instruments (“Bonds”) to be issued by Turkey Garanti Bankası A.Ş. (“Garanti Bank”, “Bank” or “Issuer”) were created in accordance with the legislations of the Capital Markets Board (“CMB”) and the Banking Regulation and Supervision Agency (“BRSA”).

The principles regarding the debt instruments to be included in the calculation of the Tier2 capital to be issued, including the amendments made on these regulations from time to time, are subject to the Regulation on Equity of Banks (“Equity Regulation”) published in the Official Gazette dated September 5, 2013 and numbered 28756 and the Communiqué on Principles Regarding Debt Instruments to be Included in the Equity Calculation by Banks (“Shareholders' Equity Communiqué”) published in the Official Gazette dated June 7, 2018 and numbered 30444 by BRSA and the issuance shall be realized within this scope.

General principles regarding the debt instruments to be included in the calculation of the Tier2 capital to be issued, demand collection method, distribution principles and principles regarding the deposit of the amounts were determined based on the provisions of the Communiqué on the Sale of Capital Market Instruments numbered II-5.2 published in the Official Gazette dated 28.06.2013 and numbered 28691, and the Communiqué VII-128.8 Debt Instruments published in the Official Gazette dated 5/7/2013 and numbered 28698 by CMA, and the issuance shall be realized within this scope.

1.3: The Information on whether the debt instruments are dematerialized

The debt instruments to be issued are kept under registration in accordance with the dematerialization principles by the Central Registry Agency. (“CRA”).

1.4 Information on which currency are the debt instruments issued:

Debt instruments shall be available for sale in Turkish Lira.

1.5 Information on the trading of debt instruments in the stock exchange

After the sale of the debt instruments to be issued is completed, their dealing in Borsa İstanbul A.Ş. (“BİAŞ”) is subject to the approval of the Stock Exchange Presidency in accordance with the relevant provisions of the BİAŞ legislation and shall be traded in the BİAŞ Debt Instruments Market Final Exchange Market.

1.6 Rights granted to investors by the debt instruments to be issued, principles of using these rights and restrictions on these rights:

Debt instruments investors are in the position of creditor of the Bank and have no other rights on the assets of the Bank apart from their credits (principal and interest). Investors shall be entitled to receive the principal and interest to be calculated on the day of payment by the calculation method specified for the debt instruments to be issued.

Restrictions on the rights of investors who are going to participate in the issuance of the debt instrument of Garanti Bank:

- The holder of the debt instrument lends only to the Bank in exchange for interest by purchasing the debt instrument.

- The holder of the debt instrument has no rights and receivables other than the principal and interest receivable.
- There is no partnership right such as participating in the general assemblies or management of the Bank.

1.7 Restrictions on the sale of the debt instrument to be issued

Other than as permitted by applicable legislation, the Bonds shall not be acquired or otherwise taken over and/or appropriated (a) by an entity (“Related Entity”) or in favor of the Related Entity controlled by the Issuer or having a significant influence on the Issuer (as envisaged in the Banking Law No. 5411 (“Banking Law”) and the Equity Regulation) or (b) by the Issuer or in favor of the Issuer. Subject to the applicable legislation, the Issuer or the aforementioned Related Entity may purchase, transfer and/or transfer or otherwise acquire the Bonds at any time, in any form and at any price, from the free market or elsewhere in accordance with the client's instructions, (or may be acquired by a third party on its behalf). Subject to applicable legislation, such Bonds may be held or resold.

1.8 Other important issues related to debt instruments to be issued

In accordance with Article 8, paragraph 2 (a) of the Shareholders' Equity Regulation, the debt instruments to be issued by the Bank have been registered by the CMB and their cost shall be fully collected in cash.

In accordance with Article 8, paragraph 2 (ç) of the Shareholders' Equity Regulation, the debt instruments to be issued do not consist of any element that shall promote repayment such as dividend or interest increase.

In the approvals to be given by the BRSA for the use of early redemption, the conditions specified in Items 1, 2 and 3 of paragraph d of Article 8 of the Shareholders' Equity Regulation shall be sought.

Pursuant to Article 8 (2) e of the Shareholders' Equity Regulation, the investor has no right to demand the acceleration of the amortization plan except for bankruptcy and liquidation process.

Dividend or interest payments shall not be associated with the credit worthiness of the Bank in accordance with Article 8 (2), paragraph f of the Shareholders' Equity Regulation.

Debt instruments shall not be issued by an entity other than the Bank itself or outside the Bank's scope of consolidation.

Pursuant to paragraph 4 of Article 8 of the Shareholders' Equity Regulation, the letter of registration of the debt instrument by the Capital Markets Board and these terms and conditions of the debt instrument shall be submitted in the applications to BRSA under paragraphs 1 and 3 of the Shareholders' Equity Regulation.

In the event that changes are made in the terms and conditions of the debt instrument submitted in accordance with paragraph 5 of Article 8 of the Shareholders' Equity Regulation under paragraph 4 of the Shareholders' Equity Regulation, the written statement of the Board of Directors of the Bank's Board of Directors confirming that the said differences or changes

do not remove their quality of being the element of Tier 2 capital must be submitted to the BRSA within 5 business days following the date of issue of the debt instrument. Unless otherwise stated by the BRSA, the debt instrument is included in the Tier 2 capital calculation.

Pursuant to article 8 paragraph 7 of the Shareholders' Equity Regulation, debt instruments approved by the BRSA are included in the calculation of secondary capital as of the date of transfer to the Bank's records.

In accordance with Article 8, paragraph 8 of the Shareholders' Equity Regulation, the BRSA may introduce additional requirements for each debt instrument in addition to the requirements set out in paragraph 2 of the Shareholders' Equity Regulation.

Pursuant to Article 8, paragraph 9 of the Shareholders' Equity Regulation, debt instruments with a maturity of less than five years included in the calculation of Tier 2 capital are included in the calculation of Tier 2 capital by deducting twenty percent of each year.

1.9 Warranty provisions and information related to the warrantor:

None.

1.10 Information on whether share shall be paid to debt instruments:

None.

1.11 Specific provisions for conversion of shares:

None.

1.12 Specific provisions on exchangeable bonds:

None.

1.13 Specific provisions relating to the ability of being written-off:

In accordance with paragraph 8 (2) (g) of the Shareholders' Equity Regulation, bonds have the ability to being written-off. Pursuant to the related regulation, in case of the possibility of revoking the Bank's operating permit or transferring it to the SDIF within the framework of article 71 of the Banking Law due to the losses incurred; the Bank may delete the related Bonds from the records to the account of the relevant loss based on the BRSA's decision to be taken in this direction.

1.14 If it is capable of being written-off, the ability of being written-off fully or partially

This can be made fully or partially.

1.15 If it is capable of being written-off, the ability of being permanent or temporary

Permanent.

1.16 Information on the provisions of the legislation on the representation of the debt instrument holders and the organs through which this representation is made:

In accordance with the Turkish Commercial Code No. 6102 (“Turkish Commercial Code”), the bond holders do not have the right to represent that shareholder own depending on the share. They have no voting right in the General Assembly.

1.17 Information on rating grade related to the issuer or debt instrument issued, if applicable

Title of the rating agency	Date of rating note	Long-term national rating note	Long-Term FC	Whether it is at the level of investible**[1]
FITCH RATINGS	19.07.2019	AA (tur)	B +	No
	20.06.2019	AAA (tur)	BB-	No
	01.10.2018	AAA (tur)	BB-	No
	23.07.2018	AAA (tur)	BB	No
	09.06.2017	AAA (tur)	BBB-	No
	02.02.2017	AAA (tur)	BBB-	No
	25.08.2016	AAA (tur)	BBB	Yes
	10.06.2016	AAA (tur)	BBB	Yes
MOODY'S	18.06.2019	A1.tr	B3	No
	26.09.2018	Aa1.tr	B2	No
	28.08.2018	Aa1.tr	B1	No
	09.03.2018	Aa1.tr	Ba3	No
	21.03.2017	Aa1.tr	Ba2	No
	26.09.2016	Aa1.tr	Ba2	No
	11.05.2016	Aa1.tr	Baa3	Yes
JCR EURASIA RATINGS	11.06.2019	AAA (Trk)	BBB	Yes
	17.08.2018	AAA (Trk)	BBB	Yes
	12.06.2018	AAA (Trk)	BBB	Yes
	20.04.2017	AAA (Trk)	BBB	Yes
	06.04.2016	AAA (Trk)	BBB	Yes
	20.05.2015	AAA (Trk)	BBB	Yes
STANDARD & POOR'S	31.07.2019		B +	No
	08/17/2018		B +	No
	04/05/2018		BB-	No
	22/09/2017		BB	No
	31/01/2017		BB	No
	11/08/2016		BB	No
	07/22/2016		BB	No
	05/10/2016		BB +	Yes

The determination of whether the grades are at the level of investible is made according to the Long Term Foreign Currency ratings. There is no such assessment for the National ratings.

2. LOCATION of BONDS

2.1 Subordination

Bonds, in the event of liquidation of the Bank; grants their holder to collect the right of receivable before the debt instruments to be included in the additional Tier 1 capital calculation in accordance with the Shareholders' Equity Regulation, after the depositors and all other creditors.

Bonds (and payment requests to be made to the Issuer relevant to these) shall be the direct, unsecured and subordination obligations of the Issuer and, in the event that the Subordination State is fulfilled and as long as it continues, these obligations shall be listed as follows:

- (a) After payments within the scope of Senior Obligations,
- (b) on an equal order (*pari passu*) between each other and without the order of preference with all Parity Obligations, and
- (c) before all payments under the Junior Obligations.

In the event of any subordination occurring and as long as it continues, no payment shall be made under the Bonds until all Senior Obligations have been made.

2.2 No Set-off or Counterclaim

All payment obligations of Issuer under the Bonds and related to the Bonds shall be exercised without giving any Bond holder any right to exchange or counterclaim, regardless of whether the State of Subordination has occurred. Following the realization of a Subordination Event and as long as a Subordination Event continues and prior to the fulfillment of the payment obligations for Senior Obligations, no Bond holder shall be entitled to swap or counterclaim proceeds on the Receivables arising from Bonds and such Bond holders shall be deemed to have waived these rights.

2.3 No link to Derivative Transactions

The issuer shall (i) not associate its obligations under bonds any derivative transactions or derivative contracts resulting in a violation of Article 8 (2) (b) of the Shareholders' Equity Regulation pursuant to Article 8 (2) (c) of the Equity Regulation; and (ii) ensure that such obligations are not subject to any warranties or guarantees.

2.4 Description and interpretation

Under these Terms and Conditions:

"BRSA" refers to the Turkey's Banking Regulation and Supervision Agency or other state institutions in Turkey that has the highest bank inspection authority over the Issuer;

"Junior Obligations" refers to the liabilities that are consecutive or meant as consecutive under any circumstances according to the other payment liabilities of the Issuer under the Bonds or any class of share capital of the Issuer (ordinary shares and privileged shares) as well as all sorts of liabilities of the Issuer related to any security or other instruments

including the available or successive credits or debt instruments in the future (as specified under Article 7 of the Equity Regulation);

“*Parity Obligations*” refers to the other payment liabilities of the Issuer that are on an equal order (pari passu) or meant to be on equal order under any circumstances according to the other payment liabilities of the Issuer under the Bonds or any security or other instruments including the available or successive credits or debt instruments in the future (as specified under Article 7 of the Equity Regulation);

“*Senior Obligations*” refers to the current or future liabilities and other obligations of the Issuer other than (i) Bonds (ii) Parity-Obligations and (iii) Junior Obligations (including but not limited to (a) Senior Taxes, law-based privileges and other payments required by law (b) liabilities to depositors and trade creditors; and (c) liabilities to hedging and other financial instruments; and (d) collateralized liabilities);

“*Senior Taxes*” refer to any taxes, duties, funds, duties, customs duties or other similar deductions (including related interests and penalties) including, but not limited to the Banking and Insurance Transactions Tax included in Article 28 of the Expense Taxes Law No. 6802, withholding tax in the Council of Ministers Decisions No. 2011/1854 and No. 2010/1182, Corporate Tax Law No. 5520 and Law No. 5520. and Article 94 of the Income Tax Law no. 193, provisional Article 67, counter VAT that shall arise of according to the Value Added Tax Law no. 3065, Stamp Taxes established under the Stamp Tax Law No. 488, and anti-tax havens regulations and withholding taxes established under Corporate Tax Law no. 5520, Article 30 (7); and

“*Subordination Event*” means the distribution of the issuer's assets under termination or liquidation due to bankruptcy, insolvency, obligatory or voluntary restructuring of debt, or concordato or other similar provisions available under the Banking Law, Turkish Commercial Code or the Execution and Bankruptcy Act 2004.

3. INTEREST AND REDEMPTION

3.1 Maturity Start and Redemption Date of the Debt Instrument

The working day following the deadline of 8.10.2019 (9.10.2019), which is the last day of the demand collection, shall be the maturity start date for all investors participating in the issuance of debt instruments. The original maturity of the debt instrument is 3.651 days and if any early redemption does not exist, the final coupon interest and principal shall be paid at the end of the term.

3.2 Coupon payment dates and when interest shall be paid, deadline of payment

Coupon payments shall be made once in 3 months from the maturity date to the redemption date (including the date of redemption). Payments shall be made on the first business day following the holidays. The table with the coupon and principal payment dates is given below.

Coupon Payment Dates			
1 st Coupon	07.01.2020	21 st Coupon	07.01.2025
2 nd Coupon	07.04.2020	22 nd Coupon	07.04.2025
3 rd Coupon	07.07.2020	23 rd Coupon	07.07.2025
4 th Coupon	07.10.2020	24 th Coupon	07.10.2025
5 th Coupon	07.01.2021	25 th Coupon	07.01.2026
6 th Coupon	07.04.2021	26 th Coupon	07.04.2026
7 th Coupon	07.07.2021	27 th Coupon	07.07.2026
8 th Coupon	07.10.2021	28 th Coupon	07.10.2026
9 th Coupon	07.01.2022	29 th Coupon	07.01.2027
10 th Coupon	07.04.2022	30 th Coupon	07.04.2027
11 th Coupon	07.07.2022	31 st Coupon	07.07.2027
12 th Coupon	07.10.2022	32 nd Coupon	07.10.2027
13 th Coupon	07.01.2023	33 rd Coupon	07.01.2028
14 th Coupon	07.04.2023	34 th Coupon	07.04.2028
15 th Coupon	07.07.2023	35 th Coupon	07.07.2028
16 th Coupon	07.10.2023	36 th Coupon	07.10.2028
17 th Coupon	07.01.2024	37 th Coupon	07.01.2029
18 th Coupon	07.04.2024	38 th Coupon	07.04.2029
19 th Coupon	07.07.2024	39 th Coupon	07.07.2029
20 th Coupon	07.10.2024	40 th Coupon	07.10.2029

3.3 The indicator interest rate to which floating coupon rates of debt instrument are based on and with which method will coupon interest be calculated:

Bonds to be issued shall be issued at floating interest rates.

While determining the “Annualized Simple Coupon Ratio”, which shall be the basis for each coupon payment of the floating interest rate, once in 3-months coupon payment debt instrument; the ratio of BIST TLREF index announced one business day before the end date of the period to BIST TLREF index announced one business day before the period start date is taken into consideration in accordance with the following formula.

The Annualized Simple Coupon Rate shall be calculated by the following calculation method. The Coupon Rate shall be announced as 4 digits after the comma.

$$\text{Annualized Simple Coupon Ratio} = \frac{365}{\text{Number of Days of the Period}} \times \left(\frac{\text{BIST TLREF Index announced on the day before the end period}}{\text{BIST TLREF Index declared on the day before the start day of the period}} - 1 \right) + \text{Spread}$$

$$\text{Coupon interest rate} = \text{Coupon days} \times \frac{\text{Annualized Simple Coupon Rate}}{365}$$

3.4 Where the past performance of the benchmark interest rate can be tracked

Overnight repo transactions with same initial value and only TL denominated government bonds realized in Borsa Istanbul Repo-Reverse Repo Normal Orders Market are used for the calculations of the Turkish Lira Overnight Interest Rates index (“TLREF”)

Calculations are made on the days when BIST Repo-Reverse Repo Market is open. The value found as a result of the calculations made as described in the TLREF Turkish Lira Overnight Reference Interest Rate Rules document announced by Borsa Istanbul using the data as of 15:30 is announced via the BISTECH Data Broadcasting System at 15:50 on full business days and at 12:35 on half business days. The reports containing the calculated value are shared on “DataStore” (<http://datastore.borsaistanbul.com/>) and Borsa Istanbul website’s page of “Veriler/TLREF Verileri/BIST TLREF Endeksi” after 16:00 on full business days and after 12.45 on half business days.

BIST TLREF Index

BIST TLREF Index is calculated in order to follow the announced TLREF rate yield. Since the return of the declared TLREF rate for the calculation day of the index shall be obtained on the following business day, the index reflects the return on the next business day.

Detailed information about the calculations of the index can be found at the following address.

<https://www.borsaistanbul.com/docs/default-source/endeksler/turk-lirasi-gecelik-reference-faiz-orani-temel-kurallari.pdf?sfvrsn=12>

3.5 Extraordinary factors that may affect the benchmark interest rate and the correction rules of the interest rate:

Turkish Lira O/N Index (BIST TLREF) index is directly affected by the economic data such as growth, industrial production, inflation, budget balance, as well as the policies of the Turkish Treasury and the Ministry of Finance and the Central Bank. In case of market closure failures (public holidays, natural disasters, emergency, etc.) happen by reason of ordinary and extraordinary conditions that may affect the market due to public holiday and/or generally in Borsa Istanbul Repo-Reverse Repo Normal Orders Market where the indicator interest is calculated in the disclosure of the Turkish Lira O/N Index (BIST TLREF) as of the date of calculation, the latest TLREF index announced by Borsa Istanbul shall be retrospectively used in the calculations.

For detailed information on benchmark interest calculation, please visit <https://www.borsaistanbul.com/docs/default-source/endeksler/turk-lirasi-gecelik-resteri-faiz-orani-temel-kurallari.pdf?sfvrsn=10>.

In the event that the TLREF application is repealed and a new benchmark interest rate is used for the debt instrument to be issued, this interest rate shall be considered as the benchmark interest rate starting from the relevant date.

A calculation method and index value shall be used in line with the opinions of the relevant governmental institutions in case of problems in determining TLREF interest rates and calculating and announcing the BIST TLREF index.

3.6 By whom the interest rate that will be found by using the indicator interest shall be calculated:

The interest of the debt instruments shall be calculated by Türkiye Garanti Bankası A.Ş.

3.7 In case interest payments have a derivative character, information on how the value of the investment is affected by the value of the underlying instrument, in particular when the risks arise in a clear manner:

None.

3.8 Interest to be paid to the bonds if the bonds are charged off

If the bonds are charged off (as defined in Article 4.1 (Deletion of Bonds from the Records)),

i. If the bonds are completely deleted from the records, the date of deletion from the records (“Date of Deletion from Records”), (A) for the period elapsed as of latest interest payment date before the date of deletion from records (from the date of issuance if there is no interest payment date before this date) (including this date) to the date of deletion from the records (excluding this date) and (B) related to the outstanding nominal amount(s) that have not paid in this period; and

ii. If the bonds are partially deleted from the records, on the date of the first interest payment after the date of deletion from the records (“Partial Deletion from Records Interest Payment Date”), as much as the sum of the interest amount that is required to be paid in relation to the following (A) and (B) items:

A. for the period elapsed as of latest interest payment date before the date of deletion from records (from the date of issuance if there is no interest payment date before this date); and

B. for the period elapsed as of the date of deletion from records (including this date) to the next interest payment date from the date of partial deletion from records (excluding this date),

and in both cases, interest shall be paid regarding the nominal amount of the outstanding balance of the bonds for the relevant period(s).

3.9 Information on early redemption conditions in the event of early redemption depending on the request of the issuer or investor:

There is no early redemption option at the request of the investor. Other redemptions are listed below.

3.9.1 Redemption at Maturity

As stated below, each outstanding bond that has not been redeemed or purchased and canceled shall be redeemed by the Issuer at maturity over the outstanding principal amount then.

3.9.2 Redemption due to significant changes at Tax Laws and other regulations

A significant change that takes place at tax laws and other regulations to which the Bank is subject to may redeem the whole of Bonds that have not been paid yet (not to be some part of it) together with the current balance capital amounts over all interests (if required, under the applicable law) accrued and not to be paid till the date of redemption (except for the aforementioned date) at any time provided to be subject to the permission of BRSA by giving a notice (the said notice must be irrevocable and must specify the date determined for the redemption) to the owners of Bonds in advance not to be less than 30 days and more than 60

days in accordance with Article 9 (Notices), on the following interest payment date depending on the request of Issuer; provided to comply with the first three articles of 8 (2) (d) paragraph of the Shareholders' Equity Regulation as a result of an amendment executed after the maturity start date after application and official interpretation.

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

Issuer may redeem the whole of Bonds that have not been paid yet (not to be some part of it) together with the current relevant balance capital amounts over all interests (if required, under the applicable law) accrued and not to be paid till the date of early redemption (except for the aforementioned date) on the date of early redemption provided to be subject to the permission of BRSA by giving a notice (the said notice must be irrevocable) to the owners of Bonds in advance not to be less than 30 days and more than 60 days in accordance with Article 9 (Notices).

The issuer's early redemption option may be used at the earliest 5 years after the date of issue in accordance with paragraph 8 (2) (d) of the Equity Regulation, subject to the permission of the BRSA.

3.9.4 Redemption upon a Capital Disqualification Event

If a **Capital Disqualification Event** occurs at any time after the issuance date, the issuer may redeem the whole of Bonds that have not been paid yet (not to be some part of it) together with the current relevant balance capital amounts over all interests accrued and not to be paid till the date of early redemption (except for the aforementioned date) at any time provided to be subject to the permission of BRSA by giving a notice (the said notice must be irrevocable and must specify the date determined for the redemption and the aforementioned date must not be earlier than the day when the Bond (or the relevant part of this Bond) will not be suitable to be included in the secondary capital of the Issuer) to the owners of Bonds in advance not to be less than 30 days and more than 60 days in accordance with Article 9 (Notices).

For the purposes of this Article 3.9.4:

(a) "Capital Disqualification Event" shall refer to all or part of the total outstanding principal amount of outstanding Bonds is not eligible (will not be eligible) to be included in the Issuer's secondary capital as a result of a change confirmed in writing by the BRSA either at (i) applicable legislation (including the Regulation on Shareholders' Equity), or (ii) in the application or official interpretation of the applicable legislation; and

(b) "Tier 2 Capital" means supplementary capital regulated under Article 8 of the Shareholders' Equity Regulation.

3.10 Information on partial redemption conditions in the event of partial redemption:

None.

4. LOSS ABSORPTION UPON THE OCCURRENCE OF A NON-VIABILITY EVENT

4.1 Write-Down of the Bonds

If, at any time, the Non-Viability Event occurs, the Issuer shall:

(a) in proportion to (pro rata) other Bonds and all other Parity Loss-Absorbing Instruments; and

(b) (i) in respect of all junior absorbing Instruments (including Additional Tier 1 capital under the Regulation on Equity with the Communiqué on Shareholders' Equity), without the performance of the reduction and/or conversion of the principal amount to the principal amount to the maximum extent possible in accordance with the provisions of the instruments in question, and (ii) under Banking Law Article 71 and/or other legislation of the Republic of Turkey, within the frame of procedures and other measures regarding to be recompensed of the losses causing the state of Non_Viability event from all other Junior Obligations, in such a manner that the written-down (as defined below) shall not be performed without applying all Statutory Loss-Absorption Measures regarding to be recompensed of the losses causing the state of Non_Viability event of the Issuer from all Junior Obligations (including the Common Equity Tier 1 capital under the Regulation on Shareholders' Equity) to the maximum extent possible as permitted by the applicable legislation,

reduce the current balance capital amount of each outstanding Bond as much as the amount of the relevant write-down (any such reduction shall be named as "Write-Down" and shall be named "Written-Down" and "Writing-Down" accordingly).

In this context, the compensation of loss from all Junior Obligations to the maximum extent possible or under the other applicable legislation and to be written down of the Bonds in proportion to the other Parity Obligations must be taken into attention when determining the amount of Write-Down in order to provide the grades mentioned in Article 2.1 (Subordination) above.

The Issuer shall notify the event of Non-Viability to the Holders of Bonds in accordance with Article 9 (Notices) as soon as possible following the receipt of such notification from the BRSA. Failure to make such notification by the issuer or otherwise not to be given notice to the Bond holders shall not affect or invalidate the validity of write down in any way, or this deficiency shall not give the Bond holders any rights.

The State of Non-Viability Event may occur more than once, and Bonds may be written down multiple times by deducting the amount of the remaining principal amount at the time of write-down of each outstanding bond.

Bond holders have no rights against the Issuer with respect to the Amount of Bonds Written Down, and if the Bonds are completely written-down at any time, the Bonds shall be canceled following the payment of any outstanding interest that has been accrued till the date of Write-Down (excluding this date) and the owners of Bonds have no other rights against the Issuer regarding the Bonds.

4.2 Interpretation and Explanations

For the interpretation of Article 4 and other places where the expressions below are available:

“Junior Loss-Absorbing Instruments” means any Loss-Absorbing Instrument that is either in the capacity of a Junior Liability or representing a Junior Liability;

“Loss-Absorbing Instrument” means the Securities or other instruments or payment obligations (excluding the common stocks or other any instruments not including provisions regarding to be reduced of capital amount and/or to be converted into shares, but are subject to the Statutory Loss-Absorption Measures) including provisions regarding to be reduced of all or some part of capital amount and/or to be converted into shares upon the occurrence or performance of the Event of Non-Viability (in accordance with the provisions contained therein or otherwise);

“Non-Viability Event” means that Issuer is in such a situation that BRSA decides or may decide (a) to be cancelled or liquidated of official authorization of the Issuer or (b) to be transferred of the partnership rights of the Issuer’s shareholders except of dividend with the management and inspection of Issuer to SDIF provided that loss may reduce from the capital of existing partners due to the losses incurred by Issuer, in accordance with Article 71 of the Banking Law, as defined in Article 8 (2) (ğ) of the Shareholders' Equity Regulation and “Non-Viability Event” should be interpreted accordingly;

“Parity Loss-Absorbing Instruments” means any Loss-Absorbing Instrument that is either in the capacity of a Parity Liability or representing a Parity Liability”;

“SDIF” means the Savings Deposit Insurance Fund;

"Statutory Loss Absorption Measures" means the procedure and other measures that are similar under applicable legislation in Turkey regarding to be compensated of the losses causing the Non-Viability Event from the Junior Obligations and to be transferred of the partnership rights of the Issuer with the management and inspection of the Issuer to SDIF in accordance with the 71st Article of Banking Law No. 5411; and

“Write-Down Amount” means the amount of the outstanding principal amount of the Bond in question, which is written down at the date of deletion, in relation to an outstanding Bond and “Write-Down Amount“ shall be interpreted accordingly. This amount, which shall be determined as specified in Article 4.1 (write-down of bonds), may in any case be in full or in part in the amount of the principal balance, as specified by the BRSA in writing (including publication).

5. TAXATION PRINCIPLES

a) Fully Accountable Real Person

Interest Yield

Temporary Article 67 of the Income Tax Act (ITA), which was amended with the Law No. 6009, is applied for the interest yields obtained from the private sector bonds and financing bills issued as of 01.01.2006. Accordingly, interest income obtained by fully accountable real persons in this context is taxed by withholding tax at the rate of 10% by banks and intermediary institutions that act as intermediaries for such transactions. The withholding tax is the final tax. For this reason, the annual income statement is not given for such income by the fully accountable individual investors that receive interest income, and they are not included in the declaration to be given for other income.

In case interest income subject to withholding pursuant to ITA Provisional Article 67 is obtained within the scope of commercial activity, such income shall be included in the declaration regarding commercial gains as they shall be taxed in accordance with the

provisions of commercial income and if there is a tax paid by withholding pursuant to ITA Provisional Article 67, they are deducted from the calculated tax.

Trading Yield

Trading yields acquired from private sector bonds and financing bills issued after 01.01.2006 is subject to 10% withholding in appreciation gain within the scope of Temporary Article 67 of ITA. Withholding is made by banks and intermediary institutions which mediate the increase in value and is the final tax. Therefore, the annual income statement is not prepared for the yields of individual investors in this scope, and these revenues are not included in the return to be given for other income.

In case trading yields subject to withholding pursuant to ITA Provisional Article 67 is obtained within the scope of commercial activity, such income shall be included in the declaration regarding commercial gains as they shall be taxed in accordance with the provisions of commercial income and if there is a tax paid by withholding pursuant to ITA Provisional Article 67, they are deducted from the calculated tax.

b) Limited Taxpayer Real People

Interest Yield

The taxation of interest yields from corporate bonds and financial bonds issued in Turkey is made by the mediating bank and brokerage income as of January 1, 2006. Such interest income of limited taxpayer real persons is subject to 10% withholding tax starting from 1 October 2010 and withholding tax is the final tax. Therefore, individual investors with limited taxpayers do not submit a declaration for these revenues.

On the other hand; if there is a Double Taxation Treaty (DTT) signed between the Republic of Turkey (TR) and the country where a resident limited taxpayer of natural persons with residence certificate and if a lower tax rate or exemption has been predicted for the interest yield of such bonds and financial bonds, the investor must examine these agreements as these provisions have to be applied by the bank and stock brokers mediating this transaction.

Trading Yield

The taxation of trading yields from corporate bonds and financial bonds issued in Turkey by the bank and brokerage institution as of January 1, 2006 is subject to 10% withholding tax starting from 1 October 2010 under ITA Provisional Article 67. withholding is made by the bank and stock brokers mediating the trading yield and is the final tax. Therefore, individual investors with limited taxpayers acquiring trading yield do not submit a declaration for these revenues.

On the other hand; if there is a Double Taxation Treaty (DTT) signed between the Republic of Turkey (TR) and the country where a resident limited taxpayer of natural persons with residence certificate and if a lower tax rate or exemption has been predicted for the interest yield of such bonds and financial bonds, the investor must examine these agreements as these provisions have to be applied by the bank and stock brokers mediating this transaction.

c) Fully Accountable Legal Entity and Other Institutions

Interest Yield

Interest yields acquired from private sector bonds and financing bills issued as of January 1, 2006 by fully accountable legal entities are subject to withholding tax within the scope of ITA

Provisional Article 67 and tax rate income shall vary according to the legal structure of the legal entity or institution acquiring interest yield. Accordingly, the withholding rate is applied as 0% for legal entities that are designated as capital companies in the Corporate Tax Law (CTL), the funds subject to the regulation and supervision of the CMB, for those determined by the Ministry of Finance, which is similar to investment funds and investment trusts established in accordance with the Capital Markets Law from the taxpayers acting exclusively to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them; 10% for ones that are not included within this scope.

Interest income earned by fully accountable corporations is included in the corporate income and is subject to corporate tax at a rate of 22% in 2019 and 2020, and 20% in 2021 and subsequent years in accordance with the current legislation. If there are any taxes paid by withholding pursuant to the provisions of the Provisional Article 67 of the Income Tax Law, these taxes are deducted from the tax calculated in the declaration.

On the other hand, the entities that are accountable for Banking and Insurance Transaction Tax (BITT) acquiring private sector bond and finance bond interest are required to calculate 5% BITT over such revenues.

Trade Earnings

Trade gains obtained from private sector bonds and financing bills issued as of 01.01.2006 are subject to withholding in accordance with ITA Provisional Article 67 as appreciation gain. Withholding is made by banks and intermediary institutions that act as intermediaries trade earnings. The withholding rate shall vary according to the legal structure of the legal person or institution. Accordingly, the withholding rate is applied as 0% for legal entities that are designated as capital companies in the Corporate Tax Law (CTL), the funds subject to the regulation and supervision of the CMB, for those determined by the Ministry of Finance, which is similar to investment funds and investment trusts established in accordance with the Capital Markets Law from the taxpayers acting exclusively to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them; 10% for ones that are not included within this scope.

Trading yields earned by fully accountable corporations are included in the corporate income and are subject to corporate tax at a rate of 22% in 2019 and 2020, and 20% in 2021 and subsequent years in accordance with the current legislation. If there are any taxes paid by withholding pursuant to the provisions of the Provisional Article 67 of the Income Tax Law, these taxes are deducted from the tax calculated in the declaration.

On the other hand, the entities that are accountable for BITT acquiring trading yield from private sector bond and finance bills are required to calculate 5% BITT over such revenues.

As effective from December 29, 2010; BITT at the rate of 1% shall be calculated on the money received in favor by the BSMV taxpayer entities due to acquisition or disposal selling before maturity with the commitment of repurchase and sale of the private sector bonds issued in Turkish Lira domestic. However, 5% BSMV should be calculated by the BITT taxpayer entities over the revenues of the same scope due to private sector and bank financing bills with a maturity of less than 1 year.

d) Limited Taxpayer Legal Entity and Other Institutions

Interest Yield

Interest yields acquired from private sector bonds and financing bills issued as of January 1, 2006 by are subject to withholding tax within the scope of ITA Provisional Article 67 and withholding rate shall vary according to the legal structure of the legal entity or institution. Accordingly, the withholding rate is applied as 0% for legal entities that are designated as capital companies specified in the Corporate Tax Law (CTL), the foreign funds that have the similar characteristics with the funds subject to the regulation and supervision of the CMB, for those determined by the Ministry of Finance, which is similar to investment funds and investment trusts established in accordance with the Capital Markets Law No. 2499 from the taxpayers acting exclusively to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them (All of foreign investors such as limited liability partnerships, country funds, entity and institution funds and investment enterprises exclusively acting in Turkey to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them are considered as the investment funds and taxpayers that have the similar characteristics with the investment partnerships established according to the Capital Markets Law); 10% for ones that are not included within this scope.

The withholding is done by banks and intermediary institutions that mediate interest income and is the final tax. On the other hand; if there is a Double Taxation Treaty (DTT) signed between the Republic of Turkey (TR) and the country where a resident limited taxpayer of natural persons with residence certificate and if a lower tax rate or exemption has been predicted for the interest yield of such bonds and financial bonds, the investor must examine these agreements as these provisions have to be applied by the bank and stock brokers mediating this transaction.

Trading Yields

Trading yields acquired from private sector bonds and financing bills issued as of January 1, 2006 by are subject to withholding tax as appreciation gain within the scope of ITA Provisional Article 67. The withholding rate shall vary according to the legal structure of the legal entity or institution. Accordingly, the withholding rate is applied as 0% for legal entities that are designated as capital companies specified in the Corporate Tax Law (CTL), the foreign funds that have the similar characteristics with the funds subject to the regulation and supervision of the CMB, for those determined by the Ministry of Finance, which is similar to investment funds and investment trusts established in accordance with the Capital Markets Law No. 2499 from the taxpayers acting exclusively to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them (All of foreign investors such as limited liability partnerships, country funds, entity and institution funds and investment enterprises exclusively acting in Turkey to acquire securities and other capital market instrument returns and appreciation yields and operate in order to exercise the rights attached to them are considered as the investment funds and taxpayers that have the similar characteristics with the investment partnerships established according to the Capital Markets Law); 10% for ones that are not included within this scope.

The withholding is done by banks and intermediary institutions that mediate interest income and is the final tax.

On the other hand; if there is a Double Taxation Treaty (DTT) signed between the Republic of Turkey (TR) and the country where a resident limited taxpayer of legal entities and institutions with residence certificate, whose trading yields are subject to 10% withholding

and if a lower tax rate or exemption has been predicted for the interest yield of such bonds and financial bonds, the investor must examine these agreements as these provisions have to be applied by the bank and stock brokers mediating this transaction.

The President of the Republic is authorized to decrease down to zero separately and increase up to 15% the rates specified in the Temporary 67th Article of ITA for the gains acquired due to the return to the fund of the participation certificates of the investment funds, according to the structure of the fund, for each capital market instrument, earnings and revenue types and those who obtained them.

6. PAYMENTS

6.1 Interest and Principal Payment Methods

Issue shall be held in Turkey. The depository and payment institutions are Central Registry Agency (CRA) and Istanbul Settlement and Custody Bank Inc, respectively.

6.2 Payment Business Day

If the payment date of any amount relating to the bond is not a Payment Business Day, the holder of the Bond shall therefore not be entitled to payment until the next Payment Business Day in Istanbul and in this case may not be entitled to any other interest or other payment resulting from this delay.

For these purposes, “Payment Business Day” means any day in which commercial banks in Istanbul make payments and are open (except public holidays, Saturday and Sunday).

7. PRESCRIPTION

If the periodical performance of the debt instruments (interest payments) is not collected within 5 years and the bond value (principal payments) is not collected within a period of 5 years, they prescribe without prejudice to the provisions regarding the termination and tolling of prescription within the framework of Articles 146 and 147 of the Turkish Code of Obligations No. 6098.

8. EVENTS OF DEFAULT

If:

(a) the Issuer defaults on regarding any mature principal or interest payment related to the Bonds or any of the Bonds and if this event goes on 7 days for principal and 14 days for interest,

(b) an event of Subordination happens, or

(c) any competent court decides for the termination or liquidation of the Issuer (each “Event of Default”), the holder of any Bond:

(i) may require the determination of the bankruptcy or insolvency or any event of Subordination by starting legal proceedings for the Issuer or demand and proof the bankruptcy, dissolution and liquidation of the Issuer in case the situation cited above in (a) paragraph; and/or

(ii) may ask for the bankruptcy, dissolution and liquidation of the Issuer or the determination of these in case one of the situations cited above in (b) and (c) paragraphs,

but in any of these cases, the issuer may not make any further action for the payment of Issuer under the Bond and can only claim such payment requests in bankruptcy, dissolution and liquidation processes.

Subject to the provisions of Subordination referred to in Article 2.1 (Subordination) above, in the event of any of the circumstances or events referred to in paragraphs (b) and (c) above, the holder of any outstanding Bond shall notify to the Issuer that the aforementioned Bond becomes due and repayable and shall become due and repayable thereupon over all of its accrued and outstanding interest till the repayment date (except for the repayment date) together with the amount of the current outstanding principal.

Any Bond holder shall, at his/her discretion, is free to initiate proceedings and apply for other legal remedies against the Issuer regarding that any of the obligations, terms, commitments and provisions binding on the Issuer under this Bond (except for any principal or interest payment obligations relating to the Bonds without prejudice to the foregoing provisions) have not been implemented. However, the Issuer shall not be required to pay any amount before maturity depending to the initiation of these proceedings or legal remedies, except in the case of prior approval by the BRSA.

There is no legal remedy of the Bond Holders against the Issuer of the Bonds except of ones specified above, both in respect of any breach by the Issuer of any of the terms, obligations or commitments set forth under the Bonds or in respect of any default and for the payment of outstanding amounts of the Bonds.

9. NOTIFICATIONS

In accordance with the provisions of Communiqué II-15.1 on Special Events published in the Official Gazette dated 23.01.2014 and numbered 28891, all notifications to be made regarding the debt instruments shall be announced to investors via www.kap.org.tr.

10. APPLICABLE LAW PROVISIONS AND SUBMISSION TO JURISDICTION

10.1 Applicable Law Provisions

The relevant legislation of the Republic of Turkey shall be valid for all matters related to the Bonds.

10.2 Submission to Jurisdiction

Istanbul Central (Caglayan) Courts and Execution Offices shall have exclusive jurisdiction in resolving any disputes arising out of or relating to Bonds (including any disputes arising out of or relating to the Bonds other than the contractual obligations).